Policy Brief

CENTRE FOR POLICY DIALOGUE

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Strengthening Social Protection in Bangladesh
Gaps, Costs and Policy Recommendations

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Key Findings

- The SSNP budget has been heavily dominated by pensions for government officials, interest on national savings certificates and agricultural subsidies, which tie up significant fiscal resources.

- Programmes such as the old age allowance and mother and childcare benefits, where beneficiary selection relies on human discretion, face a high risk of resource leakages and exclusion errors.

- A universal pension scheme equal to the poverty line (BDT 35,021 per year) would cost 4.51 per cent of the national budget, while a universal child benefit at 25 per cent of the poverty line would cost 1.65 per cent of the national budget.

Key Recommendations

- Introduce a dynamic single registry linked to NID and birth records to reduce exclusion and overlap.

- Prioritise key programmes and phase out smaller schemes to consolidate SSNPs and move towards universality.

- Strengthen governance and accountability through grievance redress, community monitoring, and anti-corruption safeguards.

Introduction

Bangladesh's social protection system covers a wide range of programmes for specific groups and low-income households, yet it continues to fall short in ensuring basic security and enabling pathways out of poverty. The National Social Security Strategy (NSSS) was designed to streamline interventions and prioritise the most vulnerable, but overlapping programmes, targeting errors, and administrative weaknesses have limited its impact. Programme fragmentation persists, and regional disparities and inclusion–exclusion errors continue to undermine effectiveness (Razzaque, 2025). As Bangladesh seeks to align with the Sustainable Development Goal (SDG) 1.3, which is to implement nationally appropriate social protection systems and expand coverage to all the poor and vulnerable by 2030, the case for moving towards universal social protection is gaining traction. This policy brief examines the current social protection landscape, the financial implications of transitioning to universality, and a potential framework to guide policymakers in building a more equitable and resilient social security system.

1. Current Scenario

The Social Safety Net Programmes (SSNPs) budget is heavily dominated by pensions for retired government officials, interest payments on national savings certificates, and agricultural subsidies. These three

Figure 1: Distribution of Social Safety Net Allocation (as a share of total social safety net budget)
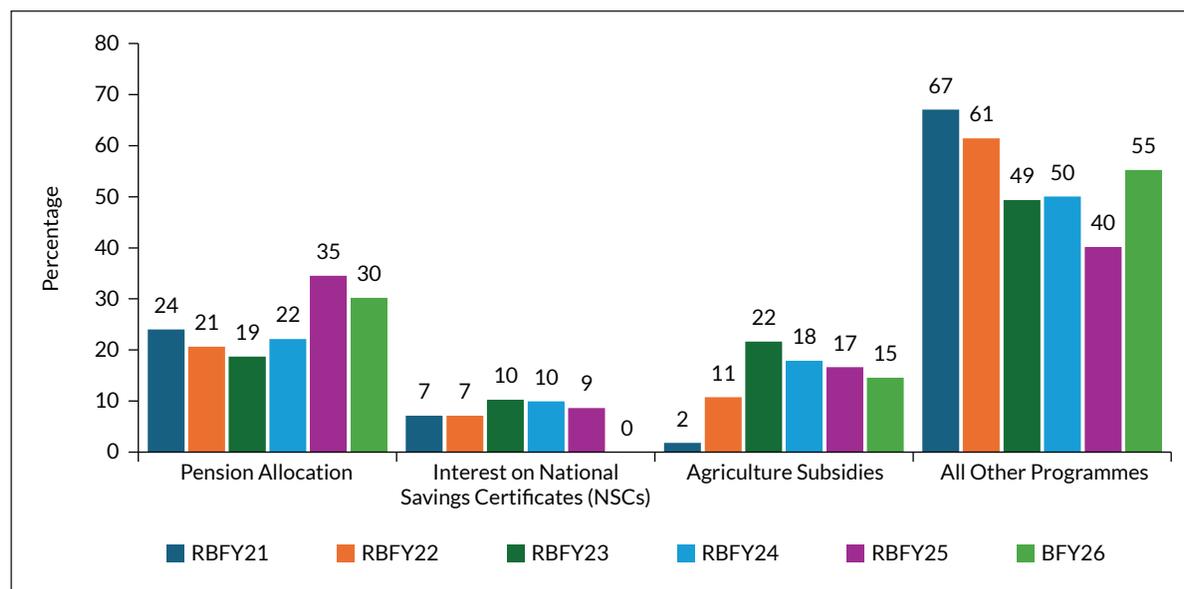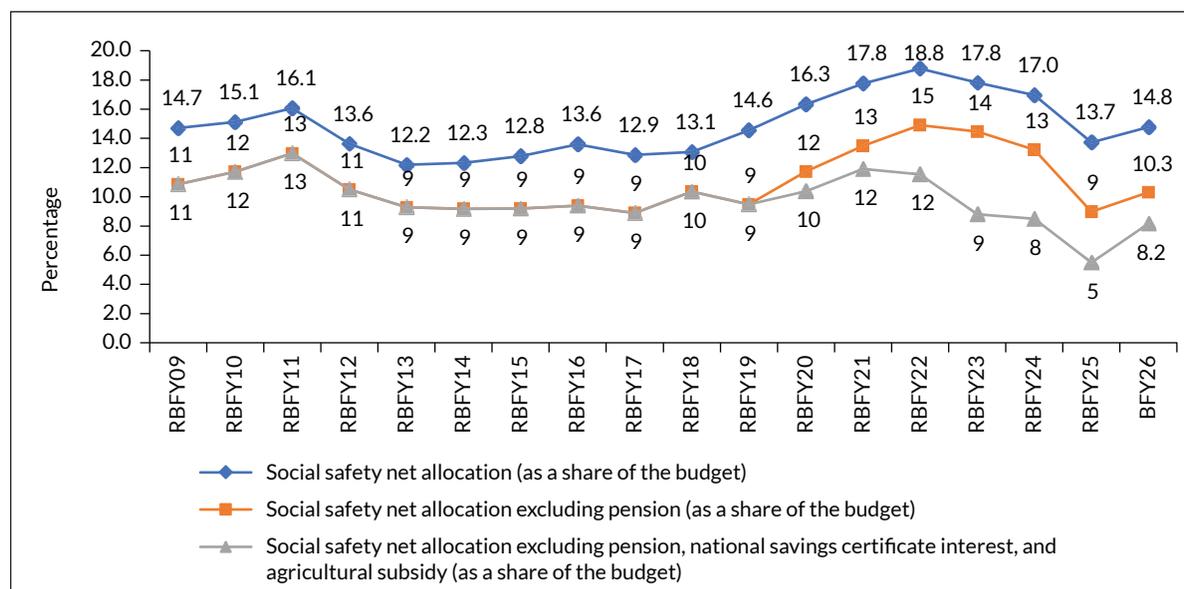

Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2025).

programmes are not specifically targeted towards the poor and vulnerable groups. Therefore, the budget for SSNPs largely bypasses those who need the most support. Evidence shows that numerous small, overlapping programmes across multiple ministries and departments complicate the consolidation and monitoring of these programmes (Khatun & Saadat, 2018). Moreover, these programmes receive very limited allocations, which render them ineffective while tying up fiscal resources (Ahmed, 2015). The current fiscal year's budget analysis reveals that around 80 per cent of the 99 SSNP programmes together account for only 11.75 per cent of the total SSNP budget (MOF, 2025). Moreover, the lack of a single administering authority results in multiple agencies implementing different programmes, leading to coordination challenges.

The addition of interest payments on national savings certificates, pensions for government officials, and agricultural subsidies to the social safety net budget largely explains the decline in budgetary allocations to programmes for the poor and vulnerable. Notably, pensions for retired government officials surged from 22 per cent of the social safety net budget in the revised budget for fiscal year (RBFY) 2024 to 35 per cent in RBFY2025 (Figure 1), while interest on national savings certificates and agricultural subsidies slightly declined

(MOF, 2025). On the other hand, the allocation for all other programmes fell from 50 per cent to 40 per cent in RBFY2025, marking the sharpest decline since FY2021 (MOF, 2025). It is important to note that pensions for government officials, interest on national savings certificates, and agricultural subsidies are not inherently intended for poor and vulnerable groups. While it is crucial to provide pensions to government officials who have devoted their careers to serving the country and its citizens, it is worth noting that not all retired government officials are vulnerable. Likewise, agricultural subsidies benefit all farmers, regardless of economic status, so they are not exclusively targeted at the vulnerable. Higher targeting accuracy and a sophisticated administrative system are required for this initiative to be effective as a social protection scheme, ensuring adequate benefits for the country's disadvantaged farmers. The interest rate on the National Savings Certificate, however, has been removed from the SSNPs budget for fiscal year (FY)2026. The key takeaway from these statistics is that Bangladesh's SSNPs budget is highly inflated. While it may appear that the government allocates substantial resources to programmes for the poor and vulnerable, in reality, the share reaching these groups has declined sharply over time. This statement's cogency is best reflected in Figure 2.

Figure 2: Social Safety Net Allocation as a Share of the Budget

Social safety net allocation (as a share of the budget): RBFY09 14.7, RBFY10 15.1, RBFY11 16.1, RBFY12 13.6, RBFY13 12.2, RBFY14 12.3, RBFY15 12.8, RBFY16 13.6, RBFY17 12.9, RBFY18 13.1, RBFY19 14.6, RBFY20 16.3, RBFY21 17.8, RBFY22 18.8, RBFY23 17.8, RBFY24 17.0, RBFY25 13.7, BFY26 14.8

Social safety net allocation excluding pension (as a share of the budget): 11, 12, 13, 11, 9, 9, 9, 9, 9, 10, 9, 12, 13, 15, 14, 13, 9, 10.3

Social safety net allocation excluding pension, national savings certificate interest, and agricultural subsidy (as a share of the budget): 11, 12, 13, 11, 9, 9, 9, 9, 9, 10, 9, 10, 12, 12, 9, 8, 5, 8.2

— Social safety net allocation (as a share of the budget)

— Social safety net allocation excluding pension (as a share of the budget)

— Social safety net allocation excluding pension, national savings certificate interest, and agricultural subsidy (as a share of the budget)

Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2025).

The SSNP allocation accounts for 13.7 per cent of the budget in RBFY25 (Figure 2). However, excluding pension allocations for government officials, which are tax-funded, reduces this share to 9 per cent (MOF, 2025). Reviewing SSNP budget documents from FY2009 to FY2025 shows that spending on programmes for the poor and vulnerable fell from 11 per cent in RBFY2009 to 5 per cent in RBFY2025 (Figure 2) (MOF, 2025).

Furthermore, five key programmes were identified in the budget documents that are designed to serve the poor and vulnerable. These include Old Age Allowance (OAA), Allowance for the Widow, Destitute and Deserted Women, Open Market Sales (OMS), Disability Allowance and Education Stipend, and Mother and Child Benefit Programme (MCBP). However, several incongruities and inconsistencies were detected. For instance, the OAA was observed to have the highest number of beneficiaries who reported paying a fee to be included in the programme, indicating widespread petty corruption and gatekeeping. The programme's large scale, popularity, and high enrolment levels increase the risk of informal payments. Programmes that rely on subjective verification also have higher

rates of informal payments and bias. This suggests that the programme's scale is not the primary determinant of leakage; rather, leakage appears to be driven primarily by the degree of managerial discretion. Meanwhile, OMS trucks are often placed in locations convenient for the authorities, rather than in labour-intensive zones where vulnerable groups are concentrated. At the same time, due to resource limitations, underreporting, and unofficial entry hurdles like paid medical certificates, the Disability Allowance and Education Stipend Programme is severely under-covered, excluding around 76 per cent of individuals with disabilities. Moreover, the MCBP's impact is weakened by low real benefit, uniform targeting, and severely limited coverage.

Overall, the current SSNPs suffer from exclusion due to limited budgetary allocation, limited beneficiary coverage, and leakage. Reliance on a targeting approach risks widening opportunities for political manipulation, exclusion errors, stigma, and high administrative costs, while failing to reduce inequality effectively. In contrast, universal programmes generate stronger political support, sustain higher spending, and achieve more equitable and lasting poverty reduction.

2. Estimated Funding Requirements for Universal Social Protection in Bangladesh

Consolidating the existing fragmented programmes will free up resources that can be redirected towards a universal protection scheme. Bangladesh, as a developing country with a low tax-to-GDP ratio, faces significant fiscal constraints. In the context of limited resources, priority should be given to the most vulnerable demographic groups, given factors such as age and inherent life-cycle risks that cannot be altered.

In this regard, this study focuses on two key areas: (i) universal pension scheme and (ii) universal child benefits. Bangladesh currently has no universal child benefit framework. Yet, it has taken steps toward a universal pension scheme, which was launched in August 2023 under the National Pension Authority. Uptake of this programme remains low, largely due to limited awareness and lack of trust among informal workers. Moreover, the scheme is fully voluntary and offers no immediate benefits, creating barriers for low-income households. Many struggle to understand its long-term advantages, especially since the pension scheme does not provide short-term returns.

Using the Social Protection Floors Calculator developed by the International Labour Organization (ILO), estimates based on the national poverty line of BDT 35,021 per year indicate that providing cash transfers equivalent to 100 per cent of the poverty line would cost approximately 1.50 per cent of GDP for children aged 0–4, 1.49 per cent of GDP for children aged 5–9, and 1.92 per cent of GDP for those aged 10–14. Extending cash transfers to all children aged 0–14 combined would require a total financing of about 4.91 per cent of GDP.

Furthermore, when assessed against the national budget for FY2026, the estimated financing requirements for children aged 0-4 differ according to the level of transfer provided. For instance, transfers equivalent to 100 per cent of the national poverty line would necessitate about 6.7 per cent of the national budget, while transfers at 75 per cent, 50 per cent, and 25 per cent of the poverty line would require approximately 5 per cent, 3.35 per cent, and 1.65 per cent of the national budget, respectively.

Given that SSNP currently account for 14.78 per cent of the national budget, starting with transfers equal to 25 per cent of the poverty line is both feasible and prudent. Moreover, a phased approach will provide a realistic pathway for implementation while ensuring fiscal sustainability.

Similarly, the estimated fiscal requirements for implementing a universal pension scheme vary with the level of benefit relative to the national poverty line. Providing transfers equivalent to 100 per cent of the poverty line would require about 1.01 per cent of GDP, while benefit levels set at 75 per cent, 50 per cent, and 25 per cent of the poverty line would require approximately 0.76 per cent, 0.50 per cent, and 0.25 per cent of GDP, respectively.

When assessed based on the national budget for FY2026, transfers equivalent to 100 per cent of the national poverty line would require 4.51 per cent of the national budget. At the same time, providing transfers at 75 per cent, 50 per cent, and 25 per cent of the poverty line would require 3.40 per cent, 2.23 per cent, and 1.12 per cent of the national budget, respectively.

Currently, pensions for government officials account for 4.5 per cent of the national budget in FY2026. Redirecting this allocation from the SSNP budget would free up resources to support a universal pension scheme. Consolidating programmes designed for old-age support can further pool resources, enabling expansion of coverage under the OAA and facilitating a gradual transition towards a universal pension framework.

3. Potential Pathway Towards a Universal Social Protection Scheme

3.1. Proposed Framework for Universal Pension Scheme (UPS)

The first step towards universal protection for the ageing population is Phase 0 under ILO Pillar 0, Social Protection Floor, which focuses on consolidating non-contributory schemes. In this phase, the government provides a minimum level of funding and involves reallocating existing resources to establish a social protection floor for elderly individuals. This is

similar to the current OAA, but expanded to cover the entire elderly population. While full implementation may be challenging in the short run, coverage can progressively be expanded. Funding at this stage remains tax-based, with universality achieved through broad coverage rather than individual contribution, and the long-term objective is to gradually phase out means-tested targeting and broaden OAA to include all citizens aged 60 and above. Complementary measures such as mandatory orientation sessions, information brochures, and public awareness campaigns can further strengthen financial literacy, reduce information gaps, and support higher enrolment in the UPS.

Building on this foundational coverage, Phase 1 shifts the focus towards expanding contributory protection through ILO Pillar 1, Social Insurance. In this phase, contributory schemes are introduced, co-financed by formal sector employees and the government. Employees contribute a portion of their income, while the government provides a fixed matching contribution. This phase operates in parallel with Phase 0 to ensure that poor and informal workers continue to receive basic protection while formal sector workers begin to accumulate pension entitlements. A Pay-As-You-Go (PAYG) Defined Benefit (DB) model is recommended, under which contributions from current workers are used to finance pension benefits for current retirees.

If the Government of Bangladesh establishes the necessary institutional and legal framework, groups such as farmers, service providers, private sector employees, and the self-employed could secure their income in old age. An additional advantage of the proposed scheme is its risk-free operation under government management, which is expected to yield higher returns than private insurance schemes. The combination of lower risk and improved returns could incentivise individuals to contribute a portion of their salaries to the programme.

3.2. Proposed Framework for Universal Child Benefits (UCB)

Aligned with the broader roadmap towards UPS and the ILO social protection framework, Phase 0 for child-focused support centres on consolidating existing MCBP programmes under the SSNP budget into a single, integrated programme providing cash transfers to all eligible families. Eligibility would continue to be determined using current criteria, such as household income and specific family circumstances, including single, divorced, or widowed mothers, while fragmented programme budgets would be reallocated into a unified structure to create fiscal flexibility and enable gradual expansion of coverage. Financing would remain tax-based, with the objective of establishing a foundational child protection floor. To ensure fiscal manageability, coverage should expand incrementally, beginning with children aged 0–4 years. Benefits would take the form of conditional cash transfers linked to key health and human development requirements, such as regular health check-ups for mothers and children and completion of vaccination schedules.

For expectant mothers, the child would be treated as age zero, with benefits indexed to inflation and tied to essential pregnancy-related goods, conditional on antenatal care at designated health facilities. In the case of orphaned children, benefits would be directed to verified caregivers or registered orphanages, supported by strict monitoring mechanisms to ensure that transfers are used for child welfare.

At the same time, Phase 1 advances the system in line with ILO Pillar 1, Social Insurance, by gradually introducing contributory schemes co-funded by employees and the government. Under this approach, families would continue to receive the basic universal child benefit while also becoming eligible for an additional top-up linked to contributions made through formal employment. The contributory component would therefore supplement, rather than replace, the foundational floor. Both phases would operate simultaneously so that informal sector workers and vulnerable households remain covered through the tax-financed minimum benefit, while formal sector employees gain access to enhanced, contribution-based support.

4. Policy Recommendations

According to Sustainable Development Goal (SDG) 1.3, countries have committed to implementing nationally

appropriate social protection systems and measures for all, including social protection floors, to achieve substantial coverage of the poor and vulnerable by 2030 (Rutkowski & Ortiz, 2016). Therefore, a move towards achieving universal social protection in Bangladesh is imperative at this stage. Considering the findings of the study, this policy brief proposes the following policy recommendations:

- *Prioritise key programmes and slowly phase out targeted programmes to move towards a universal scheme:* Bangladesh's fragmented SSNPs create administrative inefficiencies and fiscal strain. A strategic consolidation of programmes into a few major clusters, such as child and family support, working-age livelihood, elderly and disability benefits, and food security, would enhance coordination and reduce overlap. The government should prioritise high-impact programmes, for example, old-age allowance, disability allowance, widow allowance, and OMS, while phasing out smaller, duplicative schemes. Savings from administrative streamlining can be redirected towards financing a Universal Pension. A gradual, phased approach allows fiscal space to grow while maintaining political feasibility, ultimately paving the way for a coherent and inclusive universal protection framework.

- *Strengthening governance and accountability through grievance redress, community engagement, and monitoring of corruption risks:* Effective governance mechanisms are critical to ensure that social protection resources are used efficiently and equitably. A robust grievance redress system should be institutionalised to allow beneficiaries to report irregularities and seek resolution. Community participation in monitoring beneficiary lists and programme delivery can increase transparency and social accountability, especially at the union parishad and ward levels. Strengthening governance frameworks will build public trust, improve targeting accuracy, and ensure that resources are used for their intended purpose.

- *Invest in digitalisation for efficiency, transparency and cost reduction:* Strengthening SSNP delivery requires digitalisation for accurate poverty mapping, beneficiary identification and monitoring. Systems should be designed with technology foresight to allow flexibility for future upgrades. Moreover, end-to-end data managed by digital tools will reduce leakage risks and overhead costs.

- *Index benefits to inflation to preserve purchasing power:* The real value of SSNP benefits in Bangladesh has been eroded by persistent inflation. This reduces their effectiveness in protecting vulnerable households. Benefit amounts should therefore be automatically indexed to inflation or cost-of-living indicators, ensuring that purchasing power is maintained over time. This can be achieved by linking annual benefit adjustments to the Consumer Price Index (CPI) or a custom 'social protection price index'. Inflation-indexed transfers not only stabilise real incomes for beneficiaries but also improve programme credibility and predictability.

- *Expand urban coverage by mapping labour-intensive areas and targeting the urban poor:* Despite rapid urbanisation, most SSNPs remain rural-focused, leaving the urban poor largely uncovered. Programmes like OMS are insufficient to address rising urban vulnerabilities, especially in informal settlements. The government should conduct spatial mapping of labour-intensive zones and informal worker clusters such as construction sites, transport hubs, and garment sectors to design targeted interventions for low-income urban populations. Mobile-based registration and workplace-linked benefit delivery (e.g., through employers or cooperatives) can expand reach without high administrative costs. Incorporating urban social protection into city governance frameworks will help address the growing shift of poverty from rural to urban areas and ensure equitable support across all regions.

- *Introduce a single registry dynamic data system that is connected to the birth certificate and National ID (NID) to reduce exclusion and overlap:* Accurate identification of beneficiaries is fundamental to effective social protection delivery. Bangladesh currently lacks an updated, comprehensive poverty map, leading to high rates of exclusion and inclusion errors. Developing a dynamic single-registry data system integrated with the Bangladesh Bureau of Statistics (BBS) data, the

National ID (NID) database, individual birth certificates, and administrative records can significantly improve targeting accuracy. Regularly updated household-level data will capture shifts in poverty and vulnerability caused by shocks such as inflation, migration, or climate disasters. This system would also help identify overlapping beneficiaries across programmes, ensuring that support reaches those who need it most. A dynamic registry can therefore minimise resource leakage, enhance transparency, and serve as the foundation for an eventual transition to universal coverage.

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