



# Report and Recommendation of the President to the Board of Directors

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## INTERNAL

Project Number: 55041-003  
May 2022

## Proposed Policy-Based Loan for Subprogram 2 People's Republic of Bangladesh: Strengthening Social Resilience Program

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 21 April 2022)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.0116
\$1.00	=	Tk86.2715

## ABBREVIATIONS

ACC	–	Anti-Corruption Commission
ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
IMF	–	International Monetary Fund
LCG	–	Local Consultation Group
MCBP	–	mother and child benefit program
MFS	–	mobile financial services
MIS	–	management information system
MODMR	–	Ministry of Disaster Management and Relief
MOF	–	Ministry of Finance
MOSW	–	Ministry of Social Welfare
MOWCA	–	Ministry of Children and Children Affairs
NFIS-B	–	National Financial Inclusion Strategy-Bangladesh
NSSS	–	National Social Security Strategy
NUHS	–	National Urban Health Strategy
OP	–	operational priority
P3F	–	post-program partnership framework
QR	–	Quick response
TA	–	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2022 ends on 30 June 2022.
- (ii) In this report, “\$” refers to United States dollars.

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## PROGRAM AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 55041-003	
<b>Project Name</b>	Strengthening Social Resilience Program (Subprogram 2)	<b>Department/Division</b>	SARD/SAHS
<b>Country</b>	Bangladesh	<b>Executing Agency</b>	Finance Division, Ministry of Finance
<b>Borrower</b>	People's Republic of Bangladesh		
<b>Country Economic Indicators</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=55041-003-CEI">https://www.adb.org/Documents/LinkedDocs/?id=55041-003-CEI</a>		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=55041-003-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=55041-003-PortAtaGlance</a>		
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ <b>Public sector management</b>	Social protection initiatives		130.000
<b>Finance</b>	Inclusive finance		75.000
<b>Health</b>	Health system development		45.000
		<b>Total</b>	<b>250.000</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information<sup>1</sup></b>	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ OP6: Strengthening governance and institutional capacity			
		<b>ADB Financing</b>	
		Adaptation (\$ million)	9.600
		Mitigation (\$ million)	0.000
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 1.3, 1.5		Gender Equity (GEN)	✓
SDG 2.1, 2.4			
SDG 3.8			
SDG 5.c			
SDG 8.10			
SDG 10.2			
SDG 13.a			
		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>4. Risk Categorization:</b>	Complex		
<b>5. Safeguard Categorization</b>	<b>Environment: C</b>	<b>Involuntary Resettlement: C</b>	<b>Indigenous Peoples: C</b>
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>250.000</b>	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan): Ordinary capital resources		250.000	
<b>Cofinancing</b>		<b>0.000</b>	
None		0.000	
<b>Counterpart</b>		<b>0.000</b>	
None		0.000	
<b>Total</b>		<b>250.000</b>	
<b>Currency of ADB Financing:</b> US Dollar			

<sup>1</sup> The project reduces greenhouse gas emissions. However, it does not fall under the eligibility criteria for climate mitigation finance as defined by the joint multilateral development bank methodology on tracking climate finance, which notes that not all activities that reduce greenhouse gases in the short term are eligible to be counted towards climate mitigation finance. Accordingly, greenfield fossil fuel projects are excluded, and climate mitigation finance is considered zero.





## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed policy-based loan to the People's Republic of Bangladesh for subprogram 2 of the Strengthening Social Resilience Program.

2. The proposed subprogram supports the Government of Bangladesh in strengthening the social resilience of Bangladesh's people. Aligned with the government's medium-term reform agenda on social protection, the program aims to accelerate reforms in increasing the coverage and efficiency of the protection, improving the financial inclusion of disadvantaged people, and strengthening the response to diversified protection needs.<sup>1</sup>

## II. PROGRAM AND RATIONALE

### A. Background and Development Constraints

3. **Programmatic approach and budget support.** The programmatic approach has been designed to support sequenced packages for the institutional and policy reforms that strengthen the inclusiveness and responsiveness of social protection in Bangladesh. The Board of Directors of the Asian Development Bank (ADB) approved the programmatic approach and a \$250 million loan for subprogram 1 on 18 June 2021.<sup>2</sup> Subprogram 1, consisting of 10 prior actions, has supported the government in establishing national policy frameworks and providing key policy guidance leading to subsequent reform actions. All prior actions completed in subprogram 1 have been maintained, with no reversals. Building on the subprogram 1 achievements, 11 policy actions under subprogram 2 aim to improve the administrative efficiency of the social protection system with better protection coverage, deepen the financial inclusion of disadvantaged people, and broaden the scope of protection.

4. **Socioeconomic conditions.** The coronavirus disease (COVID-19) pandemic significantly affected socioeconomic conditions in Bangladesh. The country's gross domestic product (GDP) grew by 3.4% in fiscal year (FY) 2020, a sharp decline from 7.9% in FY2019. To mitigate the pandemic's impact, the government introduced sizable stimulus packages in March 2020, including financial support for health workers, social protection, and employment generation. It announced additional stimulus packages in FY2021.<sup>3</sup> The stimulus packages helped the economy to rebound from early 2021 and attain a growth of 6.9% in FY2021. Global trade recovery and the COVID-19 vaccination program have also contributed to the strong economic recovery. The main downside risk in FY2022 is the reescalation of the COVID-19 infection rate in major advanced countries. Inflationary pressure from the ongoing oil and commodity price hikes on the back of Russian invasion of Ukraine is another downside risk to the economy, especially if it prolongs and strains the national petroleum corporation's reserve capacity.

5. Macroeconomic policies, including monetary and exchange rate policies, have been effective in ensuring external balance and price stability, and helped respond rapidly and flexibly

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<sup>1</sup> The policy design and monitoring framework is in Appendix 1.

<sup>2</sup> ADB. 2021. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Administration of Technical Assistance Grant to the People's Republic of Bangladesh for the Strengthening Social Resilience Program](#). Manila (accessible from the list of linked documents in Appendix 2).

<sup>3</sup> As of March 2022, the total amount of the government stimulus packages is \$22.1 billion, which include job creation activities in rural areas, working capital loans for tourism, and cash transfers to low-income people in urban areas.

to internal and external impacts of the COVID-19 pandemic. Fiscal policy has remained prudent to maintain the deficit at manageable levels. This, together with sound debt management practice, has kept Bangladesh at low risk of debt distress.<sup>4</sup> With the expected expansion in the global economy and supportive fiscal and monetary policies, strong economic growth is expected to maintain the recovery momentum at 6.9% in FY2022 and 7.1% in FY2023.<sup>5</sup> The general direction of macroeconomic conditions and policies is deemed satisfactory. The International Monetary Fund (IMF) 2021 Article IV consultation with Bangladesh indicated that the prompt and decisive policy response to the pandemic facilitated a faster recovery and that the economy is expected to continue to recover in FY2022, although uncertainty remains in the outlook.<sup>6</sup> The IMF suggested exercising fiscal prudence and maintaining a low risk of debt distress. Considering the importance of climate and disaster resilience in Bangladesh, the report welcomed the government's efforts at building resilience to climate change and disasters, including allocating budgetary support for climate adaptation and disaster risk reduction.

6. Bangladesh has made significant progress on poverty reduction with sound economic growth.<sup>7</sup> The population living on less than \$1.90 per day fell from 34.2% in 2000 to 5.9% in 2020.<sup>8</sup> However, a considerable number of people remain vulnerable.<sup>9</sup> Almost 30% of the population was still living under the poverty line of \$3.20 per day in 2020. The pandemic disproportionately hit those poor and vulnerable people. Containment measures to reduce infection rates resulted in simultaneous supply and demand shocks and caused significant job losses. The hardest hit were informal workers and vulnerable women. The loss of jobs and income among women persists.<sup>10</sup> Further, the loss of income worsened food insecurity of the poor. Disruption to supply chains has heightened food insecurity during earlier waves of the pandemic, and food price inflation constrained the poor's access to food.<sup>11</sup>

7. **Fragmented social protection and inefficient program management.** The social protection system in Bangladesh is fragmented, and its administration is inefficient as social protection programs have been developed mostly on an ad hoc basis.<sup>12</sup> Initially, the major focus was to help support the extremely poor in rural areas. Various types of programs were increasingly developed over time to meet specific needs.<sup>13</sup> As a result, the social protection system has grown, with many specialized protection programs managed under multiple ministries. Recognizing the need for harmonization, the government issued a directive under subprogram 1 to provide policy guidance for key ministries to consolidate the programs, which should be implemented by the ministries to progress with harmonization. The government also operationalized a management information system (MIS) for social protection budget administration under subprogram 1, which has digitalized the social protection budget management process. However, further integration of

<sup>4</sup> Debt Sustainability Analysis (accessible from the list of linked documents in Appendix 2).

<sup>5</sup> ADB. 2022. [Asian Development Outlook 2022: Mobilizing Taxes for Development](#). Manila. The government's forecast of gross domestic product is 7.2% in FY2022 and 7.5% in FY2023.

<sup>6</sup> IMF. 2022. [Bangladesh: 2021 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Bangladesh](#). *IMF Country Report*. No. 22/71. Washington, DC.

<sup>7</sup> Bangladesh's GDP grew by an annual average of more than 6% in 2012–2015, 7% in 2016–2018, and 8% in 2019.

<sup>8</sup> ADB estimated the headcount rate in 2020 by using simulated data derived from World Bank. [PovcalNet](#) (accessed 9 July 2021).

<sup>9</sup> Bangladesh defines vulnerable people as those having incomes above the national poverty line but below a level of 25% more, i.e., below 1.25 times the national poverty line.

<sup>10</sup> In addition, since the COVID-19 outbreak, time spent on unpaid care and domestic work has increased significantly for women and young girls. Women have also faced more gender-based violence.

<sup>11</sup> ADB. 2021. [Asian Development Outlook 2021 Update: Transforming Agriculture in Asia](#). Manila.

<sup>12</sup> Sector Assessment (Summary): Multisector (Social Protection) (accessible from the list of linked documents in Appendix 2).

<sup>13</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2015. [National Social Security Strategy \(NSSS\) of Bangladesh](#). Dhaka.

key administrative functions, such as beneficiary registration and verification, is required to attain better efficiency in social protection management.

8. **Limited protection.** The large number of social protection programs has resulted in limited protection coverage. To support many social protection programs, the budget allocation is insufficient for each program. Therefore, many programs could not cover all eligible beneficiaries.<sup>14</sup> To improve protection coverage, the government approved the allocation of the necessary budget for full coverage of eligible old people and widows in 150 high poverty-stricken *upazilas* (administrative units at the subdistrict level), supported by subprogram 1. However, more work needs to be done as the social protection system has not met the needs of vulnerable women, such as poor pregnant women, and the protection has been critically limited for the urban poor, who have been hard hit by COVID-19.

9. **Underdeveloped environment for deepening financial inclusion.** The poor and vulnerable have limited access to mobile financial services (MFS) for economic activities, despite the benefits of easier access and greater cost-effectiveness over traditional financial services. To realize the benefits of MFS for all, the government approved the National Financial Inclusion Strategy-Bangladesh (NFIS-B)<sup>15</sup> under subprogram 1 and eased the requirements for opening MFS retail accounts. MFS transactions have increased significantly, reaching a monthly average of Tk641.8 billion in 2021.<sup>16</sup> However, the usability and accessibility of MFS are still limited for economic activities such as paying for daily living expenses or operating microbusinesses. Many MFS account holders use their accounts simply to receive digital money (e.g., salaries and social protection benefits) and to cash out or transfer digital money to other people<sup>17</sup> as quick digital payment services (e.g., quick response [QR] code payment services) are still not available in many rural areas.<sup>18</sup> Conventional banks offering such services have not expanded to rural areas because of high operational costs in setting and maintaining the needed infrastructure and networks.

10. Even where the required infrastructure and networks are available, only a few small retailers and merchants accept digital payments because of the lack of pricing guidelines on electronic transactions. The absence of standardized charges for electronic transactions among service providers and banks has complicated the acceptance of digital payments among retailers and merchants. Such market conditions have discouraged service providers and banks from expanding electronic transactions, and deterred retailers and merchants from accepting digital payments. Many MFS users, particularly the poor and rural people, have not been able to use MFS for their daily economic activities, which critically limits the potential of MFS for expanding the economic and business opportunities of disadvantaged people.

11. **Inadequate response to diversified needs.** The current scope of social protection is narrow to meet diverse needs. The demands for protection have changed along with economic development, demographic transition, and urbanization. However, the social protection system still lacks a comprehensive view of protection needs against different risks throughout the life

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<sup>14</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Midterm Progress Review on Implementation of the National Social Security Strategy*. Dhaka.

<sup>15</sup> Government of Bangladesh. 2021. [National Financial Inclusion Strategy-Bangladesh \(NFIS-B\)](#). Dhaka.

<sup>16</sup> Bangladesh Bank, Statistics Department. [Branch Statistics Database \(accessed 23 March 2022\)](#).

<sup>17</sup> Such simple transactions account for more than 80% of total MFS transactions as of December 2021.

<sup>18</sup> For such digital payment services, digital payment devices (e.g., QR code readers) need to be deployed for the operation of services to process e-payments (i.e., merchant acquiring services). Merchant acquiring service providers are positioned between (i) retailers who accept e-payments, and (ii) banks that are linked to MFS account holders to settle the payment.

cycle from birth to old age.<sup>19</sup> The government also recognizes that health-related shocks could be devastating for the poor and vulnerable. Further, the COVID-19 pandemic has exposed the substantial social vulnerabilities and the need to strengthen the response to covariate health shocks, especially for the urban population.<sup>20</sup> The government approved the National Urban Health Strategy (NUHS) under subprogram 1.<sup>21</sup> However, health care support is still limited, particularly for the urban poor and the vulnerable.

12. Most of the social protection programs in Bangladesh are funded by the government and target the poor and vulnerable. The social protection system does not offer protection for the wider population, which is also subject to covariate shocks. Pooled financing for social protection, i.e., a contribution-based protection scheme, has not been sufficiently explored to augment government financing. Compared with social assistance, the introduction of contribution-based protection schemes requires wider social consensus and a detailed design for financial contributions and benefits. Under subprogram 1, the government issued a directive on cross-ministerial coordination action for the selection of a social insurance scheme to introduce a contribution-based protection scheme. The government still needs extensive consultations to form a consensus on the first contribution-based scheme that will be developed and operationalized.

13. **Need to respond to increasing climate risks.** While Bangladesh has social protection programs to respond to disasters and emergencies, they are oriented toward slow-onset seasonal hazards and targeted at the rural population (footnote 14). Social protection needs to be more adaptable to respond to sudden-onset events and the rapidly increasing urban population. Bangladesh is one of the most vulnerable countries in the world to natural hazards, with high exposure to floods, tropical cyclones, and drought. Climate change is projected to alter precipitation patterns with likely unprecedented extremes, increase in average temperature, and more severe tropical cyclones. The poor and vulnerable are highly exposed and vulnerable to natural hazards.<sup>22</sup> The effects of natural hazards include loss of household assets, disruption of livelihoods, and loss of income; and may lead to the poor adopting negative coping strategies regarding education, health, and livelihoods, which could affect their long-term well-being. Thus, social protection is critical to help the poor and vulnerable overcome disasters triggered by natural hazards and build resilience by linking social protection with financial inclusion and sustainable livelihoods.

14. **Strategic alignment.** The program is aligned with ADB's country partnership strategy for Bangladesh, 2021–2025, which prioritizes investment in human capital and social protection by increasing the quantity, quality, and inclusivity of essential services; improving human capital and employability, as well as enhancing social protection; and strengthening climate and disaster resilience.<sup>23</sup> The program helps the government attain inclusive and responsive social development in line with the national social protection strategy (footnote 13). It is also in line with ADB's Strategy 2030, particularly operational priority (OP) 1: addressing remaining poverty and

<sup>19</sup> For example, a poor pregnant woman faces risks not only to her own livelihood but also to the physical and cognitive development of her baby. Working-age people also face various risks, such as job insecurity and work-related health and injury risks. Older persons need support to mitigate the economic and social risks associated with aging and disability.

<sup>20</sup> Covariate shocks are shocks that affect entire communities or large parts of a population at the same time.

<sup>21</sup> Government of Bangladesh, Ministry of Health and Family Welfare, Health Services Division. 2021. *National Urban Health Strategy 2020*. Dhaka.

<sup>22</sup> Natural hazards have a greater negative impact on women and girls in terms of health-related consequences, higher rates of early marriage and dropout from schools, and loss of economic opportunities.

<sup>23</sup> ADB. 2021. [Country Partnership Strategy: Bangladesh, 2021–2025—Sustain Growth, Build Resilience, and Foster Inclusion](#). Manila.

reducing inequalities; OP2: accelerating progress in gender equality; OP3: tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; and OP6: strengthening governance and institutional capacity.<sup>24</sup>

## **B. Policy Reform, ADB's Value Addition, and Sustainability**

15. **Government reform agenda.** The government formulated the National Social Security Strategy (NSSS) in 2015 to present the long-term vision for building inclusive and responsive social protection by strengthening and coordinating social protection programs (footnote 13). The government underscores that the NSSS remains effective not only for tackling poverty but also for responding to disasters, including climate and disaster risks and pandemics.<sup>25</sup> The NSSS also identifies the medium-term reform agenda, including (i) the fragmented social protection administration, (ii) limited protection coverage, and (iii) the inadequate response to diversified needs. It also highlights the benefits of employing advanced financial and digital technologies to improve the financial inclusion of disadvantaged people, including poor women and rural people. The NSSS also stresses the life cycle approach to harmonize social protection programs and broaden the scope of social protection from the narrow safety net concept to meeting people's diversified needs. The life cycle approach not only addresses poverty but also mitigates the risk of falling into poverty at different life stages (footnote 13). For example, the life cycle approach considers maternal support to reduce the economic risks associated with pregnancy and early childhood, and support for older persons to mitigate the risks associated with old age and disability.

16. **Policy reform.** Aligned with the medium-term reform agenda of the NSSS, the policy actions of the program are instrumental to transition to a more comprehensive social protection system. Subprogram 2, consisting of 11 policy actions, has supported the government in accelerating the reforms to (i) improve the protection coverage and efficiency, (ii) improve the financial inclusion of disadvantaged people, and (iii) strengthen the response to life cycle social and health needs. The policy actions of subprogram 2 have been refined and updated to reflect the implementation of the reforms. Continuous in-depth policy dialogue with the government has led to strengthened policy actions in advancing gender responsiveness (policy actions 2.1, 2.2, and 2.4; para. 21); identifying a more advanced policy action to replace one already achieved (policy action 2.6; para. 23); and sharpening reform benefits for the vulnerable (policy action 2.9; para. 25). All prior actions of subprogram 2 have been completed.

17. **Reform area 1: Coverage and efficiency of social protection improved.** This reform area accelerates the government's initiatives in improving the administrative efficiency of social protection management and increasing the coverage of social protection. Under subprogram 1, the government digitalized social protection budget management. Under subprogram 2, an integrated registry system has been further operationalized by linking the social protection budget MIS, as the central system, with other existing systems, including (i) integrated budget and accounting system, (ii) line ministry MISs, (iii) the national identification system, and (iv) the government-to-person payment system. Hence, the integrated registry system supports the administrative functions of (i) beneficiary registration, (ii) beneficiary verification, (iii) allocation and verification of each program budget, and (iv) benefit payment processing (digital payments).

<sup>24</sup> ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

<sup>25</sup> Government of Bangladesh, Cabinet Division. 2022. *Action Plan for Implementation of National Social Security Strategy (NSSS) of Bangladesh, Phase II (2021–2026)*. Dhaka.



Through these policy actions under subprograms 1 and 2, the social protection administration is standardized and digitalized across cash-based programs.

18. Further, under subprogram 1, the Cabinet Division issued a directive on instruments to enhance the harmonization of the social protection programs, such as (i) consolidating programs that have similar objectives and target groups; (ii) consolidating small-scale programs; and (iii) coordinating program implementation and delivery of benefits as well as exchanging information on beneficiaries among programs, in case program consolidation is technically difficult because of differences in the program schemes. Based on the directive, three key ministries adopted and began implementing program harmonization policies to improve the efficiency of social protection program management, under subprogram 2.

19. First, the Ministry of Women and Children Affairs (MOWCA) consolidated two maternity allowance programs into the mother and child benefit program (MCBP) to avoid duplication and improve administrative efficiency.<sup>26</sup> Second, the Ministry of Social Welfare (MOSW) has specified programs for consolidation (two livelihood support programs for disadvantaged communities) to strengthen the protection inclusiveness and improve administrative efficiency.<sup>27</sup> Third, the Ministry of Disaster Management and Relief (MODMR) has specified programs for harmonization (four disaster relief–workfare programs) to avoid duplication and improve administrative efficiency.<sup>28</sup> Since the four programs provide different benefits (e.g., cash or in-kind benefits), it is technically difficult to consolidate them into one program. Therefore, based on the directive, the MODMR has specified a method to coordinate the program implementation and delivery, as well as the exchange of beneficiary information among the four programs, by strengthening its MIS. To respond to the impacts of disasters triggered by natural hazards—typically climate shocks such as cyclones and floods—these programs provide disaster relief support to the affected people. Improving the efficiency of such programs strengthens the timeliness of the response to affected people’s needs and helps reduce the impacts of disaster events.

20. To improve protection coverage, the government attained full coverage of eligible people under subprogram 1 for two key allowance programs in 150 poverty-stricken *upazilas*, benefiting more than 500,000 poor older persons and more than 400,000 poor widows.<sup>29</sup> Under subprogram 2, the government further focused on strengthening protection for the urban poor and disadvantaged women. The government has approved an increase in the volume of the open market sale program (additional 420,000 metric tons of rice and 138,000 metric tons of wheat), which provides subsidized grains particularly for the urban poor.<sup>30</sup> This helps address food security issues, which affected the urban poor significantly during the pandemic. The government has also approved an increase in the beneficiaries of the consolidated program (i.e., the MCBP)

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<sup>26</sup> The two programs—the maternity allowance program and the lactating mother allowance program—aimed to support vulnerable pregnant women and women with newborns. The maternity allowance program targeted the rural population while the lactating mother allowance program targeted the urban population.

<sup>27</sup> The two programs—the program for improving the livelihoods of the Bede community (the floating community) and the program for improving the livelihoods of marginalized communities—aimed to improve the livelihoods and social empowerment of disadvantaged people and communities through cash benefits, stipends, and training opportunities.

<sup>28</sup> The four programs are (i) Work for Food, (ii) Work for Cash, (iii) Test Relief, and (iv) the Employment Generation Program for the Poorest. Test Relief is a workfare disaster relief program that aims to reduce vulnerability related to the disaster- and climate change-related risks and food insecurity of the rural poor by providing in-kind benefits or generating seasonal employment for the rural poor. The Employment Generation Program for the Poorest provides employment support during the recovery phase in the affected areas.

<sup>29</sup> The government identified eligible people under two allowance programs (the old age allowance program; and the allowance for widows, deserted, and destitute women program) in 150 *upazilas*. The required budget has been allocated to cover all eligible beneficiaries under these programs.

<sup>30</sup> The originally allocated subsidized grains were 150,000 metric tons of rice and 371,600 metric tons of wheat.

to strengthen support for poor pregnant women and poor women with newborns, particularly mothers with disability and poor single mothers under subprogram 2.

21. Under subprogram 2, coordinated policy actions have advanced gender responsiveness. The integrated registry system specifies additional administrative functions (para. 17) and produces sex-disaggregated data on social protection expenditures. This capability of the integrated registry system contributes to gender-responsive monitoring and evidence-based evaluation of the social protection system in Bangladesh. Further, two policy actions have been coordinated: (i) two maternity-related allowance programs have been consolidated under MOWCA to reduce duplication among the two programs and improve the administrative efficiency (para. 19), and (ii) the coverage of the consolidated program (i.e., the MCBP) has been increased (para. 20). These coordinated policy actions support gender responsiveness, particularly for poor pregnant women and poor women with newborns, by reducing duplication, improving efficiency, and increasing the number of beneficiaries.

22. **Reform area 2: Financial inclusion of disadvantaged people improved.** This reform area focuses on creating an enabling environment for broader financial inclusion by (i) establishing a national strategy and institutional arrangements, (ii) removing constraints to MFS access, and (iii) improving policy conditions to enhance the use of MFS. Under subprogram 1, the government approved the NFIS-B to accelerate financial inclusion. Based on the approved NFIS-B (footnote 15), the government has operationalized under subprogram 2 the National Council of NFIS-B, chaired by the finance minister, to provide high-level political guidance and strategic direction in accelerating the NFIS-B implementation. The National Council of NFIS-B is responsible for achieving the NFIS-B goals, with approval authority on the action plans and directives for allocating resources to the agencies concerned. In addition, it evaluates the implementation progress of the NFIS-B. The implementation of the NFIS-B also helps strengthen climate resilience, since one of its goals is to deepen the financial inclusion of people affected by climate change.

23. Under subprogram 1, Bangladesh Bank eased the opening of MFS retail accounts and strengthened the e-transaction platform to improve the accessibility and usability of financial services by people who have not had access to conventional financial services. Under subprogram 2, the original policy action was to standardize MFS commission fees to improve access to MFS.<sup>31</sup> The standardization of commission fees has already been made effective by the Ministry of Finance (MOF). Moreover, the fees have been made free for social protection beneficiaries. Therefore, under subprogram 2, the policy action was replaced by an advanced policy action, i.e., improving access to a wider range of MFS especially in rural areas. Under the policy action, Bangladesh Bank issued the first no-objection certificate to a nonbank entity<sup>32</sup> to deploy digital payment devices (e.g., QR code readers) and operate services to process e-payments (footnote 18). The certificate requires the nonbank entity to deploy three devices to rural areas for every one device in urban areas to improve the range of accessible MFS in rural areas. The certified nonbank entity will focus on QR code services, which have lower operational costs than conventional banking services, to maintain services in rural areas. QR code services provide easy-access payment services for rural people, enabling them to use MFS for their daily economic activities.

24. To enhance the wider use of MFS, Bangladesh Bank also issued a pricing guideline on digital payment transactions to improve the MFS business environment under subprogram 2. The

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<sup>31</sup> The commission fee refers to the charges levied on MFS users to cash out digital money from their MFS accounts.

<sup>32</sup> A nonbank entity is not involved in any banking activities, such as savings or loans.

guideline standardized and further reduced the charges on transactions for digital payment transactions among service providers and banks. This policy substantially improved the MFS business environment for service providers and incentivized small merchants and retailers to accept digital payments (e.g., QR code payments). Increased number of small merchants and retailers, accepting digital payments, will enhance poor people to use MFS for their daily economic activities. The policy actions under subprogram 2 contributed to deepening the financial inclusion of rural and poor people in Bangladesh.

25. **Reform area 3: Response to life cycle social and health needs strengthened.** This reform area focuses on broadening the scope of protection from poverty relief to more diversified responses to social and health needs. Under subprogram 1, the NUHS was approved to provide a national strategy for strengthening urban health. Based on the NUHS, the government has reformed the Urban Health Coordination Committee under subprogram 2 by specifying the committee's responsibility and mechanism for supervision and cross-ministerial coordination for the NUHS implementation. Based on the NUHS, the government has also begun to operate mobile clinics in at least 10 city corporations under subprogram 2. This policy action has been strengthened from the original policy action by focusing on mobile clinics as effective means to provide health services for the urban poor and vulnerable groups such as the floating population in urban areas.

26. To ensure continued social protection reforms, the government approved and began implementing the new NSSS action plan, 2021–2026 (footnote 25) under subprogram 2. The action plan underscores the reforms based on the life cycle approach and sets milestones for key ministries. It also stresses on disaster-responsive protection and specifies the responsibility of the NSSS food and disaster response cluster to ensure food security and meet other basic needs of people affected by disasters such as cyclones and floods. The action plan also provides specific provisions targeting vulnerable and disadvantaged groups (e.g., third gender [*trityo lingo*] and persons with disabilities) to strengthen gender and social inclusiveness.<sup>33</sup>

27. To introduce a contribution-based protection scheme (a social insurance scheme), the Cabinet Division issued a directive under subprogram 1 that guided cross-ministerial coordination in selecting a type of social insurance scheme to be developed based on the national social insurance scheme framework. Under subprogram 2, the government has endorsed an employment injury insurance scheme to be pilot-tested and developed as an introduction of contribution-based protection scheme. The pilot will be conducted in the ready-made garment industry, considering its importance to Bangladesh's economy and the large proportion of female workers. Through the pilot, the government will examine adequate levels of contributions and benefits. It will also strengthen the knowledge and understanding of contributors and beneficiaries on the mechanisms and processes for the contribution-based protection scheme.

28. **Post-program partnership framework and sustainability.** Based on the new NSSS action plan (2021–2026) and NFIS-B, the government is committed to the continued reform of the social protection system and further strengthening financial inclusion, in close collaboration with development partners. The post-program partnership framework (P3F) aims to ensure the sustainability of the reforms initiated under the program and to strengthen policy dialogue on further social protection reforms. The P3F focuses on improvements to the social protection administration system, MFS active use, program harmonization, health service provision for the

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<sup>33</sup> Third gender or *trityo lingo* refers to an identity category for people classified male at birth who develop a feminine gender identity. *Trityo lingo* are part of South Asian cultural traditions and were granted legal status (enabling them to identify their gender as *trityo lingo* in all government's documents) in Bangladesh in 2013.



urban poor, and the introduction of a contribution-based protection scheme. These issues are aligned with the medium-term reform agenda of the NSSS. In line with the P3F, the attached technical assistance (TA) to the program supports progress monitoring of outcomes, continued policy dialogue, and capacity development on the reform agenda. Under the P3F, ADB will continuously carry out policy dialogue with key stakeholders, such as the Finance Division and the Cabinet Division, for further engagement in social protection in Bangladesh and for new program opportunities. Follow-on interventions may focus on expanding contribution-based protection schemes, enhancing program harmonization, and further upgrading the social protection and its governance systems. To ensure the financial sustainability of the reforms, the government has committed to expand the budget allocation for social protection from 1.2% of GDP in FY2019 to 2% by FY2025.<sup>34</sup> With ADB support, the government has also committed to strengthen domestic resource mobilization by increasing the revenue–GDP ratio to at least 10.4% and the tax–GDP ratio to 8.8% by December 2024, which will help meet the needs of social protection, other development, and recurrent expenditures in Bangladesh.<sup>35</sup>

29. **Lessons.** The COVID-19 pandemic has required immediate and timely actions to meet health, social, and financial needs, which has strengthened ADB’s engagement in social protection in Bangladesh. Aligned with the national stimulus packages, ADB has provided immediate financial support to help mitigate the impacts of the pandemic, focusing on social safety nets and job security, through a Countercyclical Support Facility for COVID-19 response.<sup>36</sup> The pandemic exposed significant weaknesses in the country’s social protection system and revealed the complexity of its reform, which requires a medium- to longer-term perspective. In designing the support for a longer term reform agenda, ADB applied several lessons from previous operations: (i) strong and high-level government ownership and commitment are needed to reform the cross-sector issues of social protection,<sup>37</sup> (ii) the reform process should be reasonably flexible to accommodate a longer-term social development horizon,<sup>38</sup> and (iii) a programmatic approach is an effective modality to help reform the social protection system in Bangladesh.<sup>39</sup>

30. **ADB’s value addition to program design and implementation.** The programmatic approach for social protection is timely in leveraging the pandemic experience as an opportunity to address weaknesses and strengthen the social protection capacity by focusing on the medium-term social protection reform agenda. For reform area 1, ADB supported (i) the analysis of linking an integrated registry system with other systems to ensure that key administrative functions are covered by the system, and (ii) an option analysis on expanding the coverage of the system, considering further program harmonization efforts that may result in changing the number of programs. The ongoing TA is supporting a detailed gap analysis to identify expected system enhancements for its sustainable operation.<sup>40</sup> The programmatic approach supported step-by-

<sup>34</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2020. [8th Five Year Plan, July 2020 to June 2025: Promoting Prosperity and Fostering Inclusiveness](#). Dhaka. The budget allocation excludes civil service pensions.

<sup>35</sup> ADB. 2021. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Technical Assistance Grant to the People’s Republic of Bangladesh for the Sustainable Economic Recovery Program](#). Manila.

<sup>36</sup> ADB. 2020. [Report and Recommendation of the President to the Board of Directors: Proposed Countercyclical Support Facility Loans and Technical Assistance Grant to the People’s Republic of Bangladesh for the COVID-19 Active Response and Expenditure Support Program](#). Manila.

<sup>37</sup> ADB. 2007. [Completion Report: Urban Primary Health Care Project in Bangladesh](#). Manila.

<sup>38</sup> ADB. 2014. [Completion Report: Second Urban Primary Health Care Project in Bangladesh](#). Manila.

<sup>39</sup> Independent Evaluation Department. 2021. [Country Assistance Program Evaluation: Bangladesh, 2011–2010](#). Manila: ADB.

<sup>40</sup> ADB. 2021. [Technical Assistance to the People’s Republic of Bangladesh for Strengthening Social Resilience Program](#). Manila.

step program harmonization considering the programs' purposes and modalities, and accelerated actions from the key ministries in specifying the programs and methods for harmonization in line with the directive issued under subprogram 1. This is the first program harmonization implemented since the NSSS identified it as a key reform agenda in 2015. For reform area 2, ADB has worked closely with the Bangladesh Bank to identify key constraints in rural areas and advance a policy action to improve access to wider MFS for daily economic activities. To ensure the achievement of the NFIS-B goals, the ongoing TA is helping to (i) formulate a financing strategy for NFIS-B implementation including a monitoring and evaluation framework, and (ii) strengthen the digital and financial literacy of disadvantaged people. Building on ADB's long-term partnership in urban health development in Bangladesh,<sup>41</sup> ADB supported the government in specifying concrete reform actions under reform area 3 to strengthen health care service provision for the urban poor, especially for floating people in urban areas, based on the NUHS approved under subprogram 1. ADB also helped facilitate interministerial coordination to identify an employment injury insurance scheme to be pilot-tested as an introduction to a contribution-based protection scheme. ADB will continue supporting the government in knowledge strengthening and consensus-building for a contribution-based protection scheme in Bangladesh.

31. **Development coordination.** The major development partners supporting social protection in Bangladesh are the United Kingdom's Foreign, Commonwealth and Development Office, the Japan International Cooperation Agency, Australia's Department of Foreign Affairs and Trade, European Union, the International Labour Organization, the United Nations Development Programme, and the World Bank. The financing and TA from these partners are mostly aligned with the NSSS (footnote 13). As a key partner, the World Bank has focused on leveraging the country system, strengthening government to person system, financing key protection programs, and enhancing earning opportunities. ADB has closely coordinated with key development partners to synergize support for the medium-term reform agenda of social protection. ADB engagement in social protection has strengthened the momentum for social protection reform agenda supported by development partners. The government also organizes regular high- and functional-level coordination and dialogue with development partners under the Local Consultation Group (LCG), a joint platform between the government and development partners. Sector and thematic working groups have been set up under the LCG. ADB has been involved in policy and development dialogue under LCG, as well as sectoral and thematic development dialogue under working groups on health, women's advancement and gender equality. ADB is also a member of the LCG working group on governance and social protection, led by the Cabinet Division, for the effective coordination on social protection reforms in line with the NSSS. ADB also conducts regular dialogue with the IMF to ensure the alignment with macroeconomic and fiscal assessments.

### C. Expected Outcome of the Reforms

32. The program is aligned with Bangladesh's overarching development objective of social social resilience of its people strengthened. The outcome is inclusiveness and responsiveness of social development improved. The program is *on track* in achieving the outcome targets. As of April 2022, the government has achieved full coverage of two protection programs in the 112 most

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<sup>41</sup> ADB. 2005. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to the People's Republic of Bangladesh for the Second Urban Primary Health Care Project](#). Manila; ADB. 2012. [Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Grant to the People's Republic of Bangladesh for the Urban Primary Health Care Services Delivery Project](#). Manila; and ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant for Additional Financing to the People's Republic of Bangladesh for the Urban Primary Health Care Services Delivery Project](#). Manila.

poverty-stricken *upazilas*. Further, the government has covered 90% of eligible older persons and 90% of eligible women under the two programs in 150 additional *upazilas*, and will fully achieve the target within 2022.<sup>42</sup> Progress is also *on track* for four other outcome indicators by June 2023, with the following status: (i) 65% of the social protection cash-based program benefits, including digital payments, has been managed under a standardized and integrated management system,<sup>43</sup> (ii) program harmonization action was completed under MOWCA and is in process under the MODMR and the MOSW, (iii) the number of active MFS accounts increased by 12.3% on average from 2020 to 2021, and (iv) an employment injury insurance pilot scheme is being finalized. To clearly capture the strengthened policy actions under subprogram 2, three additional outcome indicators (outcome indicators of b, e, and i in Appendix 1) have been included to measure gender responsiveness in social protection expenditures, and improvements in protection coverage for disadvantaged women and in health service provisions for the urban poor.

#### **D. Development Financing Needs and Budget Support**

33. The fiscal policy remains expansionary to mitigate the impacts of the COVID-19 pandemic. The stimulus packages totaled \$22.1 billion as of March 2022. The continued pandemic has widened the fiscal deficit from \$15.3 billion in FY2021, of which 63% was financed by domestic sources, to reach a projected \$24.4 billion in FY2022 (footnote 5). The government targets financing about 53% of the deficit (\$12.9 billion) from domestic sources in FY2022, with external sources expected to finance about 47% of the deficit (\$11.5 billion). As of March 2022, the government has received budget support totaling \$893 million from ADB, the Japan International Cooperation Agency, the Asian Infrastructure Investment Bank, the Export-Import Bank of Korea, and the OPEC Fund for International Development for FY2022. Additional development financing is needed to meet the financial needs for economic and social development under the continued pandemic. Subprogram 2 considers the government's financing needs, the availability of alternative financing, and debt sustainability, and it is expected to be provided in FY2022.

34. The government has requested a regular loan of \$250 million from ADB's ordinary capital resources to help finance the program. The loan will have a 15-year term, including a grace period of 3 years; an interest rate determined in accordance with ADB's Flexible Loan Product; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan agreement. Based on the straight-line method, the average maturity is 9.25 years, and there is no maturity premium payable to ADB.

#### **E. Implementation Arrangements**

35. The Finance Division of the MOF is the executing agency. The implementing agencies are the Cabinet Division, the Health Services Division, the MOSW, the MODMR, MOWCA, the Ministry of Food, the Ministry of Labour and Employment, Bangladesh Bank, and the Financial Institutions Divisions of the MOF. In addition, a program steering committee, chaired by the senior secretary of the Finance Division, MOF, has been established to ensure cross-ministerial coordination for the program implementation. A program monitoring committee has also been set up to monitor the program implementation. Members of these committees comprise representatives from the implementing agencies, the Directorate General of Health Services, the Local Government Division, and the Department of Social Services. The implementation period is from July 2021 to June 2022 for subprogram 2.<sup>44</sup> Subprogram 2 has a single tranche for

<sup>42</sup> There are 495 *upazilas* as of 2021. More than 50% of *upazilas* will attain the full coverage of those two programs.

<sup>43</sup> It is counted as 65% of the total Tk value of cash-based benefits.

<sup>44</sup> List of Ineligible Items (accessible from the list of linked documents in Appendix 2).

disbursement. The proceeds of the policy-based loan will be withdrawn following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

### III. DUE DILIGENCE

36. **Safeguards.** In line with the principles of ADB's Safeguard Policy Statement (2009), due diligence assessed the policy actions and confirmed no impacts for involuntary resettlement and tribes, minor races, ethnic sects, and communities;<sup>45</sup> and minimal potential impact on the environment as defined in the safeguard assessment matrix.<sup>46</sup> Subprogram 2 supports policy actions that will improve the inclusiveness and responsiveness of social development, so it is *category C* for environment, involuntary resettlement, and indigenous peoples safeguards. Investment activities prohibited under the Safeguard Policy Statement will be excluded.

37. **Economic.** The reforms supported by subprogram 2 to improve the efficiency and coverage of social protection are instrumental in accelerating Bangladesh's recovery from the COVID-19 pandemic, lowering the risks faced by the poor and vulnerable, and advancing efforts toward the country's attainment of the Sustainable Development Goals.<sup>47</sup> Consistent with international evidence, the focus of reform initiatives—on addressing administrative inefficiencies, promoting a more efficient and inclusive distribution of available financial and health-related benefits, and strengthening the financial inclusion of disadvantaged people—is expected to generate significant benefits through productivity and efficiency savings, avoidable costs, poverty reduction, and reduced inequality. Reinvestment of realized productivity and efficiency savings will facilitate ongoing financially sustainable, coordinated, and efficient social protection and health preparedness systems such that adverse effects of future economic and social losses are mitigated or avoided.

38. **Poverty.** Bangladesh has significantly reduced its extreme poverty. While this has lifted many people out of chronic poverty, a substantial number continue to sustain their lives by daywork and are highly vulnerable to shocks such as major illnesses and external events. The COVID-19 pandemic has hit the poor and vulnerable severely and has caused job losses and food insecurity. The poor have had to skip meals or reduce food intake because of loss of income. Further, disruption to supply chains has heightened food insecurity. Subprogram 2 helps improve the coverage of social protection with a positive impact on the poor and vulnerable, particularly poor pregnant women, poor women with newborns, and the urban poor. It also improves the efficiency of the social protection system by standardizing and digitalizing the administration system, which contributes to timely delivery of benefits to social protection beneficiaries. Subprogram 2 helps broaden opportunities for the poor and vulnerable to access MFS through a wider range of services, even in rural areas. It also helps strengthen urban primary health care services for the urban poor.

39. **Gender.** The program is categorized *gender equity*. Social protection is a critical driver of poverty reduction and for addressing gender inequalities and intersectional dimensions of exclusion and vulnerability based on age, disability, social identities, gender identities, geographic location, and income status. The program contributes to addressing gendered risks experienced

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<sup>45</sup> Groups or populations identified as indigenous peoples within the context of ADB's Safeguard Policy Statement is referred to in the report and recommendation of the President and its linked documents as tribes, minor races, ethnic sects, and communities.

<sup>46</sup> In improving the capacity of urban health facilities, vehicles will be used as mobile clinics to strengthen urban public health care provisions. These vehicles will be subject to regular maintenance and examination to comply with the government's environmental standards.

<sup>47</sup> Program Economic Assessment (accessible from the list of linked documents in Appendix 2).

by women and disadvantaged groups over the life cycle, helping them to cope with risks; recover from shocks, including the pandemic; and ultimately change to transform outcomes. The program will (i) increase access to services by expanding the MCBP to more than 160,000 women; (ii) deliver more than 60% of cash-based social protection benefits to women; (iii) address the gender gap in financial inclusion experienced by women and disadvantaged groups through broader access to MFS; and (iv) strengthen primary health care services for the urban poor by supporting the operation of 50 mobile clinics in 10 city corporations addressing the gendered needs of women, the working poor, and floating populations. The program will improve the administrative efficiency of social protection management through an MIS capable of producing sex-disaggregated data on social protection benefits to promote evidence-based and gender-responsive policy and programmatic decisions.

40. **Governance.** A governance risk assessment was completed in 2021, in line with ADB's Guidelines for Implementing the Second Governance and Anticorruption Plan.<sup>48</sup> The assessment noted that Bangladesh has improved public financial management, with effective fiscal measures, and has maintained public debt at sustainable levels. In addition, the digitalization of social protection management, including the administration of benefit payments, has helped improve the transparency and accountability of the government payment system in social protection. However, further improvement is needed—mainly in external oversight, treasury functions, legislative frameworks, and financial reporting. In addition, institutional capacity is weak in control and monitoring, and tax administration. Capacity building support is helping the government mitigate these weaknesses. The capacity of the Office of the Comptroller and Auditor General of Bangladesh has been strengthened to conduct audits of foreign-aided projects through the preparation of an audit manual, developed in line with the International Standards of Supreme Audit Institutions, as well as training for officers and auditors.<sup>49</sup> The governance risk assessment also indicated that internal auditing remains weak. The government is working to introduce an internal audit charter, guidelines, and risk-based audit procedures to strengthen the internal auditing function.<sup>50</sup> A new public expenditure and financial accountability assessment for Bangladesh is being conducted with ADB support, which will be the basis for updating the public financial management reform action plan to strengthen public financial management (footnote 36). To improve the performance in anticorruption efforts and strengthen the effectiveness of the Anti-Corruption Commission (ACC), ACC has prepared its ACC communication strategy and a long-term strategic plan. The ACC has also started a comprehensive training program for the focal points in ministries and divisions to institutionalize awareness and anticorruption initiatives. Major risks and mitigating measures are summarized in the table and described in detail in the risk assessment and risk management plan.<sup>51</sup>

#### Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
COVID-19 impacts are prolonged and more severe than expected, which may undermine economic recovery	The government has provided free COVID-19 vaccinations for all, prioritizing vulnerable populations, and introduced stimulus and mitigation measures, such as an increase in public expenditure and expanded social safety nets. It presents a medium-term economic recovery strategy in its 8th Five Year Plan. <sup>a</sup> Further, the

<sup>48</sup> ADB. 2008. [Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan \(GACAP II\)](#). Manila.

<sup>49</sup> ADB. 2018. [Technical Assistance to the People's Republic of Bangladesh for Capacity Building for Improving Portfolio Performance](#). Manila.

<sup>50</sup> World Bank. 2018. [Program Appraisal Document to the People's Republic of Bangladesh for a Strengthening Public Financial Management Program to Enable Service Delivery Program for Results](#). Washington, DC; and World Bank. 2020. [Project Performance Assessment Report: Bangladesh - Strengthening Public Expenditure Management Program—Strengthening Auditor General's Office](#). Washington, DC.

<sup>51</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigation Measures
and exacerbate the situation of poor and vulnerable people.	government has affirmed its commitment to strengthening social protection in the new National Social Security Strategy action plan. <sup>b</sup> The post-program partnership framework will help sustain the policy dialogue and reform momentum.
Weak internal and external auditing capacities may reduce the efficiency and accountability of government support programs.	The government is working to introduce an internal audit charter, guidelines, and risk-based audit procedures to strengthen the internal auditing function. <sup>c</sup> A new public expenditure and financial accountability assessment is being conducted, with ADB support, <sup>d</sup> which will be the basis for updating the public financial management reform action plan to strengthen the public financial management system in Bangladesh.
Limited capacity of line ministries may delay the progress of program harmonization.	Under the post-program partnership framework, continued policy dialogue will be conducted. The attached technical assistance also provides support for line ministries in strengthening their technical capacity, including relevant management information system operation.

ADB = Asian Development Bank, COVID-19 = coronavirus disease.

<sup>a</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2020. [8th Five Year Plan, July 2020 to June 2025: Promoting Prosperity and Fostering Inclusiveness](#). Dhaka.

<sup>b</sup> Government of Bangladesh, Cabinet Division. 2022. *Action Plan: National Social Security Strategy of Bangladesh, 2021–2026*. Dhaka.

<sup>c</sup> World Bank. 2018. [Program Appraisal Document to the People's Republic of Bangladesh for a Strengthening Public Financial Management Program to Enable Service Delivery Program for Results](#). Washington, DC; and World Bank. 2020. [Project Performance Assessment Report: Bangladesh - Strengthening Public Expenditure Management Program—Strengthening Auditor General's Office](#). Washington, DC.

<sup>d</sup> ADB. 2021. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Technical Assistance Grant to the People's Republic of Bangladesh for the Sustainable Economic Recovery Program](#). Manila.

Source: Asian Development Bank.

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

#### IV. ASSURANCES

42. The government has assured ADB that the implementation of the program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement, as described in detail in the draft loan agreement.

#### V. RECOMMENDATION

43. I am satisfied that the proposed policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$250,000,000 to the People's Republic of Bangladesh for subprogram 2 of the Strengthening Social Resilience Program, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's Flexible Loan Product; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Masatsugu Asakawa  
President

18 May 2022



## POLICY DESIGN AND MONITORING FRAMEWORK

<b>Country's Overarching Development Objective</b>			
Social resilience of people strengthened (National Social Security Strategy of Bangladesh, 2021–2025). <sup>a</sup>			
<b>Outcome</b>		<b>Risks and Critical Assumptions</b>	
Inclusiveness and responsiveness of social development improved.		R: COVID-19 impacts are prolonged and more severe than expected.	
<b>Prior Actions: Subprogram 1 Completed July 2020–June 2021</b>	<b>Prior Actions: Subprogram 2 July 2021–June 2022</b>	<b>Outcome Indicators</b>	<b>Post-program partnership framework July 2022–June 2024</b>
<b>Reform Area 1: Coverage and efficiency of social protection improved</b>			
<p>1.1. MOF operationalized the management information system for social protection budget administration to improve administrative efficiency (with sex-disaggregated data of beneficiaries).</p> <p>1.2. Cabinet Division issued a Directive on consolidation of social protection programs as the basis for cross-ministerial action.</p> <p>1.3. MOF approved to allocate budget for full coverage of eligible older people under the old age allowance program in 150 high poverty-stricken <i>upazilas</i> (administrative units at the subdistrict level).</p> <p>1.4. MOF approved to allocate budget for full coverage of eligible women under the allowance for widow, deserted and destitute women program in</p>	<p>2.1 The government operationalized an integrated registry system of social protection beneficiaries based on the social protection budget management system, linking to IBAS++ and G2P payment platform, to standardize and digitalize the administrative functions, including beneficiaries' registration, verification, budget allocation and benefit delivery (with sex-disaggregated data of beneficiaries).</p> <p>2.2 MOWCA, MOSW and MODMR adopted and commenced the implementation of respective policies on specific harmonization approach and programs to be consolidated to avoid duplication and improve the efficiency of social protection program management.<sup>c</sup></p> <p>2.3 MOF approved an increase in the volume of subsidized grains under the open market sale program (sale of subsidized grains for urban poor), effective</p>	<p><b>By June 2023:</b></p> <p>a. At least 80% of social protection programs with cash-based benefits managed under a standardized and integrated management system with connection to G2P<sup>m</sup> (2020 baseline: NA; As of 2021: 65%). (Source: MOF's social protection budget information and program monitoring reports)</p> <p>b. At least 60% of cash-based social protection benefits delivered to disadvantaged women<sup>n</sup> (2021 baseline: NA). (Source: program monitoring reports)</p> <p>c. Social protection program fragmentation reduced in at least three ministries<sup>o</sup> (2020 baseline: NA). (Source: NSSS review report and program monitoring reports)</p> <p>d. At least two social protection programs in at least 260 <i>upazilas</i></p>	<p>MOF sustains the operation of an integrated management information system (standardized and digitalized system) for social protection administration; and assesses further strengthening of the capacity of the integrated registry system.</p> <p>CMC under NSSS monitors the progress of program consolidation to evaluate the improvement in fragmentation of social protection programs.</p> <p>MOF and line ministries monitor the implementation of increased coverage of key social protection programs in high poverty-stricken <i>upazilas</i> to ensure the sustainability of improved coverage.</p>

Prior Actions: Subprogram 1 Completed July 2020–June 2021	Prior Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
150 high poverty-stricken <i>upazilas</i> .	<p>from 18 January 2022, to support basic needs of the urban poor.<sup>d</sup></p> <p>2.4 MOF approved an increase in coverage of the mother and child benefit program, effective from 9 December 2021, to strengthen support for disadvantaged women.<sup>e</sup></p> <p><u>Under transaction TA-BAN 4076<sup>f</sup></u></p> <ul style="list-style-type: none"> <li>• Knowledge of relevant ministries on social protection program consolidation improved.</li> <li>• Capacity of the government on monitoring and evaluation of social protection coverage improved.</li> <li>• Administrative capacity of the government on social protection program management under the integrated system strengthened.</li> </ul>	<p>achieved full coverage of eligible beneficiaries (2020 baseline: 110 <i>upazilas</i>; As of 2021: full coverage for 112 <i>upazilas</i> and 90% coverage for 150 <i>upazilas</i>). (Source: MOF's social protection budget information and program monitoring reports)</p> <p>e. At least 160,000 additional disadvantaged women covered by the mother and child benefit program (2021 baseline: 1.04 million disadvantaged women). (Source: program monitoring reports)</p> <p>f. At least 70% of the participants in seminars (sex-disaggregated data) reported increased knowledge on key protection issues, such as program consolidation, M&amp;E, and administration under the integrated system (2020 baseline: NA). (Source: Training consultant's report and survey of training participants)</p>	
<b>Reform Area 2: Financial inclusion of disadvantaged people improved</b>			
1.5. MOF approved the NFIS-B for submission to the Cabinet to address financial exclusion of the disadvantaged population, covering the poor and vulnerable women and men	2.5 The government operationalized the National Council of NFIS-B <sup>g</sup> for NFIS-B implementation to provide strategic directions and guidance, approve policy actions, and provide oversight in implementation of financial inclusion agenda. <sup>h</sup>	<p><b>By June 2023:</b></p> <p>g. The number of active MFS accounts increased annually by at least 5%, disaggregated by sex, and urban and rural (2020 baseline: 34.2 million [monthly</p>	Bangladesh Bank assesses the usability of MFS and acceptance of digital payments in the market to evaluate the level of financial inclusion



Prior Actions: Subprogram 1 Completed July 2020–June 2021	Prior Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
<p>1.6. Bangladesh Bank issued a circular on simplified documentation requirements for opening individual retail accounts to improve accessibility to financial services by individuals and microbusiness operators.</p> <p>1.7. Bangladesh Bank issued a circular on interoperable e-transactions to cover all banks and MFS providers to increase MFS transactions among personal users and enterprises.</p>	<p>2.6 Following the existing guideline on e-payment service processing, Bangladesh Bank issued the first no-objection certificate to a nonbank entity on the deployment of digital payment devices, such as QR code readers, to improve the accessibility to a wider range of MFS in rural areas.<sup>i</sup></p> <p>2.7 Bangladesh Bank issued a pricing guideline on electronic transactions of digital payments, effective from 18 October 2021, to promote wider acceptance of digital payments by retailers and merchants.</p> <p><u>Under transaction TA-BAN 4076<sup>f</sup></u></p> <ul style="list-style-type: none"> <li>• Capacity of the government to enhance MFS availability and utilization strengthened.</li> <li>• Capacity of the government on monitoring and evaluation of financial inclusion of disadvantaged people improved.</li> <li>• Knowledge on market behavior for MFS utilization and acceptance of digital payments improved.</li> </ul>	<p>average]; As of 2021: 38.4 million [monthly average]). (Source: Bangladesh Bank database)</p> <p>h. At least 70% of participants in seminars (sex-disaggregated data) reported increased knowledge on M&amp;E and MFS, such as market behavior, utilization, and digital payment acceptance (2020 baseline: NA). (Source: Training consultant's report and survey of training participants)</p>	<p>in the country by giving particular attention to the gender gap in financial inclusion.</p>
<b>Reform Area 3: Response to life cycle social and health needs strengthened</b>			
<p>1.8. MEFWD, MOHFW approved the policy guideline on public health and medical research, including infectious diseases,</p>	<p>2.8 The government reformed the UHCC by specifying its authority, responsibility, and coordination mechanisms,</p>	<p><b>By June 2023:</b></p>	<p>MOHFW monitors the implementation of mobile clinic operation and progress</p>

Prior Actions: Subprogram 1 Completed July 2020–June 2021	Prior Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
<p>to strengthen health preparedness for epidemics and pandemics.<sup>b</sup></p> <p>1.9. HSD, MOHFW approved the NUHS to strengthen the health response for the urban population, considering the differing health care needs of women and men.</p> <p>1.10. Cabinet Division issued a Directive on cross-ministerial coordination action for the selection of a type of social insurance and its scheme based on the NSIS framework.</p>	<p>effective from 25 November 2021, to oversee and supervise the cross-ministerial coordination for NUHS implementation.</p> <p>2.9 Based on the approved NUHS, with allocated budget, MOHFW commenced operation of mobile clinics in ten city corporations to strengthen the provision of health services for the urban poor and vulnerable groups, taking into account the different health care needs of women, men, and others.<sup>j</sup></p> <p>2.10 The government commenced the implementation of the new action plan of the NSSF (2021–2026) to provide the national plan for continued reforms in social protection and a framework of reform activities to be accomplished by line ministries, with specific provisions for addressing the gendered needs voiced by disadvantaged women and communities (e.g., Bede [floating communities], third gender [trityo lingo] and persons with disabilities).<sup>k</sup></p> <p>2.11 The government endorsed an employment injury insurance scheme to be piloted in ready-</p>	<p>i. At least 50 mobile clinics started operating in at least 10 city corporations (2021 baseline: 0). (Source: program monitoring reports)</p> <p>j. At least 1 pilot of social insurance scheme (contribution-based protection scheme) commenced<sup>p</sup> (2020 baseline: NA). (Source: NSSF review report and program monitoring reports)</p> <p>k. At least 70% of participants in seminars (sex-disaggregated data) reported increased knowledge on key issues, such as social insurance scheme, urban protection, and urban health care service improvement, and monitoring and evaluation (2020 baseline: NA). (Source: Training consultant's report and survey of training participants)</p>	<p>of improvement in health care provision for the urban poor.<sup>q</sup></p> <p>CMC under NSSF monitors and evaluates the preparation and progress of social insurance (contribution-based protection scheme) piloting.</p>

Prior Actions: Subprogram 1 Completed July 2020–June 2021	Prior Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
	<p>made garment industry and developed as an introduction of a contribution-based protection scheme in Bangladesh.<sup>1</sup></p> <p><u>Under transaction TA-BAN 4076<sup>f</sup></u></p> <ul style="list-style-type: none"> <li>• Knowledge of the government on improvement in urban health care services strengthened.</li> <li>• Capacity of the government on piloting of a social insurance strengthened.</li> <li>• Capacity of the government on monitoring and evaluation of health preparedness and response improved.</li> </ul>		

### Budget Support

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

JFPR: \$1.2 million (technical assistance grant)<sup>f</sup>

ADB = Asian Development Bank, ATM = automatic teller machine, CMC = central management committee, COVID-19 = coronavirus disease, G2P = government-to-person, HSD = Health Services Division, IBAS = integrated budget and accounting system, JFPR = Japan Fund for Prosperous and Resilient Asia and the Pacific, M&E = monitoring and evaluation, MEFWD = Medical Education and Family Welfare Division, MFS = mobile financial services, MODMR = Ministry of Disaster Management and Relief, MOF = Ministry of Finance, MOHFW = Ministry of Health and Family Welfare, MOSW = Ministry of Social Welfare, MOWCA = Ministry of Women and Children Affairs, NA = not applicable, NFIS-B = National Financial Inclusion Strategy of Bangladesh, NSIS = National Social Insurance Scheme, NSSS = National Social Security Strategy, NUHS = National Urban Health Strategy, P3F = post-program partnership framework, QR = quick response, TA = technical assistance, Tk = taka, UHCC = Urban Health Coordination Committee.

<sup>a</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2015. *National Social Security Strategy of Bangladesh*. Dhaka.

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

<sup>c</sup> Based on the policy, MOWCA has consolidated two key programs for vulnerable pregnant women and women with newborns: (i) the maternity allowance program and (ii) the lactating mother allowance program into one program (the mother and child benefit program). MOSW specified the consolidation of two key livelihood support for disadvantaged communities: (i) program for improving the livelihood of the Bede community (floating community) and (ii) program for improving the livelihood of the marginalized community. MODMR specified the harmonization of four major disaster relief-workfare programs: (i) the work for food, (ii) the work for cash, (iii) the test relief, and (iv) the employment generation program for the poorest. Since there are differences in the program schemes, it is technically difficult to consolidate these four programs into one. Therefore, MODMR has commenced strengthening the management information system to harmonize these programs by coordinating their implementation and exchanging the beneficiaries' information among the four programs. The policy action by MODMR also links to climate change adaptation as it contributes to the timely provision of relief support to affected people by disasters because of climate change.

<sup>d</sup> The original allocations were 150,000 metric tons of rice and 371,600 metric tons of wheat; and the volume of subsidized food is increased by an additional 420,000 metric tons of rice and 138,000 metric tons of wheat. This program provides subsidized grains to support food security. Therefore, the government closely monitors the market conditions of these grains to implement the program; and the needed volume of subsidized grains is determined in line with market conditions. This

increased volume of subsidized grains under the program is for FY2022; and based on the open market sale program scheme, the government will continue to allocate the subsidized grains in succeeding years to ensure food security for the poor.

- e The maternity allowance program and the lactating mother program were consolidated into the mother and child benefit program. The number of beneficiaries is increased by at least 160,000 disadvantaged women (baseline: 1.045 million). The program targets poor pregnant women and poor women with newborns.
- f The attached transaction technical assistance was approved with subprogram 1 and continues to be implemented from July 2021 to December 2023.
- g The National Council of NFIS-B is the institution at the ministerial level, chaired by the finance minister. Key approvals to be made by the National Council of NFIS-B in 2022 include the approval of the financing strategy for NFIS-B implementation and the monitoring and evaluation framework of NFIS-B implementation.
- h Policy action 2.5 links to climate change adaptation, as the implementation of NFIS-B helps strengthen climate resilience through deepening financial inclusion of people affected by climate change.
- i The existing Guidelines for White Label ATM and Merchant Acquiring Services was issued by Bangladesh Bank on 31 May 2021. This provides the guidelines for a nonbank entity on setting up the necessary infrastructure for merchant acquiring services particularly in rural areas. The certified nonbank entity is required to deploy about 1,000 digital devices in the first three years with three devices to rural areas for every one device in urban areas. The previous indicative policy action was that MOF will issue an updated circular on the standardization of MFS commission fees to further improve access to MFS of social protection beneficiaries. As the fees have been standardized and made free for social protection beneficiaries, it was replaced with policy action 2.6 to further advance the accessibility to a wider range of MFS in rural areas.
- j The mobile clinic targets the poor, factory workers, and floating people in urban areas. The expected health services are primary health care services, including reproductive services, such as antenatal care.
- k Aligned with the new action plan, program consolidation is being implemented by three key ministries: MOWCA, MOSW, and MODMR. Policy action 2.10 also links to climate change adaptation, as it strengthens the relief response to disaster-affected people through specifying the responsibility of the food and disaster response cluster.
- l The government (Ministry of Labour and Employment) will implement a pilot of the Employment Injury Scheme, which is expected to commence by June 2023.
- m It measures the coverage of cash-based social protection benefits under the system, i.e., 80% of total Tk values of cash-based benefits. The civil service pensions are excluded from the said benefits.
- n It is counted as 60% of the total Tk value of cash-based benefits. The civil service pensions are excluded from the said social protection benefits.
- o The program consolidation requires a long process for careful implementation to ensure the continued provision of benefits to eligible beneficiaries. The outcome indicator is to measure the improvement in administrative efficiency of social protection by reducing programs' fragmentation through consolidation in the three ministries. It assesses the commencement of the program consolidation and harmonization in each ministry, while progress on program consolidation will be monitored and assessed under the P3F.
- p The development of a social insurance scheme requires a lengthy process. Therefore, the outcome indicator targets the start of piloting the identified contribution-based protection scheme (social insurance scheme). The implementation of the piloting will be monitored and evaluated under the P3F.
- q Technical analysis on vulnerability and response to climate impacts would be also covered under P3F.

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

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=55041-003-3>

1. Loan Agreement
2. Sector Assessment (Summary): Multisector
3. Contribution to Strategy 2030 Operational Priorities
4. Development Coordination
5. International Monetary Fund Article IV Report<sup>1</sup>
6. Summary Poverty Reduction and Social Strategy
7. Program Economic Assessment
8. Risk Assessment and Risk Management Plan
9. List of Ineligible Items
10. Approved Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Administration of Technical Assistance Grant to the People's Republic of Bangladesh for the Strengthening Social Resilience Program


**Supplementary Documents**

11. Climate Change Assessment
12. Debt Sustainability Analysis


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<sup>1</sup> The International Monetary Fund (IMF) confirmed on 4 March 2022 that the attached IMF Article IV Report may serve as the IMF assessment letter.

## DEVELOPMENT POLICY LETTER



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



A H M Mustafa Kamal, FCA, MP  
Minister  
Ministry of Finance  
Government of the People's  
Republic of Bangladesh  
24 March 2022

**No: MF/Minister/2022/88**

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

**Subject: Strengthening Social Resilience Program, Subprogram 2**

**Dear President Asakawa,**

On behalf of the Government of the People's Republic of Bangladesh, we would like to thank the Asian Development Bank (ADB) for its continued support for our inclusive socio-economic development. This development policy letter elaborates our interest in obtaining a total of USD 250 million budget support loan under the Strengthening Social Resilience Program, Subprogram 2 to implement reforms aimed at helping Bangladesh improve inclusiveness and responsiveness of social development and to strengthen the social resilience.


Bangladesh economy grew impressively over the past decade, crossing the lower middle-income country threshold in 2015, and in February 2021 meeting the UN eligibility criteria to graduate from the Least Developed Country (LDC) status with expected graduation in 2026. However, the pandemic dealt a blow to Bangladesh's quest for rapid economic growth, as the growth rate sharply declined to 3.5% in fiscal year (FY) 2020, from 7.88% in FY 2019. With the timely stimulus packages and the recovery of global trade, the Bangladesh economy has begun to recover from FY2021; however, the expected economic growth in FY2022 still remains below the pre-pandemic level. Further, the pandemic disrupted supply chains and dampened domestic demand for manufacturing and services sector outputs. This led to lower tax collections; and fiscal deficit widened, in consequence. There were widespread job losses, including for women and other vulnerable groups. Food insecurity has also been increased for the poor and vulnerable. This has also meant a temporary rise in poverty, reversing the hard-earned gains in poverty reduction over the past decades.

To combat the pandemic's effects, protect lives and livelihoods, and trigger a quick economic recovery, we rolled out several measures, equaling USD 22.1 billion. These included strengthening health sector services, implementing fiscal stimulus package, expanding the social safety net and thus, increasing public expenditure. These timely measures helped contain the pandemic's spread and saved lives. These measures also created a favorable impact in terms of reviving economic activity and creating jobs. A

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turnaround is observed in domestic manufacturing and service sector activities with recovering export growth.

The policy matrix of the Strengthening Social Resilience Program, Subprogram 2 contains specific reforms, including those completed already and for which we have requested ADB's assistance. Policy actions under subprogram 2 has been implemented during July 2021 to June 2022. To attain the inclusive and responsive social development, building on the achievements of subprogram 1, subprogram 2 helps implement reforms in three areas: (i) improving efficiency and coverage of social protection, (ii) improving financial inclusion of disadvantaged people, and (iii) strengthening response to lifecycle social and health needs. Those reform areas are also aligned with the medium-term reform agenda of the National Social Security Strategy (NSSS).

Under subprogram 1, the Ministry of Finance operationalized the management information system (MIS) for social protection budget management. Under subprogram 2, by designing MIS as core of the functional linkages, the government has further established an integrated registry system that has been linked with the Integrated Budget and Accounting System (iBAS), the Government to Person (G2P) payment system, and MIS of line ministries. The integrated registry system covers the administrative functions of registration, verification, budget allocation, and benefits delivery of cash-based social protection programs. Therefore, the administration of the program implementation and benefits delivery is standardized and digitalized across the cash-based social protection programs, which significantly contributes to improving the efficiency in the social protection management.

Also, under subprogram 2, the government undertook a significant reform towards the social protection program harmonization through policy actions carried out by three key ministries, i.e., Ministry of Women and Children Affairs (MoWCA), Ministry of Social Welfare (MoSW), and Ministry of Disaster Management and Relief (MoDMR), based on the Cabinet Division's directive on program consolidation which was issued under subprogram 1. The program consolidation confirmed under subprogram 2 includes (i) consolidation of the Maternity Allowance Program and the Working Lactating Mother Allowance Program into the mother and child benefit program under MoWCA which helps improve health and nutrition status of poor mothers and their newborns by providing cash-benefits and training on knowledges of health and nutrition on pregnancy and newborns, (ii) decision to consolidate the program for Livelihood Development Program for Bede (Nomadic) Communities and the Program for Improving the Living Standard of Underprivileged Communities under MoSW which improves the livelihood and social empowerment of the marginalized people through providing cash-benefits, stipends, and training opportunities,

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and (iii) decision to harmonize major workfare-disaster relief programs under MoDMR, including the Food for Work (FFW), the cash for work , the Test Relief, and the Employment Generation Program for the Poorest, by coordinating program implementation, benefit delivery and exchanging information on beneficiaries of those programs under a MIS. The program consolidation and harmonization will help avoid duplication and improve efficiency in the social protection management.

Further, the social protection coverage has been improved significantly. Under subprogram 1, the Old Age Allowance program and the Allowance for Widow, Deserted and Destitute Women Program have achieved the full coverage of eligible elderly people and women in the poverty stricken 150 *upazilas*, which benefited more than 500,000 poor elderly and 400,000 disadvantaged women. Under subprogram 2, the government has further improved the coverage of social protection. It has approved the increase in coverage of two key social protection programs: (i) the Mother and Child Benefit Program (the consolidated program) increases at least additional 160,000 beneficiaries to strengthen supports for poor and disadvantaged pregnant women and women with newborns, and (ii) the Open Market Sale Program with additional 300,000 metric tons of subsidized rice and 100,000 metric tons of subsidized wheat to ensure the food security particularly for the urban poor.

To improve financial inclusion, the National Financial Inclusion Strategy Bangladesh (NFIS-B), approved under subprogram 1, provided the vision, roadmap, coordination mechanism, and monitoring and evaluation framework for financial inclusion. Based on the approved NFIS-B, under subprogram 2, the National Council of NFIS-B has been established to provide strategic directions, guidance and oversight in implementation of the NFIS-B, such as strengthening the payment systems and financial service delivery channels, upscaling digital financial services, and deepening financial inclusion of women, and underserved groups of people. To improve the accessibility to Mobile Financial Services (MFS), under subprogram 1, Bangladesh Bank has simplified requirements for opening of MFS retail accounts. To further deepen the financial inclusion, under subprogram 2, the original indicative policy action was to standardize the commission fees of MFS. Such standardization on the commission fee has been already achieved. Moreover, the fees have been made free for social protection beneficiaries. Therefore, the Bangladesh Bank further enhanced the accessibility to a wider range of MFS, including QR-code payment services, in rural areas by issuing a no-objection certificate to a non-bank operator to deploy digital points, such as QR code machines, for the operation of merchant acquiring services which are required for the digital payment services. Under the terms of the no-objection certificate, the certified non-bank operator must comply with the urban to rural deployment ratio as 1:3, to ensure to improve a range of accessible MFS in rural areas. In addition, to enhance a wider use of MFS, under



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subprogram 1, Bangladesh Bank adopted a system of interoperable transactions across banks and MFS providers to develop an enabling business environment for easing MFS transactions among business operators. Under subprogram 2, Bangladesh Bank has further improved the MFS business environment by providing the pricing guideline on digital payments among providers, including banks, payment service providers and MFS providers. The pricing guideline has standardized the pricing on digital payments and reduced the pricing level, which therefore promotes the acceptance of digital payments by small merchants and retailers.

Further, to strengthen the response to lifecycle social and health needs, the government undertook reforms in health preparedness and response and broadening the scope of protection in Bangladesh. To strengthen response to health needs of urban population, the National Urban Health Strategy (NUHS) was approved under subprogram 1 which provided a national strategic framework to strengthen urban health care service provision. Based on the NUHS, under subprogram 2, functions of the Urban Health Coordination Committee have been strengthened by specifying its responsibility and coordination mechanisms to supervise and facilitate the cross-ministerial coordination for the implementation of the NUHS. Under subprogram 2, the government further improves its capacity of the urban health care facilities and services by commencing operation of mobile clinics in city corporations to provide primary healthcare services for the floating people, the slum dwellers and industrial workers in urban areas.

Also, under subprogram 2, the government has approved the Action Plan of NSSS, Phase II (2021–2026) (the Action Plan) which highlights the continued reforms based on the lifecycle approach, and sets respective milestones for key ministries. It also highlights the disaster responsive protection, and assigns responsibility to the food and disaster response cluster of the NSSS, to ensure food security and meet other basic needs of people affected by disaster, such as cyclones and floods. The Action Plan further provides specific provisions targeting vulnerable and disadvantaged groups (e.g., transgenders [hijra] and disabled), such as gender focused action plan and strengthening protection for disadvantaged people, to strengthen the gender- and social inclusion aspects of social protection.

To broaden the scope of social protection, the Action Plan stresses the importance to introduce the contribution-based protection scheme. Under subprogram 1, the Cabinet Division issued the directive that provided the guidance on cross-ministerial coordination to select a type of social insurance and its scheme to be developed as a pilot social insurance scheme in Bangladesh. Under subprogram 2, the government has selected an employment injury insurance scheme to be developed as its first social insurance, i.e., contribution-based

