

Implementing National Social Insurance Scheme (NSIS) in Bangladesh

Role of the Social Insurance Forum



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Highlights

- The formulation of the National Social Security Strategy (NSSS) and Action Plans emphasises Bangladesh's commitment to reforming its social protection framework comprehensively.
- Under the NSSS, the National Social Insurance Scheme (NSIS) aimed at extending coverage to formal workers and bridging gaps in existing social protection programmes, thereby enhancing the overall social security framework.
- Despite the commencement of this initiative in 2015, ministries are still in initial stages of implementing social insurance schemes, indicating there are challenges in the early phase of development and the necessity for further initiatives.
- Understanding the implementation, a platform titled 'Social Insurance Forum (SIF)' was established to address existing conceptual, legal, institutional, and operational gaps, to foster stakeholder consensus, and to monitor progress in the implementation process of social insurance in Bangladesh.
- This brief summarises the main takeaways and discussions from the inaugural Social Insurance Forum (SIF) event titled 'Inception of Social Insurance Forum in Bangladesh,' held on January 25, 2024. The forum focused on reviewing the commitments outlined for each ministry within the National Social Security Strategy (NSSS) document.

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1. Introduction

The Government of Bangladesh is advancing social security reforms in alignment with the National Social Security Strategy (NSSS) of 2015. As an integral part of the NSSS, two Action Plans have been formulated—the first covering the period from 2016 to 2021 (Phase I) and the second extending from 2021 to 2026 (Phase II). The NSSS goes beyond traditional safety nets, incorporating employment policies and social insurance to address the country's complex realities. Bangladesh, as a rapidly industrialising middle-income country, faces the challenge of providing adequate social security for its expanding urban population. This often formally employed workforce lacks essential social insurance programmes, providing safeguards against multiple risks along the life-cycle such as sickness and unemployment insurance as well as old-age pensions. Therefore, the NSSS signals a departure from the prevailing discretionary approach towards a targeted universal methodology for selected interventions, mitigating leakages and addressing issues of low coverage.

Social protection, also called social security, is the set of policies aiming to prevent and reduce poverty as well as vulnerability to various risks at different stages of the life cycle. Social protection encompasses benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors and health protection. In addition to these idiosyncratic life-cycle-related risks that affect individual persons and/or individual households, social protection also addresses covariate (large-scale) risks caused by conflict, climate change and other shocks that impact entire communities and regions.

Social protection systems address all these risks through a combination of tax-financed, non-contributory benefits (social assistance) and contributory schemes (social insurance). Active and passive labour market policies, such as job training for unemployed workers and minimum wage legislation, are also classified as social protection policies. Social assistance is defined as the provision of benefits financed by general government revenues rather than by individual contributions, with benefits adjusted to the specific needs of the individual. Benefits may be provided in cash or in kind, examples being direct cash transfers and free school meals.

Social insurance programmes are funded by individual contributions paid in regular intervals. Different social insurance schemes cover risks such as sickness, employment injury and disability, unemployment, old age poverty and maternity-related health services. Social insurance

systems are usually based on formal employment and, depending on the scheme, contributions may be shared between employers and employees (e.g. health insurance, unemployment insurance, old-age pensions) or paid entirely by the employers (employment injury insurance).

The NSSS advocates for social insurance (SI) as a vital part of social protection in Bangladesh, as ingrained in Article 15 (d) of the constitution. Initially, for formal workers, the NSSS's National Social Insurance Scheme (NSIS) is set to broaden its coverage. According to Action Plan I, the NSIS encompasses social insurance programmes on unemployment, employment injury, sickness and maternity, as well as a voluntary old-age pension system. It serves as a complementary force to existing social assistance and labour market protection programmes, effectively addressing diverse (idiosyncratic and life-cycle related) risks and affected groups while concurrently alleviating the fiscal burden on the government through the social insurance funding model based on employer and employee contributions.

Despite clear indications to implement a social insurance system in Bangladesh, little progress has been made so far. Implementing such a system requires extensive co-ordination among legal, organisational, and operational actions. To expedite the co-ordination process, the Centre for Policy Dialogue (CPD), in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Bangladesh has undertaken a project titled 'Establishing Social Insurance Forum (SIF): A Platform for Discussion on Implementing NSIS'. In the inception programme of this project, a baseline review of the implementation process of social insurance as per NSIS was discussed to understand the roles and responsibilities of each stakeholder, assess institutional progress in the field of social insurance, and recognise those entities that have made notable advancements.

This policy brief aims to advocate for a platform to foster a shared consensus among policymakers, government officials, experts, and stakeholders, all of whom play a crucial role in shaping effective social insurance policies.

2. National Social Insurance Scheme (NSIS) under the National Social Security Strategy (NSSS)

The Action Plan explicitly defines some thematic clusters to emphasise introducing appropriate frameworks for social security programmes, and the Social Insurance Cluster stands prominently among them. The primary objective of the Social Insurance Cluster is to create essential legal frameworks and organisational capacities to implement the National Social Insurance Scheme (NSIS) effectively.

While different countries adopt varying models for social insurance, the NSSS Action Plan Phase II mentions two social insurance models, namely the Bismarck¹ and Beveridge² models. Rather than delving into the specification and selection of these models, the Action Plan defines social insurance as a contributory scheme with a trust fund and statutory authority. It positions social insurance as a vital tool for protecting working-age individuals, initially focusing on those in the formal sector and with intentions to expand coverage to the informal sector. Ultimately, the Action Plan grants discretion to the Social Insurance Cluster and the Central Management Committee (CMC)³ to finalise the framework and components of social insurance.

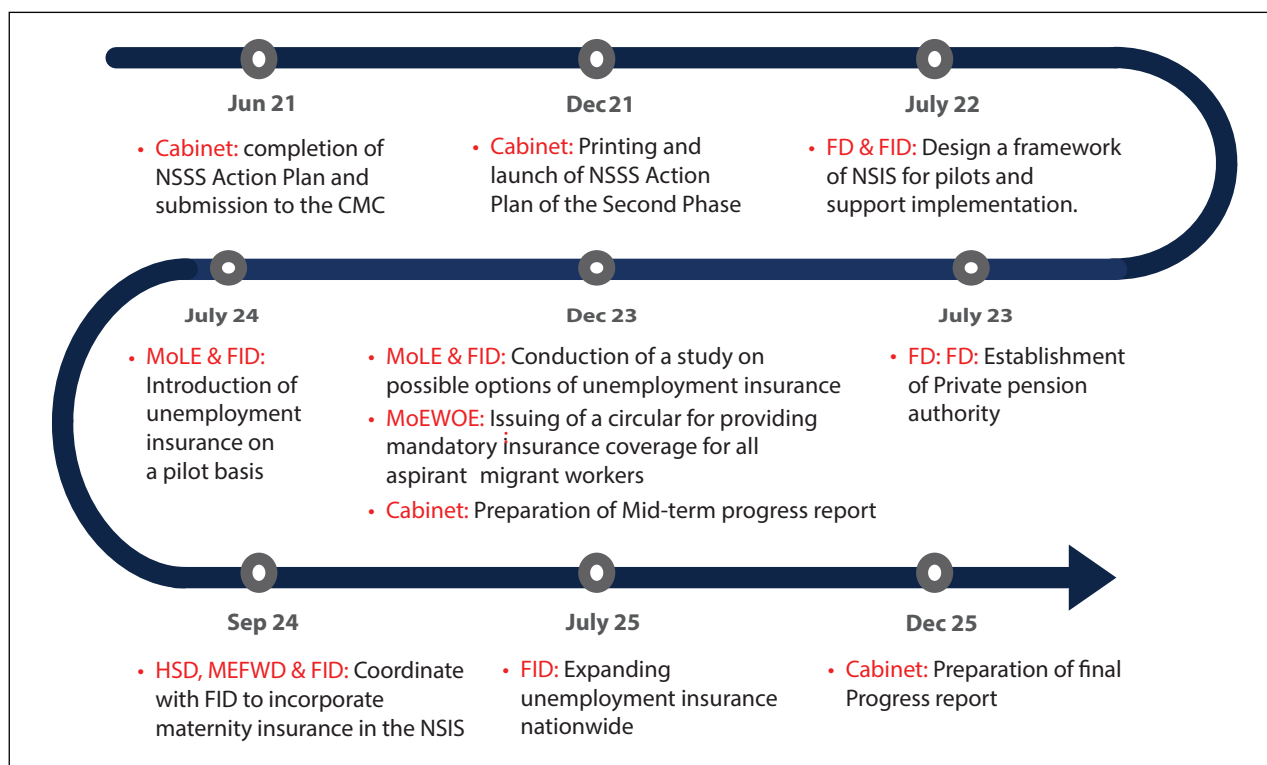
The Action Plan outlines specific activities to be undertaken by ministries within the Social Insurance Cluster, focusing on mitigating uncertainties associated with unemployment, accidental injury or death, disability, and maternity risks and sickness. The NSSS entrusts agencies of the Ministry of Finance, particularly the Finance Division and Financial Institutions Division, to serve as the co-ordinating body for the Social Insurance Cluster. The Cabinet Division is tasked with facilitating the implementation of NSIS, while the Finance Division and Financial Institutions Division are tasked with introducing a suitable framework for social insurance, as outlined in the Action Plans. The other ministries of the cluster include - the Health Services Division (HSD), Ministry of Labour and Employment, Medical Education and

¹In the Bismarck model of social insurance, people are entitled to get benefits in proportion to their amount of contribution (NSSS Action Plan Phase II, Page- 508).

²In the Beveridge model, everyone must pay premiums as stipulated by law, and they are entitled to get benefits according to their age or other criteria (NSSS Action Plan Phase II, Page-508).

³The CMC comprises the Cabinet Secretary serving as the chairperson, with secretaries from various Ministries/Divisions as members, and the Additional Secretary (Co-ordination) of the Cabinet Division acting as its secretary. According to the Action Plan, the CMC would ensure co-ordination and supervision of programmes beyond 2026.

Figure 1: Timeline-wise activities planned under NSSS Action Plan Phase II



Source: Authors' illustration based on NSSS Action Plan Phase II.

Family Welfare Division, Ministry of Social Welfare, Ministry of Expatriates' Welfare and Overseas Employment and Ministry of Women and Children Affairs. To implement the NSIS, a list of time-bound activities have been outlined for the mentioned ministries in the Action Plan Phase II (Figure 1).

3. Field-Level Experience in Social Insurance Implementation

This section looks into the practical experiences of various ministries and departments, outlining their progress in the field of social insurance. To gather insights in this context, CPD interviewed representatives from diverse entities, including public, private, and international institutions. A series of 15 Key Informant Interviews (KIIs) and one Focus Group Discussion (FGD) were conducted with organisations such as the Financial Institutions Division (FID), Finance Division, Ministry of Labour and Employment (MoLE), Ministry of Social Welfare, Ministry of Expatriates' Welfare and Overseas Employment, Health Services Division, Health Economics Unit (HEU), Bangladesh Insurance Academy (BIA), Shadharon BIMA, Academician, UNDP, and International Labour Organization (ILO).

The state of progress and understanding of the interviewed organisations on implimentation of NSIS can be summarised in Table 1. One of the major observations from the field investigations is that several ministries haven't yet started their assigned activities related to social insurance implementation in Bangladesh. Those who have started working are in the very early stages of the implementation process. A major effort will be needed in the coming days to complete the remaining tasks within the committed timeline.

Apart from these mentioned ministries, some government agencies and development partners are working on activities related to social insurance. Notably the Health Economics Unit (HEU), the ILO and the United Nations Development Programme (UNDP).

The Health Economics Unit (HEU) operates under the Ministry of Health and Family Welfare and currently working with the Shasthyo Shurokhsha Karmasuchi (SSK) schemes related to health insurance where maternity is a

Table 1: Situation analysis of organisations related to Social Insurance implementation

Ministry and Assigned Programmes	Activity Mentioned in NSSS Action Plan II	Findings from field investigation
The National Social Insurance Scheme (NSIS) <i>Assigned Ministry:</i> Social Insurance Cluster	Activity - Cabinet Division is assigned to conduct a study on the NSIS framework to decide upon SI scheme structure for Bangladesh - Additional insurance studies, including actuarial assessment is also suggested	- A draft framework has been developed for unemployment, sickness, maternity and employment injury insurance, having three scenarios: - universal scheme from full government contribution - joint scheme in the formal sector from employer and employee contribution - all stakeholders' contribution in formal and informal sector with government contribution on administrative expenses - NSIS needs a suitable design
	Activity - Cluster ministries must organise required meetings regularly - Regular organisation of seminars/ workshops /joint meetings	- As per the ministries, regular meetings and workshops on NSSS are being organised - However, those discussions and decisions are not published - Besides, the progress on NSIS is not visible except for the private voluntary pension scheme (PvP)
Private Voluntary Pensions (PvP) <i>Assigned Ministry:</i> Finance Division (FD)	Activity Finance Division is tasked to implement PvP	- Pension scheme is introduced named Universal Pension Scheme - Participation is insignificant [19,158 people according to National Pension Authority (NPA)] compared to its targeted 10 crore subscribers - The scheme still has scopes to improve in areas such as risk of income shock, inflation adjustment, capital reinvestment, etc. - However, continual reviews and adjustments can foster wider participation and effective solutions
National Social Insurance Scheme (NSIS) <i>Assigned Ministry:</i> Financial Institutions Division (FID)	Activity FID is assigned to collaborate with the Cabinet Division, and IDRA to study the social insurance framework	- Presently, there is hardly any social insurance framework is in place except for the Universal Pension Scheme - FID advocates insurance as a package with premiums paid and insurance proceeds received as needed, either mandatory or voluntary - FID is interested in working with a mixed collaboration of two methods where both the premium and allowance basis systems work - Currently, Shadharon Bima Corporation (SBC) issues an insurance policy for covering death and accidental death in People Personal Accident Insurance (PPA policy), Personal Accident Insurance (PA Policy), and Death and Disability (DD) policies
Social insurance for the employees <i>Assigned Ministry:</i> Ministry of Labour and Employment (MoLE)	Activity - The NSSS provides that the proposed National Social Insurance Scheme (NSIS) would incorporate unemployment insurance. - In collaboration with the Cabinet Division, FD, FID, and IDRA, the MoLE is suggested to design a social insurance framework	- MoLE is currently working on Employment Injury Insurance (EII) and Unemployment Insurance (UI) in the RMG sector - Several workshops are organised, a ToR for EII pilot was drafted, a situation analysis was presented in national social security conference engaging MoLE, FID, IDRA and private sectors with GIZ-ILO support. A pilot initiative was also implemented under this project - A feasibility study has been done on Unemployment insurance under the Social Protection and Public Finance Management (SP&PFM) project, funded by the European Union

(Table 1 Contd.)

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Ministry and Assigned Programmes	Activity Mentioned in NSSS Action Plan II	Findings from field investigation
<i>Assigned Ministry:</i> Ministry of Social Welfare (MoSW)	MoLE is suggested to design a social insurance framework	- No SI initiatives are mentioned despite being a cluster ministry of SI cluster - The MoSW is not aware of social insurance-related schemes - The MoSW promotes insurance as an allowance or as lumpsum money received by the beneficiaries without any premiums or against some insignificant premium
Insurance for overseas employment <i>Assigned Ministry:</i> Ministry of Expatriates' Welfare and Overseas Employment (MoEWOE)	Activity Bangladesh has to make life insurance compulsory for aspirant migrants	- MoEWOE initiated an insurance programme for migrant workers in 2019 and subsequently revised it in 2023 to extend the duration of the coverage - If work-related incidents result in injury or death, affected workers or their families receive compensation - Workers contribute a one-time premium of BDT 990 for coverage, with a compensation cap of BDT 10 lakhs - The implementation has been completed - However, previous migrant workers have not been covered under this scheme (that is, most of the workers who went abroad for work in the past and received their BMET clearance before 2019 are not covered)
Maternity Insurance <i>Assigned Ministry:</i> Health Services Division (HSD)	Activity The HSD is assigned to co-ordinate with FID to incorporate maternity insurance in the NSIS.	- Maternity insurance is being introduced as part of the pilot SSK programme in Tangail district - The SSK initiative differs from the Social Insurance initiative. For the SSK initiative, the government pays the premium and more similar to social assistance related programmes. It is planned to be integrated under the Universal Health Coverage, while the NSIS is contributory and only focused on maternity insurance - Additionally, HSD previously executed a maternity voucher scheme, which follows an allowance-based approach - Additionally, a Health Care Financing Strategy has been developed until 2030 to address maternity benefits, but it does not operate as an insurance mechanism. The strategy is integrated into the broader framework of universal health coverage (UHC) - HSD reports no specific initiatives undertaken to launch Maternity Insurance in collaboration with FID.

Source: NSSS action Plan Phase II and Authors' findings from field investigations.

component. In Bangladesh, maternity benefits are significant within the Health Care Financing Strategy framework, but specific activities on maternity insurance haven't begun. After several discussions on the implementation of maternity insurance in Bangladesh, the HEU has identified several confusions and key obstacles such as –the absence of a centralised body for policy formulation, premium collection, fund distribution and risk pooling, logistical challenges including variations in service quality due to insufficiently skilled health providers and lack of a legal document co-ordinating mandates and providing financial autonomy to hospitals.

The ILO has long been working on social protection in Bangladesh, aligning projects with a six-point agenda to harmonise the National Social Security Strategy (NSSS) with national and international standards. The ILO identifies nine principal branches of social security, including medical care, sickness, unemployment, old age, employment injury, family, maternity, invalidity, and survivors' benefits. According to the ILO, these social security programmes, specifically unemployment, accidental injury or death, sickness, and maternity insurance, align with the working-age or working-class demographic. The ILO suggests the Ministry of Labour and Employment (MoLE) as NSIS co-ordinator due to its engagement with the working class and experience managing funds like Bangladesh Labour Welfare Fund

(BLWF) & Central Fund. However, challenges identified by the ILO in Bangladesh include lack of a robust institutional framework for managing the contribution pool through solidarity and a limited understanding of social insurance among government officials, creating opacity in its implementation.

Lastly, the United Nations Development Programme (UNDP) has aided in formulating the NSSS effectively to mitigate social and economic risks for vulnerable groups and to integrate the current programmes within a cohesive institutional framework. Challenges identified by UNDP in implementing social insurance in Bangladesh include—diverse views among ministries regarding social insurance definitions, funding mechanisms, coverages, co-ordinating bodies, and models, difficulty in determining the appropriate co-ordination body, and inefficient and time-consuming co-ordination meetings between ministries with shared responsibilities.

One major observation is that even though the Action Plan mentioned accidental injury, death, sickness and disability on several pages, no specific ministry under the social insurance cluster is assigned to implement related schemes. However, it is important to note that according to the NSSS (page 55/56) and the Action Plan I (page 129), the mentioned contingencies are supposed to be covered by two programmes: an accident (employment injury) insurance and a sickness insurance. On the other hand, even though the Ministry of Social Welfare and the Ministry of Women and Children affairs are included in the social insurance cluster, no definite social insurance schemes are suggested under the responsibilities of these two ministries.

4. The Gaps in Implementing NSIS

Based on the field investigations, the existing gaps to implement the NSIS in Bangladesh can be divided into four broader issues.

4.1. Conceptual Gaps: Conceptual gaps persist surrounding social insurance in Bangladesh due to discrepancies in defining social insurance among different entities such as ministerial bodies, development partners, and implementing agencies. The proposed NSIS framework suggests government contribution in certain scenarios, yet further clarity regarding follow-up actions and the government's stance is needed. Bangladesh is currently not equipped for a social insurance system funded solely by participants' premiums, as a major portion of its population works in the informal sector, highlighting the necessity of government funding. Additionally, despite mentions in the NSSS Action Plan Phase II, no concrete decisions have been made regarding the central social insurance models, leaving discretion to the Social Insurance Cluster and final design approval by the CMC. Progress has been limited to developing scenarios and calculating contributions for different insurance schemes. Unlike countries like China, Bangladesh lacks an integrated framework detailing premium amounts, collection processes, and service providers under a unified structure. Furthermore, clarity and planning for accidental injury, death, sickness and disability insurance remain absent, with no ministry assigned to address these issues.

4.2. Legal and Planning Gaps: Lack of concrete legal framework and planning worsens the implementation challenges. Although the NSSS strategy and Action Plans outline the introduction of a comprehensive National Social Insurance Scheme covering various aspects such as sickness, maternity pay, old age pensions, and accidental injury insurance, there is no established legal framework besides these documents. While the constitution provides a legal foundation for social protection interventions, there's a lack of specific laws and regulations guiding ministries' actions related to social insurance. Most ministries are mandated to provide social protection schemes that traditionally do not align with social insurance terminology. For example—legal constraints within public hospitals prevent insurance implementation, as they are prohibited from engaging in financial transactions with the private sector. Despite the formulation of the Universal Pension Management Act-2023, effective fund management strategies are lacking, resulting in lower participation rates, similar to the challenges faced by universal pension schemes.

4.3. Institutional Gap: Institutional gaps further hinder progress, as there is no centralised body solely responsible for implementing social insurance in Bangladesh. This absence hampers the formulation of relevant laws, rules, and regulations, as well as risk pooling, fund collection, and management. The Insurance Development and Regulatory Authority (IDRA) of Bangladesh is mandated to handle insurance-related activities that primarily focus on market-based insurance and lacks the necessary mandate and capacity for overseeing social insurance programmes. Moreover, there is a lack of institutional memory, with frequent changes in co-ordination bodies and focal persons within ministries, leading to the loss of institutional memories acquired from workshops and meetings due to inadequate documentation.

4.4. Operational Gaps: Operational gaps pose another significant challenge in the execution of social insurance schemes. The absence of a dedicated implementing body connected with service providers, monitoring agencies, and fund managers is a critical operational deficiency. Tailored operational setups for different insurance types are crucial, considering the diverse nature of services required for maternity, unemployment, and other forms of social insurance. Challenges related to asymmetric information, moral hazard, and the lack of a system to track safety net beneficiaries during the transformation phase further complicate operations. Additionally, the absence of a unified digital platform for social insurance schemes and social assistance programmes, along with insufficient skilled human resources, communication tools, and financial knowledge among insurance employees, worsens operational hurdles. The scarcity of skilled actuaries and the need for risk assessments, awareness-raising exercises, training, research, and guidance materials add to the operational challenges, impeding the establishment of a fully functional social insurance system in Bangladesh.

5. Social Insurance Forum (SIF)

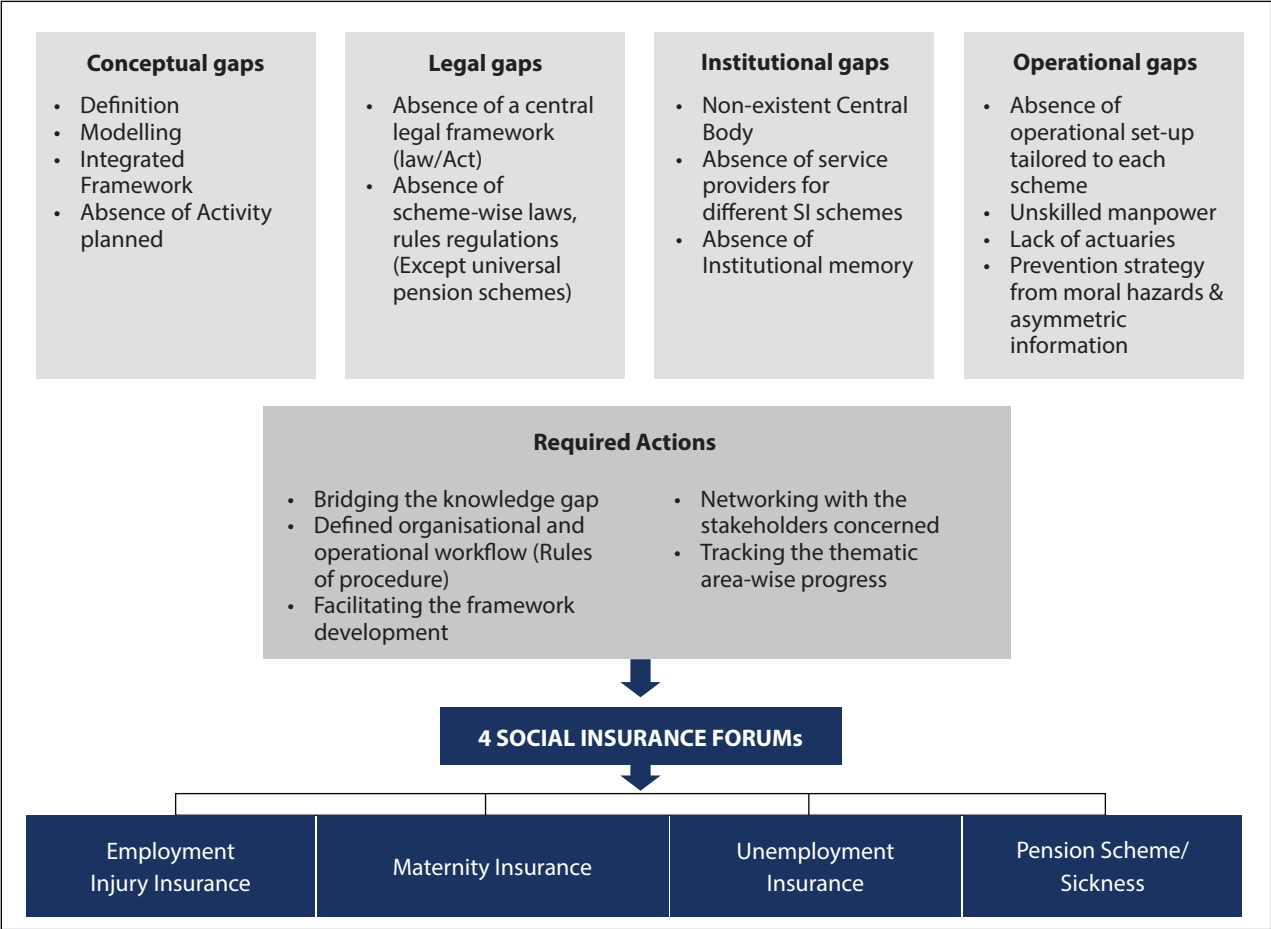
The above-mentioned gaps were reflected in the findings from field investigation and an inception dialogue was organised by CPD and GIZ titled 'Inception of Social Insurance Forum in Bangladesh' on Thursday, 25 January 2024. Considering the Action Plans and strategies of the NSSS, the inception workshop was a takeoff strategy for a fact-based discussion of ideas, concepts, and strategies on social insurance approaches for Bangladesh which proved to be fruitful according to the feedback of the participants.

However, considering the current status of the implementation progress, it was deemed necessary to have a dialogue platform, named Social Insurance Forum (SIF), in which regular events will be organised to stimulate fact-based discussion of ideas, concepts and strategies to solve the existing challenges on social insurance approaches for Bangladesh. Additionally, for future activities of the Social Insurance Forum, a more specific and detailed area-wise discussion was recommended to find the gaps in the implementation of each mentioned insurance and put forward suggestions on how to facilitate the implementation process. Taking this into account, CPD and GIZ designed the Social Insurance Forum. The CPD-GIZ project's main activity would be organising four Social Insurance Forums (Figure 2).

The four forums would highlight different thematic areas, as has been suggested in the NSSS Action Plan Phase II. The sequence of the thematic area-wise discussion is left open at this stage and will also depend on the progress of the background study. To effectively facilitate the implementation process of the four social insurances, participation from relevant ministries, government officials, and service providers will be crucial. Through the SIF, CPD and GIZ plan to achieve the following –

1. **Bridging the Knowledge Gap:** Identifying and addressing gaps in understanding by disseminating detailed insights into policy requirements and emphasising clarity on organisational and operational workflows to enhance comprehension and implementation
2. **Facilitating the Framework Development:** Providing a platform for collaborative discussions and exchanging ideas to enhance the development of a robust framework on NSIS including the draft prepared by the Cabinet Division. The initiative also involves providing guidance and resources to streamline the framework creation process, aligning it with the objectives of the NSSS, as well as encouraging dialogue among participants, ensuring diverse perspectives contribute to a comprehensive and adaptable framework.
3. **Networking with Stakeholders Concerned:** Establishing channels for effective communication and collaboration among key stakeholders involved in NSSS implementation is crucial at this stage. Hosting SIF will work as a networking event and forum to foster relationships, share best practices, and address challenges collectively. It may also help create a cohesive community that collaborates towards common goals, ensuring a synchronised approach to social insurance initiatives.
4. **Tracking Thematic Area-wise Progress:** The SIF will work as a systematic approach adopted to monitor and track progress in each thematic area, regularly assessing performance metrics and milestones. This proactive approach will identify areas of improvement and success, facilitating continuous refinement and optimisation of the NSIS implementation strategy.

Figure 2: NSIS implementation gap analysis and Social Insurance Forum



Source: Authors' illustration.

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