To maximize the impact of social protection (SP) programs, it is critical to: (1) align the allocation of resources with national policies and strategies; (2) design programs that are able to reach their intended beneficiaries with adequate coverage and level of benefits; (3) ensure efficiency in programming and financing; and (4) ensure efficiency in the actual delivery of programs at the local level. This policy note analyses the first point, namely the extent to which resources are allocated efficiently, in line with national strategies and priorities. It highlights areas where challenges remain and proposes policy reforms to address those (others are covered in other policy notes and in the main report).

In particular, this policy note discusses the importance of policy relevant categorization/classification of programs; gaps and challenges in resource allocation in respect to the needs of different demographic and socio-economic groups and/or in respect to functions SP programs are supposed to play. It proposes reforms which could address some of the challenges identified.
WHY IS IT IMPORTANT TO ALIGN THE CATEGORIZATION OF PROGRAMS WITH POLICY?

Policy making requires categorizations, which are commensurate with strategic directions. Social protection is a term, which can be used to describe a broad range of programs. The National Social Security Strategy (NSSS) of Bangladesh has a rather broad scope, covering what many define as safety nets or social assistance, as well as insurance against some risks (old-age for instance), programs addressing shocks, and interventions focused on employment or productivity. Over the past decade, the Finance Division (FD) has prepared a list of social protection programs financed by the national budget. So far, this list organizes programs into cash transfers, food security, micro-credit, development sector programs, and miscellaneous funds (and for many into sub-categories of social protection and social empowerment). While the list has already become an important tool for planning, both its scope and its categorization could be more aligned with the orientations laid out in the NSSS, to increase its impact on policy making. In addition, there are several programs which are included in the list but do not have SP attributes and also programs which have SP attributes but are not included in the FD list. Therefore, getting the list right is critically important not only for making efficient resource allocation (by government, development partners, NGOs) but also for other interested stakeholders (e.g. beneficiaries, CSOs, think tanks, Academia) who use the list. Considering the importance they play in the NSSS, we propose two typologies: a first in terms of program's beneficiaries (to follow the life-cycle approach) and a second in terms of the program's function (to reflect the distinctions between assistance, pension, employment, social services, shock-response functions, among others).

1) Classification of programs by functions

There are multiple ways to distinguish between functions. We propose to enrich the often-used distinction between social insurance, social assistance, and labor market support with additional categories that cover the various functions laid out in the NSSS:

1. Social insurance: Contributory old-age pension, linked to beneficiaries' employment and earnings.
2. Social assistance: Programs which support the poor and vulnerable, by transferring cash (allowances, public works, one-off), food, stipends, or a mix of benefits (emergency support).
3. Labor market interventions: Program focused on promoting earnings and productivity, promoting skills development, economic inclusion or “graduation”, or entrepreneurship.
4. Social care services: Broad range of services – from care for vulnerable children, the elderly or the disabled to various support services for vulnerable groups.
5. Community development: Community-level programs for infrastructure development and restoration.
6. General subsidies: Food and energy price subsidies put in place with a stated objective of poverty alleviation.
7. Technical assistance: Programs focused on delivery systems (policy, planning, budgeting, digitization, targeting, enrolment, payments, etc.).
SCOPe FOR GREATER ALIGNMENT BETWEEN DEMOGRAPHY AND EXPENDITURES

Over-spending on programs for the elderly

While children under 5 represent 9 percent of the population (and as much as 13 percent among the poor), they only receive 2 percent of age-specific spending (figure 1). On the other hand, the elderly represents 8 percent of the total population and receive 72 percent of expenditure. Within the old age category, nearly 90 percent of social protection benefits goes to about 14 percent of old-age beneficiaries (retired Government employees and Freedom Fighters). Overall, 36 percent of total social protection spending serves 0.45 percent of the country’s population. As Bangladesh is slowly aging, the long-term sustainability of social protection hinges on the fiscal sustainability of programs for the elderly.

Under investment in early childhood development

While they account for almost one in every eight poor persons in Bangladesh, only 1.6 percent of social protection expenditures are directed at young children (figure 1). This is particularly worrisome, as pregnancy and the first few years of life are so critical to cognitive development and later productivity. The importance of investments in this age group has been underlined in the NSSS, and is the object of concerted efforts to develop and adopt uniform principles of design for a comprehensive Child Benefit Program. To this end, coordinated intervention across various government agencies working with the young children is critical.

Figure 1: Distribution of social protection expenditure (FY2013-14 to FY2017-18) across life-cycle

Source: United Nations, 2019, for share in population; authors’ estimates for share in poor (based on HIES 2016); and authors’ analysis for expenditure, based on program/project expenditure data from Integrated Budget and Accounting System (IBAS), Comptroller General of Accounts (CGA).

Note: Shares of expenditures by age-group excludes allocations to households and persons with disabilities.
Weak support for working age and youth could limit Bangladesh’ demographic dividend

While programming for primary school age has reached higher coverage, challenges remain around the transition to secondary school, especially for girls, as well as around the quality of learning. To foster progress for students from poor or vulnerable households, it will be essential to target the more costly secondary-level interventions.

The working age represent 56 percent of the total population, but only 13 percent of age-specific programs (figure 1). Though increasing, this remains limited, despite increased emphasis on the “ladder approach”. For Bangladesh to take advantage of the demographic dividend, it is essential for working age adults to be productively engaged and invest in their human, financial and physical capital. However, despite the growing demands in urban areas in Bangladesh, both economic inclusion and entrepreneurship/startup programs (targeted to the youth and working age) tend to be more focused on rural areas. Also, the COVID-19 has already demonstrated how vulnerable the youth and adults are in urban areas.

Investments remain limited for programs focused on households affected by shocks

Actual expenditure on such social protection programs have increased, but they represent only 3 percent of total. Also, most programs have a rural focus, and are not prepared for shocks which impact urban households, such as the COVID-19 pandemic. To ensure an efficient response, it is critical to build on the Government’s largest programs, and ensure they have mechanisms or systems in place that allow them to contribute to responding to shocks.

SOME OF THE FUNCTIONS IDENTIFIED IN THE NSSS ARE NOT CURRENTLY FULLY MET

Social insurance occupies the lion’s share and has been increasing

In relative terms, the share of pensions for retired government officials increased from 30 percent up to 43 percent in FY2016-17, before decreasing to 37 percent in the budget of FY2019-20 (figure 2). The increase and fluctuation are partly linked to recent reforms. When considering the number of beneficiaries, though, around 715,000 in FY2018-19, social insurance is the function that is most costly per beneficiary.

![Figure 2: Share of Social Protection expenditure by category](source: Authors’ estimates based on budget and revised budget data, Finance Division; and expenditure data, CGA.)
Social assistance is largely in place, with a relative increase in cash transfers

The share of resources devoted to social assistance has been quite steady between FY2013-14 and FY2019-20, reaching amounts at par with those dedicated to social insurance. Looking at the different types of social assistance programs – cash, food, stipends and mix – shows an evolution towards cash transfer programs, including public works (more than 65 percent by FY2019-20) (figure 3). Stipends have also expanded. Conversely, the share of food-based programs decreased to 19 percent by FY2019-20, consistent with the NSSS. However, only about 11 percent of social assistance programs dedicated for urban households, leaving the country ill-prepared in the wake of increased urbanization.iv

Despite recent increases, labor market interventions that provide “ladders” remain very limited to date

While they have increased in absolute terms over the years (doubling from BDT 23 billion (US$ 292 million) in FY2013-14 to BDT 46 billion (US$ 559 million) in FY2017-18), these programs only represent between 8 and 13 percent of total social protection expenditure (figure 2). Programs tend to be rather small – only 7 programs have budgets over BDT 2 billion (about US$ 24 million) in FY2019-20. Few focus on vocational or technical skills development, mostly in urban areas. Economic inclusion programs are more numerous and dominate this category (65-80 percent of the total) but are mostly very small and short-lived.

**Figure 3: Composition of expenditures on social assistance**

Source: Authors’ estimates based on budget and revised budget data, Finance Division; and expenditure data, CGA.
RECOMMENDATIONS

• **Strengthen the categorization of social protection programs to better inform policies, resource allocation, reporting and monitoring.** It would be instrumental to revise the list of programs considered as SP and systematically classify all these programs and projects (building on the list produced by Finance Division (FD)) along policy-relevant typologies. These could be organized by lifecycle risks and functions of programs. In order to inform policies and budgeting, it is essential to use the selected typologies in the Budget and Accounting Classification System (BACS) and iBAS++ and other management information systems.

• **Better align expenditure with demography.** Allocate in line with the number of poor in different categories, or the role of the program in breaking the intergenerational transfer of poverty: (i) investment on pregnant mothers and early childhood in order to make good use of the window of opportunity of early years, to address the stunting and to build the work force of the future by improving nutrition and cognitive development; (ii) enhance behavioral interventions to prevent secondary school drop-out for girls; (iii) increase programming for working age adults to promote graduation from poverty.

• **Set up mechanisms and financing for shock-responsive programs.** Ensuring regular programs are flexible or responsive to shocks or scaling-up shock-specific programs in times of crisis is essential. A balanced financing strategy can help ensure timeliness in responding to shocks, like COVID-19 pandemic, in an efficient and cost-effective manner. Financing for disaster-response on the basis of weather forecasts and simulations can increase predictability in post-disaster spending, reduce the cost of financing by combining different instruments (mixing budget, insurance, contingency financing, lines of credit, etc.), and minimize inefficiencies due to underutilization of allocations.

• **Increase the scale and scope of labor market interventions, including economic inclusion (or “ladder”) programs.** Deploy a streamlined model that can be scaled-up to capitalize on the demographic dividend, both in rural and urban areas, with a focus on youth and women.

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3 Here we present only one option on how to classify programs following the ‘life-cycle’, other options are also possible.