

# Universal Social Protection in Bangladesh

*Financing Requirements and  
Future Outlook*

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**Friedrich  
Ebert**   
**Stiftung**

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## Abstract

Social protection is essential in any society to mitigate vulnerabilities. Even though Bangladesh has made great strides in addressing deprivation, a significant proportion of the population still lives in poverty or is at risk, dealing with a variety of issues relating to age, gender, disability, and climate shocks. This study evaluates budgetary needs and potential resource mobilisation to assess the feasibility of universal social protection in Bangladesh. Drawing on insights from Key Informant Interview (KII) and secondary data from the International Labour Organization (ILO), Bangladesh Bureau of Statistics (BBS), and other sources, the analysis focuses on five key programmes identified in the social safety net budget including Old Age Allowance (OAA), Allowance for Widows, Destitute, and Deserted Women, Open Market Sales (OMS), Disability Allowance and Education Stipend, and Mother and Child Benefit (MCBP). Using the ILO Social Protection Floor cost calculator, the study provides estimates of the funding requirements to scale up universal schemes for children and orphans, as well as pensions. Building on these findings, the paper proposes a framework outlining potential financing sources and provides guidelines for implementing a Universal Pension Scheme and a Universal Child Benefit. The approach emphasises a gradual, phased expansion to achieve comprehensive universal protection. The paper's originality lies in its proposed Universal Child Benefit framework, which identifies potential financial sources and delineates implementation processes by integrating insights from previous research with the ILO's established multi-pillar pension model.



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## Acronyms

AI	Artificial Intelligence
BBS	Bangladesh Bureau of Statistics
BDT	Bangladeshi Taka
BFY	Budget for Fiscal Year
BISP	Benazir Income Support Programme
CD	Cabinet Division
CPD	Centre for Policy Dialogue
CPI	Consumer Price Index
DB	Defined Benefit
DC	Defined Contribution
DIP	Detailed Implementation Plan
FD	Finance Division
FY	Fiscal Year
G2P	Government-to-Person
GDP	Gross Domestic Product
GED	General Economics Division
HIES	Household Income and Expenditure Survey
ILO	International Labour Organization
KII	Key Informant Interviews
MCBP	Mother and Child Benefit Programme
MOF	Ministry of Finance
MoSW	Ministry of Social Welfare
NBER	National Bureau of Economic Research
NGO	Non-governmental Organisation
NID	National ID
NSSS	National Social Security Strategy
OAA	Old Age Allowance
OECD	Organisation for Economic Co-operation and Development
OMS	Open Market Sales
PAYG	Pay-as-you-go
PAYG-DB	Pay-as-you-go direct benefit
PPP	Purchasing Power Parity

RBFY	Revised Budget for Fiscal Year
SDGs	Sustainable Development Goals
SSNPs	Social Safety Net Programmes
UCB	Universal Child Benefits
UHC2030	Universal Health Coverage
UN	United Nations
UPS	Universal Pension Scheme
USD	United States Dollar
USP2030	Universal Social Protection to Achieve the SDGs
WHO	World Health Organization

# 1. Introduction

Social protection is essential in any society to cushion people from various vulnerabilities. According to the Household Income and Expenditure Survey (HIES) 2022, 18.7 per cent of Bangladesh's population falls below the upper poverty line (BBS, 2023). Generally, this number does not capture the full complexity of poverty, including dimensions such as disability, old age, discrimination, and climate shocks. In 2015, a comprehensive National Social Security Strategy (NSSS) was formulated to reduce inefficiency and prioritise the most vulnerable groups (GED, 2015). However, issues of overlapping programmes, leakages, exclusion, and inclusion errors continuously rendered such objectives ineffective and largely inadequate. This study aims to scrutinise the existing social security framework and assess how universal social protection can be implemented, examining the financial requirements, potential resource mobilisation, and their subsequent impacts.

Historically, Bangladesh has made significant progress in reducing poverty. For instance, the percentage of the population living below the purchasing power parity (PPP)-adjusted USD 3.65 per day fell from 59.3 per cent in 2010 to 29.3 per cent in 2022 (BBS, 2023). Similarly, the percentage of vulnerable populations decreased from 19.1 per cent in 2010 to 15.2 per cent in 2022 (Razzaque M., 2025). Despite such progress, official data from HIES 2022 indicate that a total of 33.9 per cent of the population remains poor and vulnerable (BBS, 2023). Several factors, including age, gender, ethnicity, disability, locality, along with many other determinants, contribute to this complex scenario of poverty and vulnerability in Bangladesh (Sida, 2024; Razzaque M., 2025). Moreover, the dynamics of poverty are increasingly shifting towards urban areas. Poverty is no longer only a rural issue. In fact, challenges such as gender-based violence, inequality, skill mismatches in the labour market, inadequate safety nets for the elderly and children living in slum areas, and the adverse impacts of climate change are increasing in the urban areas, thus highlighting the need for the government to design urban-specific solutions more effectively (Sida, 2024).

As per the budget of fiscal year (FY) 2025, a total of 140 social security programmes were operative (Ministry of Finance, 2024). These programmes had considerable overlaps in their objectives and were divided among 27 different divisions at various hierarchies (Ministry of Finance, 2024). However, in the FY2026 budget allocation, the number of social safety net programmes was reduced to 99 and redistributed among 24 departments. While this may reflect a more streamlined approach, numerous pitfalls continue to exist, including high regional variation, inclusion-exclusion errors, malpractices, lack of awareness, social stigma, insufficient fund transfers, and the absence of digital infrastructure (Razzaque, Ehsan, & Bhuiyan, 2020). According to Sustainable Development Goals (SDGs) 1.3, countries have agreed to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable' (Rutkowski & Ortiz, 2016). In these circumstances, the case for universal social protection is becoming stronger, as it can address many of the issues concerning Bangladesh's social security.

In this consideration, this study addresses the following research questions:

- i) What makes the existing Social Safety Net Programmes (SSNPs) inefficient, justifying a move towards universal protection?
- ii) What are the estimates and funding requirements for establishing universal social protection floors in Bangladesh?
- iii) What can be the future pathway to establishing universal social protection floors in Bangladesh?

The remainder of this paper is organised as follows. Section 2 presents a review of the global literature on social protection programmes, highlighting the ongoing discourse between targeted and universal approaches. Section 3 provides an analysis of Bangladesh's current social safety net landscape, drawing on budgetary documents and prior studies. Section 4 focuses on the five key programmes emphasised in this paper. Section 5 employs the International Labour Organization (ILO) Social Protection Floor cost calculator to estimate the financial requirements for transitioning toward a universal social protection framework. Section 6 examines potential fiscal sources to support such a transition. Finally, Section 7 synthesises the findings and concludes with policy recommendations.

## 2. Global Evidence Regarding Social Protection Programmes

For the first time, over half of the world's population, that is, 52.4 per cent, is covered by at least one social security benefit, marking a 9.6 percentage point gain since 2015 (ILO, 2024a). This has allowed the world to reach a significant milestone. Nonetheless, the remaining 47.6 per cent, or up to 3.8 billion people, are unprotected and do not have access to any social safety nets (ILO, 2024a). Much research has been conducted to advocate for universal social protection floors. Universal social protection refers to a comprehensive, nationally defined system that ensures everyone has equitable access to social protection throughout their life (USP2030, 2019). It aims to prevent and reduce poverty and livelihood risks through a mix of cash or in-kind benefits, contributory or non-contributory schemes, and programmes that build human capital and promote employment (USP2030, 2019). Universal social protection fosters social cohesiveness, lowers poverty and inequality, and enables people to improve their livelihoods while ensuring decent living and working conditions (USP2030, 2019). Through the improvement of human capital and the facilitation of investment in productive assets, universal social protection contributes to higher household income, consumption, and savings, thereby stimulating aggregate demand and bolstering individuals' resilience to shocks and structural transformations (ILO, 2017). Consequently, it fosters greater productivity and employability. Universal coverage and access to social protection are pivotal in eradicating poverty and promoting shared prosperity, aligning with the World Bank's twin goals for 2030 (ILO, 2017). It is important to note that 'universal' does not mean everyone obtains the same benefit. It rather relates to broad-based coverage rather than means-tested coverage. In practice, universality refers to broad population coverage rather than the unconditional provision of benefits to every individual, regardless of eligibility criteria.

Globally, there is a need to expand social protection coverage. COVID-19 has severely upended economies and societies around the world. Furthermore, the threats of climate change, fragility and conflict, demographic shifts, and the rapid pace of technological development highlight the need for adequate social protection, particularly for the most vulnerable and marginalised, as is significantly necessary. Global discourse on social protection has shifted from narrowly targeted poverty-alleviation programmes to comprehensive systems that ensure lifecycle protection. In 2015, member states of the United Nations adopted SDG 1.3, which calls for the implementation of nationally appropriate social protection systems and measures for all, including social protection floors, to achieve substantial coverage of the poor and vulnerable by 2030 (ILO, 2019). Building on this commitment, the Global Partnership for Universal Social Protection to Achieve the SDGs (USP2030) was launched in 2016 at the UN General Assembly. The USP2030 seeks to promote universal access to social protection, following the model of the successful Universal Health Coverage (UHC2030) initiative co-led by the World Bank Group and the World Health Organization (WHO) (ILO, 2019).

Universal social protection schemes were put in place by 36 countries (ILO, 2019). While some countries, such as Botswana and Timor-Leste, opted for immediate universal coverage, others, such as Brazil and Thailand, have started a gradual and progressive approach (ILO, 2019). This involves beginning with a combination of social insurance for employed individuals and social assistance for the poorest and most vulnerable populations. The system can subsequently be

expanded to encompass broader segments of society (ILO, 2019). The most common universal social protection found worldwide is the old-age pension scheme.

In this regard, the discourse between Universalism and Targeting offers various perspectives. A universal welfare system is more likely to provide equitable assistance to all beneficiaries, whereas a targeted welfare system is more likely to favour the poor (Kenworthy, 2011; Marx, Salanauskaite, & Verbist, 2016). Targeted programmes are more efficient at achieving redistribution; therefore, increased targeting could be an effective way to maintain or improve redistribution in the case of limited resources. The argument in support of targeted programmes arises due to budgetary constraints. Compared with universal protection programmes, targeted programmes require less budgetary allocation. Therefore, when fiscal resources are constrained, it is more effective to allocate them to those most in need or the genuinely deserving poor. However, the biggest drawback of targeted programmes is their susceptibility to political interference and collusion in the resource distribution process, which often results in significant leakages and inefficiencies in the allocation of already scarce resources (Kenworthy, 2011). Yet, at the same time, political support plays a crucial role in ensuring that assistance reaches those most in need. Another critical view is that the more narrowly these benefits are targeted to the poor, the less likely such programmes are to achieve meaningful reductions in poverty and inequality (Korpi & Palme, 1998). This paradox arises because targeted programmes often fail to garner broad political support because they exclude the middle-income cohort, which contributes to the tax base but is not sufficiently affluent to remain unaffected by economic shocks or inflation. Additionally, targeted programmes suffer from exclusion errors and stigma and receive lower budget allocations. In contrast, universal programmes, by encompassing the middle class, generate stronger political coalitions that sustain higher levels of spending and broader coverage, ultimately achieving greater redistributive outcomes. A study using Organisation for Economic Co-operation and Development (OECD) welfare states found that countries with universal and contributory social programmes, like Sweden, Norway, and Denmark, tend to experience lower inequality, lower poverty and higher overall redistribution compared to highly targeted programmes such as the United States and United Kingdom (Korpi & Palme, 1998). Similar patterns have been observed in developing countries as well, where studies have found that universal approaches to social protection are often more effective in achieving equitable and sustained reductions in poverty and inequality than targeted programmes (Mkandawire, 2005; Kidd & Athias, 2020).

Yet, economies may still consider targeted programmes despite their higher administrative costs, owing to fiscal constraints. This undermines the rationale for such programmes, as the limited fiscal efficiency often offsets their intended benefits. Evidence indicates that accurately identifying the poor, as proposed in theoretical models to minimise both exclusion and inclusion errors, entails exceptionally high administrative costs and demands a level of institutional capacity that is often lacking in developing countries such as Bangladesh (Srivastava, 2004). Rampant poverty and weak institutions combine to create a context in which targeting becomes inefficient, suggesting that it is not the most effective approach to delivering social welfare. One justification for universal social protection is that it eliminates the need for the periodic targeting census, which lowers the administrative costs of targeting (Hanna & Olken, 2018). Therefore, to increase social welfare and reduce inequalities, universal social welfare programmes seem to perform better.

In light of the preceding arguments, a critical question remains about the financing of universal social programmes, particularly in developing countries facing significant fiscal constraints. Nepal is an example of a country with a universal pension scheme in the South Asian region. The country has successfully implemented a tax-financed pension for all citizens above a certain age, demonstrating that even low- and middle-income countries can establish broad-based social protection with careful fiscal planning (HelpAge, 2009). The key lessons from Nepal's experience include the importance of gradual rollout, prioritising specific population groups initially, such as the elderly, and ensuring political commitment to secure stable funding (HelpAge, 2009). Globally, similar approaches have been observed, where countries combine general revenue financing, reallocation of existing social expenditures, and, in some cases, earmarked taxes or resource rents to support universal programmes without overburdening public finances. While challenging, financing universal social protection is feasible if programmes are well-structured, phased, and supported by strong governance and efficient administration.

Another key issue in the economics of social protection concerns the selection among cash, voucher, and in-kind transfer modalities. While theoretical frameworks often advocate for unconditional cash transfers as the most efficient mechanism, in practice, in-kind or restricted transfers remain more prevalent globally. This is largely because beneficiaries tend to favour food-based or commodity-oriented programmes over direct cash assistance (Khera, 2014). This preference can be partially explained by behavioural and social factors such as the 'flypaper effect', which suggests that in-kind benefits, such as food transfers, are more likely to be used for their intended purpose rather than being redirected to other expenditures. Contextual factors, such as the performance of existing distribution systems, also affect this preference (Khera, 2014). However, there is a broad body of literature and evidence on the success of cash transfers. For instance, two of the largest, empirically successful cash programmes are 'Progresa/Oportunidades' in Mexico and 'Bolsa Familia' in Brazil (Rivera, Sotres-Alvarez, Habicht, Shamah, & Villalpando, 2004; Freije, Bando, Arce, Medina, & Bernal, 2006; Behrman & Parker, 2011; Brauw, Gilligan, Hoddinott, & Roy, 2014; Brauw, Gilligan, Hoddinott, & Roy, 2015; Neves, et al., 2022). Understanding what works better will help in designing an efficient universal welfare system.

### 3. Current Scenario of Social Safety Net Programmes in Bangladesh

Existing studies on universal social protection in Bangladesh provide valuable insights into various aspects of social security and welfare. The NSSS of Bangladesh, adopted in 2015, aims to establish a lifecycle-based social protection system that provides safety across a vulnerable individual's different life stages, such as childhood, motherhood, working age, and old age, and addresses life risks such as disability, covariate, and climate shocks. Programmes such as the Old Age Allowance (BRAC, 2008), the Vulnerable Women's Benefit, and the Disability Allowance have proven to be effective in providing support to different vulnerable groups. For instance, an assessment of the Small-Scale Old Age and Widow Allowance in rural Bangladesh shows that recipients' economic and social well-being is greatly enhanced by these benefits, leading to higher spending on foods high in protein and an improvement in their health-related quality of life (BRAC, 2008). However, gaps exist in targeting and selection processes, with evidence of corruption and exclusion of the most vulnerable.

For instance, about 40 per cent of the money from the welfare budget is lost to ineligible beneficiaries, indicating serious gaps and leaks (CPD, 2023). While non-qualifying recipients receive allowances, many qualified individuals are excluded, underscoring the need to reframe eligibility requirements. Allowance levels should be raised and programmes expanded in metropolitan areas. Future research should focus on the impact of these changes on poverty reduction and explore alternative financing sources to ensure sustainable social protection.

Beyond financial inefficiencies, accessing social protection remains a significant challenge for the poor and marginalised communities. Past literature highlights barriers such as nepotism, favouritism, bribery, political considerations, and social marginalisation (Masud-All-Kamal & Saha, 2014; Waqas & Torre, 2019; Javed & Mumtaz, 2024; Subedi, 2025). Therefore, further research is required to identify and address the most inefficient bottleneck programmes with the greatest barriers. Furthermore, inadequacy of current social protection schemes, low budgetary allocations, and the exclusion of many eligible beneficiaries define the current state of the welfare programmes, highlighting their inadequacy in addressing vulnerable groups properly (Razzaque & Hasan, 2023). Therefore, it is important to create fiscal space and enhance institutional capacities (Razzaque & Hasan, 2023). Bangladesh's current SSNPs landscape shows that the fragmentation of many small programmes creates space for inefficiencies and leakages. Moreover, running the programmes imposes administrative overhead costs on the government, ultimately reducing the budget intended for beneficiaries.

#### 3.1 Programme Fragmentation

The FY2026 budget lists 95 programmes by serial number, yet six programmes under the Ministry of Liberation War Affairs are grouped under two specific serial numbers. These programmes have distinct operation codes, budgets, and beneficiary groups. Therefore, they should be considered as separate programmes. Following this exercise, the study thus observed that Bangladesh has 99 disaggregated programmes and not 95. It should be noted that despite the focused and

disaggregated programmes efficiency of SSNPs remains largely inefficient. This is because, over time, pensions for retired government officials, interest payments on national savings certificates, and agricultural subsidies have increasingly consumed the SSNPs budget. 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 80 out of 99 programmes receive less than 1 per cent of the SSNPs budget (MOF, 2025). Consequently, around 80 per cent of the SSNPs together account for only 11.75 per cent of the total SSNPs budget (MOF, 2025). Multiple agencies implement the different programmes, resulting in coordination challenges.

Although formal structures exist to oversee SSNPs operations, no single authority has the power to enforce inter-agency alignment. The General Economics Division (GED) tracks, records, and assesses the operations and progress of the NSSS. Based on GED's findings, the Cabinet Division (CD) attempts to coordinate agencies and programmes. In contrast, the Finance Division (FD) manages the Government-to-Person (G2P) payment system, allocates funds, and prepares the annual list of social protection programmes (World Bank, 2021). However, despite this institutional framework, multiple agencies continue to implement programmes independently, resulting in persistent coordination challenges that weaken overall efficiency and programme delivery. Many ministries run their own SSNP programmes independently, often targeting similar groups, without a clear division of responsibilities, creating inefficiencies along the way (World Bank, 2021).

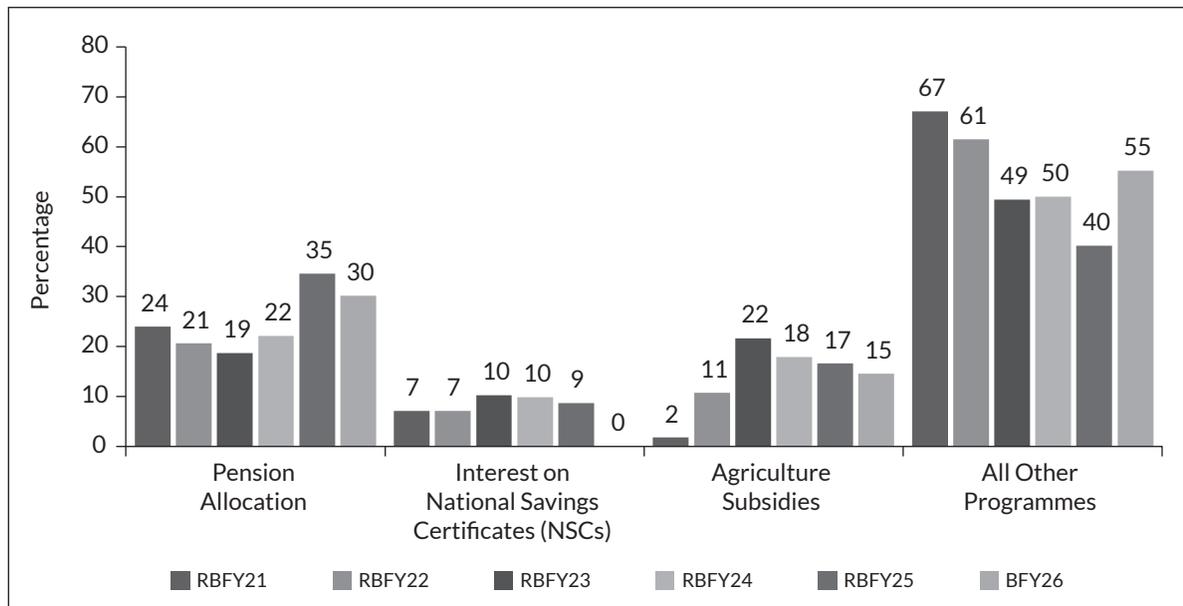
### 3.2 Skewed Budget Allocation

Pensions for retired officials grew from 24 per cent of the SSNPs budget in Revised Budget for Fiscal Year (RBFY) 2021 to 35 per cent in RBFY2025. The Budget for Fiscal Year (BFY) 2026 showed that pension allocation alone comprised 30 per cent of the total SSNPs budget (MOF, 2025) (Figure 1). Agricultural subsidies rose sharply from 2 per cent to 17 per cent of the SSNPs budget over the same period (MOF, 2025) (Figure 1). Consequently, budget allocations for other programmes targeting the poor and vulnerable declined from 67 per cent to 40 per cent between RBFY2021 and RBFY2025 (MOF, 2025). The BFY2026 shows that the budget allocation skewness persists in the current period. Among the 99 programmes, pension and agricultural subsidies account for approximately 45 per cent of the total SSNPs budget (Figure 2). Moreover, these two programmes are also among those that do not strictly benefit the poor and vulnerable. In FY2026, the total allocation of Social Security Programmes registered around 1.87 per cent of GDP (MOF, 2025) (Figure 2).

The share of the allocated SSNPs budget that each programme utilises reveals the inefficiencies of the budget design. Compared to pensions for retired officials, other programmes constitute a minuscule part of the overall budget.

The share allocated to programmes for the poor and vulnerable has decreased from 11 per cent in RBFY2009 to 5 per cent in RBFY2025, owing to the inclusion of interest payments on national

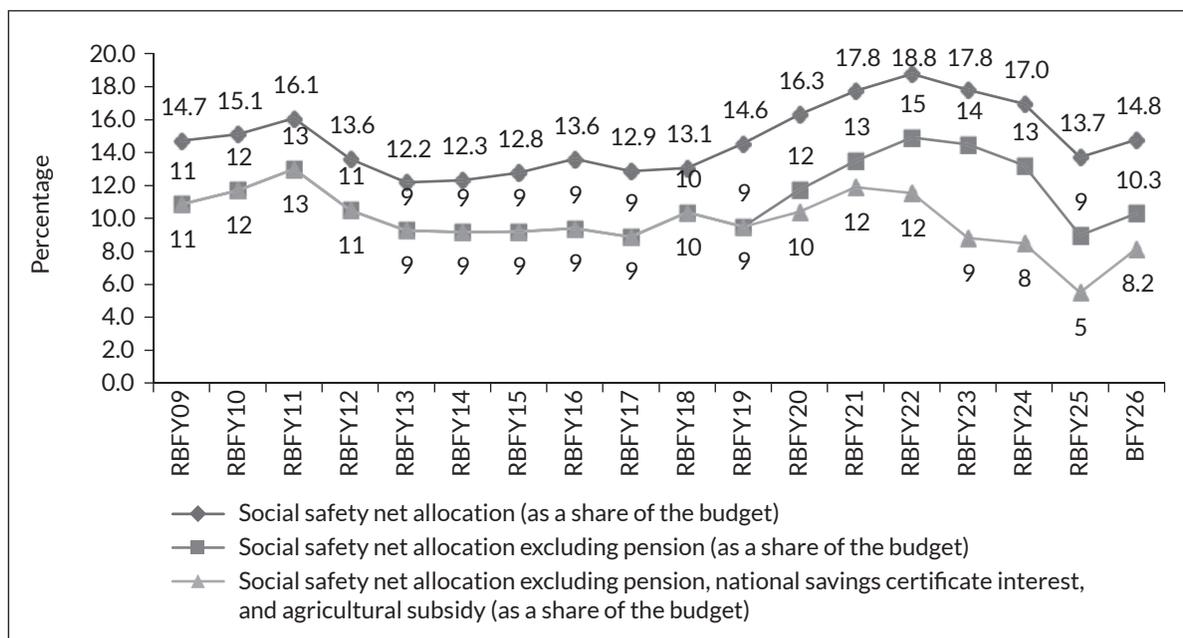
**Figure 1: Distribution of Social Safety Net Allocation (as a share of total social safety net budget)**



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

savings certificates, pensions for government officials, and agricultural subsidies in the social safety net budget (Figure 2). These are programmes that are not specifically targeted at the poor and vulnerable group. Pensions for retired government officials alone increased dramatically, as illustrated in Figure 1, from 22 per cent of the entire social safety net budget in the RBFY2024 to 35 per cent in the RBFY2025 Budget (MOF, 2025). But the interest on national savings

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



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

certificates and agricultural subsidy budgets fell marginally from 10 to 9 per cent and 18 to 17 per cent, respectively. Budgetary allocation for all other programmes increased from 50 to 40 per cent in the RBFY2025 (MOF, 2025).

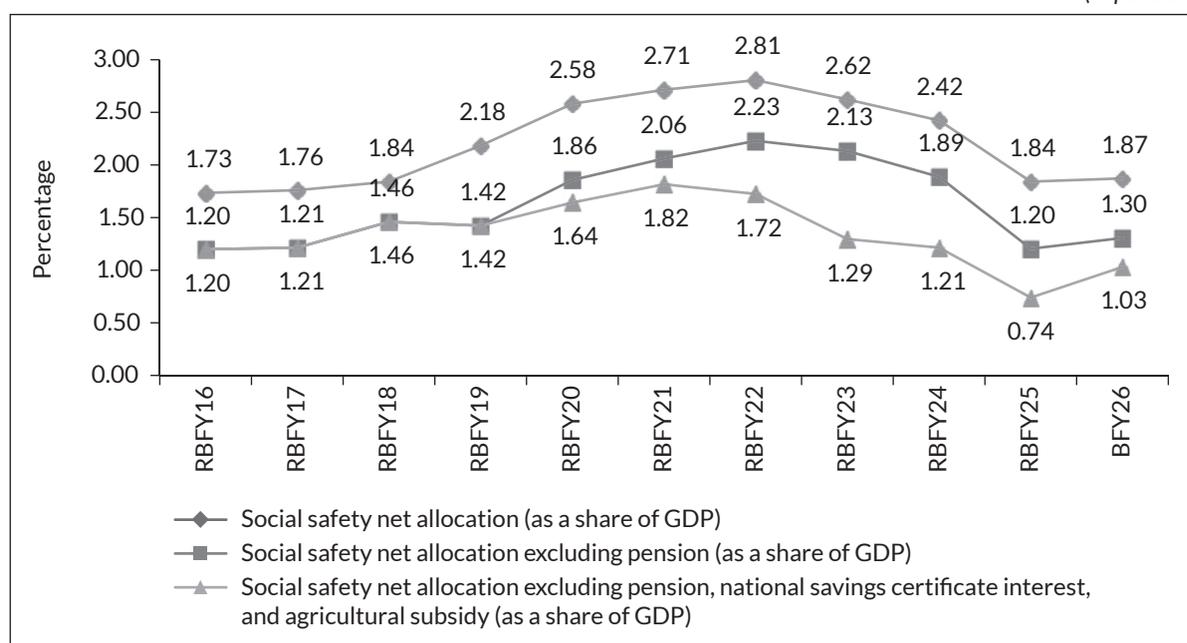
Moreover, the current social protection benefits remain low. For instance, flagship programmes with relatively higher coverage and budget allocations, such as the Old Age Allowance and Widow Allowance, provide beneficiaries with only BDT 650 per month (MoSW, 2025). Benefits or cash transfers provided under the SSNPs are too small to cover basic needs and are not indexed for inflation, which significantly erodes their purchasing power. Current benefit amounts do not reflect the realities of rising living costs.

At the same time, the SSNPs budget as a share of GDP increased from 1.73 per cent in RBY2016 to 1.84 per cent in RBFY2025 (Figure 3). However, the budget allocation- excluding pension, interests on national savings certificates, and agricultural subsidy- as a share of GDP experienced a slight decrease from 1.20 per cent in RBFY2016 to 0.74 per cent in RBFY2025 (MOF, 2025). Additionally, in BFY2026, SSNPs account for 1.87 per cent as a share of projected GDP, but without the pension, interest on national savings certificates and agricultural subsidy, it is at 1.03 per cent (Figure 3) (MOF, 2025). The disparity between the SSNPs allocation as a percentage of GDP with and without interest payments, subsidies, and pensions illustrates the extent to which these programmes increase the budget. A substantial portion of SSNP resources is allocated to populations that are neither poor nor vulnerable, indicating inefficient use of those resources.

An analysis of the removed SSNPs from the FY2026 budget allocation, thematically, reveals that programmes intended to support women, improve education and skills, elevate livelihoods and

**Figure 3: Social Safety Net Allocation as a Share of the GDP**

(in per cent)



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

employment, and support agriculture were most affected (Table 1). Several essential programmes for women and children, particularly in climate resilience, health, technical education, and entrepreneurship, have been removed, suggesting a shift away from gender-focused SSNPs.

**Table 1: Thematic Clusters of Removed SSNPs From the Fy2025-26 Budget**

Themes	Number of Programmes removed
Women Empowerment	7
Education and Skills (including innovation)	7
Livelihood and Employment (general, social inclusion, labour, cottage industries)	7
Agriculture and Fisheries	7
Environment and Climate Resilience	4
Housing and Infrastructure	5
Disability and Inclusion	3
Food Security or Nutrition	2
Disaster Management & Preparedness	3
Finance or Savings Support	1

**Source:** Authors’ analysis based on data from the Ministry of Finance (MOF, 2025; Ministry of Finance, 2024).

**Note:** Programmes may have overlapping themes, and in that case, they have been classified in all the overlapping themes.

On a positive note, the interest on national savings certificates, classified under Finance or Savings Support, has been removed, increasing available resources (Table 1). National Savings Certificates, a government-issued financial instrument, are available to the public, including private corporations. Therefore, all those receiving interest payments on national savings certificates cannot be considered vulnerable (Khatun et al., 2024).

Nonetheless, the skewed budgetary allocation highlights inefficiencies in the use of fiscal resources. Social safety nets are intended to protect poor and vulnerable groups, ensuring their access to necessities and supporting their overall well-being. When a disproportionate share of resources is directed towards programmes with limited pro-poor impact, the effectiveness of the overall social protection system is undermined, reducing its ability to address poverty and vulnerability in a meaningful way. As such, moving towards the Universal Protection Programme remains challenging due to these inefficiencies in budgetary allocation.

## 4. Analysis of the Five Key Programmes Under Bangladesh's SSNPs

The section will analyse five key programmes under the SSNPs identified by the Government of Bangladesh. These include the Old Age Allowance (OAA), Allowance for Widows, Destitute, and Deserted Women, Open Market Sales (OMS), Disability Allowance and Education Stipend, and the Mother and Child Benefit Programme (MCBP). These programmes are considered key because of their large beneficiary base, substantial budget allocations, and widespread popularity among the population.

Past literature alludes to the presence of favouritism and bribery during the selection process of intended beneficiaries (Hossain, Begum, & Kaiser, 2021; Waqas & Torre, 2019; Javed & Mumtaz, 2024). A previous study conducted in Bangladesh, comprising 3,322 households from 130 rural clusters, concluded that nepotism and the inability to pay a bribe or entrance fee were reasons for being excluded from the targeted SSNPs (Hossain, Begum, & Kaiser, 2021). According to HIES 2022, about 8 per cent of the beneficiaries, that is 608 out of 7,558 individuals, had to pay a fee to be considered in the programmes (Table 2). In hindsight, this number may not be significant, yet it still reaffirms the existence of informal payments, which constitute bribery.

**Table 2: Incidence of Informal Payments During Different Selection Methods**

Selection method of individual beneficiary	Did the beneficiary pay any money for inclusion?		
	Yes	No	Total
Applied and selected	279	3,815	4,094
Persuaded or someone referred	265	1,497	1,762
Selection committee selected	63	1,500	1,563
NGO selected	0	5	5
Don't know	1	100	101
Other (specify)	0	33	33
<b>Total</b>	<b>608</b>	<b>6,950</b>	<b>7,558</b>

Source: Authors' estimation based on HIES data (BBS, 2022).

### 4.1 Old Age Allowance (OAA) and Allowance for Widows, Destitute and Deserted Women

A breakdown of the incidence of informal payments across programmes shows that the Old Age Allowance (OAA) has the highest number of beneficiaries who paid a fee to receive benefits (Table 3). Given the size of the programme, the finding suggests that the enrolment process for the OAA may be particularly vulnerable to petty corruption and gatekeeping by local intermediaries, possibly due to the programme's large scale and popularity. When programmes are implemented through local power structures and operate on a large scale, gatekeeping frequently occurs. Intermediaries may use their position to restrict access to information, give preference to particular applicants, or require informal fees as a condition of enrolment. Since it is one of the

most popular cash-based schemes in Bangladesh, there is significant demand for enrolment, which in turn encourages informal payments. Compared to OAA, other specialised programmes targeting a narrow group of people face a lower incidence of informal payments for inclusion. Open Market Sales (OMS) has a 3 per cent incidence of informal payments, maternity programmes have a 26.8 per cent incidence, and disability allowance has a 16.7 per cent incidence (Table 3) (BBS, 2022). Moreover, the number of beneficiaries for each programme differs substantially, making a direct comparison inappropriate. Nonetheless, the observed pattern indicates that programmes that rely on discretionary selection or community-level verification, such as old-age, maternity, and disability allowances, are particularly vulnerable to informal practices and opportunistic behaviour. This suggests that the nature of programme administration, rather than its scale alone, plays a critical role in shaping governance outcomes. Strengthening transparency in beneficiary identification, digitising payments, and minimising human discretion could therefore be essential to reducing these inefficiencies. Considering this, it is important to assess the structure of discretionary selection programmes and identify which nodes may accommodate leakages.

**Table 3: Incidence of Informal Payments on Disaggregated Programme**

Name of the programme the individual is enrolled in	Did the beneficiary pay any money for inclusion?		
	Yes	No	Total
Elderly Allowance Act	247	1,274	1,521
Allowance For Widows	91	426	517
Allowance For Indigenous	86	382	468
Allowances For the Financially Insolvent Disabled	0	1	1
Maternity Health Voucher Scheme	11	40	51
Maternity Allowance for Working Lactating Mother	7	9	16
Honorarium For Insolvent Freedom Fighters	2	55	57
Medical And Honorarium	0	16	16
Retirement And Family	8	211	219
VGD1	29	184	213
VGF	18	222	240
GR (Food)	4	105	109
Food Assistance In CTG-Hill Tracts Area	0	4	4
Food In Exchange For	0	12	12
Money For Work	2	15	17
TR (Cash)	1	63	64
Employment Generation Programme for the Ultra Poo	0	15	15
OMS	7	203	210

(Table 3 contd.)

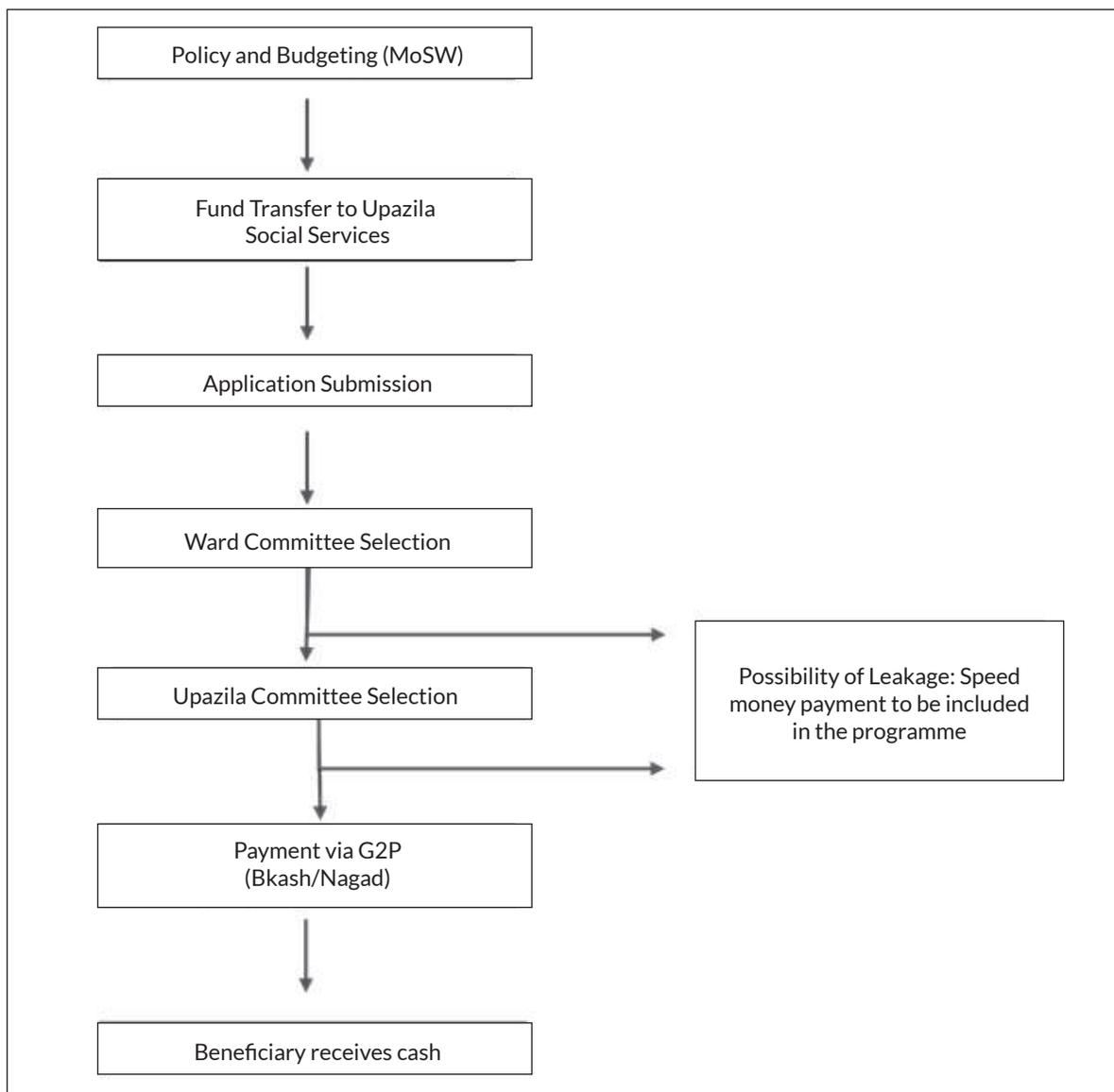
(Table 3 contd.)

Name of the programme the individual is enrolled in	Did the beneficiary pay any money for inclusion?		
	Yes	No	Total
Food Friendly Programme	32	392	424
Stipend For Primary	15	2,002	2,017
Stipend For Secondary	25	820	845
Stipend For Undergrad	0	15	15
Stipends For Students	0	12	12
Stipend For Disabled Students	3	14	17
General Relief Activities	0	69	69
Housing / Home Grants	0	7	7
Interest Subsidy for Small and Marginal Farmers	0	6	6
Covid-19: Incentives	3	144	147
Agricultural Subsidy	1	19	20
Financial Support	0	1	1
Grants For Families of Freedom Fighters	0	7	7
School Feeding Programme	0	2	2
Income Support Programme	2	4	6
Bangladesh Rural Water Development	0	10	10
Infrastructure And Quality Improvement Project	0	7	7
Rural / Rural Infrastructure	0	1	1
Asrayan-2 And 3 Project	1	3	4
Child Sensitive Social Protection	2	6	8
Development Programme for the Poor Women	1	8	9
Other (Specify)	10	164	174
<b>Total</b>	<b>608</b>	<b>6,950</b>	<b>7,558</b>

Source: Authors' estimation based on HIES data (BBS, 2022).

It should be noted that the OAA and Allowance for Widows, Destitute and Deserted Women follow a similar structure (Figure 4). The Ministry of Social Welfare determines the budget allocations for these two programmes. Subsequently, funds are transferred to the Upazila Social Services Office, based on means-testing or household-survey results used to identify eligible beneficiaries. Means testing assesses an individual's or household's financial situation to determine eligibility for SSNPs benefit, while surveys typically collect information on income, assets, and living standards to ensure assistance reaches the most vulnerable groups. The beneficiaries are then selected following submission of their respective applications. The Ward committee will then select the recipients of OAA and the Allowance for Widows, Destitute, and Deserted Women, in accordance with the implementation manual for the programmes. Afterwards, the ward committee will submit the list of selected recipients to the upazila committee for final approval.

Figure 4 : OAA and Allowance for Widows, Destitute and Deserted Women Structure



Source: Authors' illustration based on the Ministry of Social Welfare report (MoSW, 2025) and KII.

The Upazila Committee will serve as the appellate body, with the authority to approve the list of recipients eligible to receive the allowance. From Key Informant Interviews (KIIs) conducted as part of this study, two main sources of leakage were identified. This includes the Ward Committee Selection and the Upazila Committee Selection. In these two segments, there is scope for bribery and favouritism to influence beneficiary selection since the decision is based on subjective evaluation. Moreover, because the existing grievance redressal system is not highly effective, such incidents of foul play often go unaddressed.

## 4.2 Open Market Sales (OMS)

For OMS, because the beneficiary is selected through self-selection, targeting is inherent to its design. Despite the growing shift of poverty from rural to urban areas, SSNP coverage for the urban poor is almost negligible. The OMS programme remains the main support mechanism in urban areas. Moreover, OMS trucks are typically deployed in convenient locations rather than in concentrated, labour-intensive areas where more people may be in need.

According to key informant insights, the self-selection mechanism tends to favour individuals with lower opportunity costs of time, that is, those who can afford to queue for long hours. The design ignores demographics who are unable to stand in line for too long due to disability, age or pregnancy. The social stigma associated with purchasing goods from OMS trucks also hinders many people in need from accessing these benefits. While minor leakages may occur when individuals slightly above the poverty line benefit, these are considered negligible relative to the programme's overall impact. The more pressing issue lies in leakages within the distribution chain, where goods intended for beneficiaries are diverted, highlighting the need for stricter monitoring and accountability mechanisms.

## 4.3 Disability Allowance and Education Stipend Programme

The Disability Allowance and Education Stipend Programme was developed in 2025. These two programmes were previously carried out separately. Bangladesh's 2021 National Survey on Persons with Disabilities observed that 2.80 per cent of people have at least one government-defined disability, with prevalences of 2.34 per cent among women and 3.29 per cent among men, 2.92 per cent in rural areas, and 2.45 per cent in urban areas (MOF, 2025). Assuming the Persons with Disabilities rate remains the same in 2025, a simple exercise reveals that about 76 per cent of the people with disabilities remain uncovered (Table 4). Although this number is a rough estimate, it indicates substantial gaps in coverage. This exclusion is supposedly due to financial constraints.

**Table 4: Beneficiary Coverage and the Uncovered Share of Persons with Disabilities in Bangladesh**

Total population (2022)	Beneficiaries (2025-26)	Persons with Disabilities rate (2021)	Persons with Disabilities	Uncovered
165,158,616	3,531,000	2.80%	4,624,441.248	76.36%

**Source:** Authors' estimation using data from BBS (BBS, 2022; BBS, 2023)

**Note:** Persons with Disabilities = (2.80% x total population); Uncovered = (Beneficiaries/ Persons with Disabilities) x 100. The exercise assumes that the rate and population do not change in 2025, so the result is a rough estimate.

Moreover, there is an existing social stigma around disability, so the problem of underreporting limits a fully accurate scenario of the situation. Additionally, insights from key informants indicate that beneficiaries are often required to pay doctors for medical certificates, thereby creating an informal entry barrier to the programme. This practice undermines the scheme's inclusivity, particularly for low-income individuals with disabilities. Another challenge associated with targeted programmes is the significant discrepancies between data collected by the Bangladesh

Bureau of Statistics (BBS) and targeted surveys. For instance, the lack of accurate information on the number of individuals eligible for disability allowances constrains effective budgeting. In many cases, social stigma prevents families from disclosing relevant information, leading to underreporting and inadequate government planning.

#### 4.4 Mother and Child Benefit Programme (MCBP)

The MCBP is one of Bangladesh's key SSNPs for mothers and during the early stages of pregnancy, when they are most vulnerable to poverty and malnutrition. Women are enrolled three months after pregnancy is confirmed and are provided a monthly transfer of BDT 850 to be utilised to ensure the mother's and child's nutrition, including the purchase of nutritious food and supplements, until the child turns four years old. They are also encouraged to visit healthcare facilities for antenatal care and to complete the vaccination schedule for their newborns. Training is provided through courtyard discussions by the family planning and health division. However, when the transfer amount is adjusted for inflation, its real purchasing power declines substantially (UNICEF, 2023). Moreover, the MCBP applies uniform targeting criteria, providing the same support to all expectant mothers, regardless of parity. This design overlooks the differentiated needs and risks associated with first-time pregnancies, where nutritional deficiencies and maternal health complications are often more pronounced. In the current fiscal year's budget, MCBP held only about 1.6 per cent of the total SSNP budget, with beneficiaries at 1.77 million, much less than the Detailed Implementation Plan (DIP) target of 6 million beneficiaries by 2026 (MOF, 2025).

## 5. Estimated Funding Requirements for Universal Social Protection in Bangladesh

Universal social protection can function better than targeted programmes because it reduces exclusion errors, which are common in developing nations owing to administrative, political, and structural limitations (Razzaque, et al., 2025). Proxy means testing and other targeting techniques commonly fall short in precisely identifying eligible beneficiaries, with exclusion mistakes occasionally surpassing 50 per cent (Kidd, Gelders, & Bailey-Athias, 2017). Evidence from around the world highlight India's Old-Age Pension which has an exclusion error of 68 per cent, Pakistan's Benazir income support programme (cash assistance to vulnerable, low-income families, primarily targeting poor women) has an exclusion error of 73 per cent, Indonesia's Program Keluarga Harapan (CCT for poor families) has an exclusion error of 82 per cent, and Guatemala's Mi Bono Seguro (CCT for poor families) has an exclusion error of 96 per cent (Kidd & Athias, 2020). In Bangladesh, exclusion error from proxy means testing was found, using a logistic regression model, to be at 62.4 per cent in rural areas and 79.9 per cent in urban areas using HIES 2022 data (Razzaque, et al., 2025). By eliminating the need for intricate eligibility tests, universal programmes, on the other hand, lower administrative expenses and errors (Brown, Ravallion, & Walle, 2018). Universal programmes promote more social cohesion since they avoid behavioural distortions and stigmas connected to programmes that are only targeted at a specific population (Sen, 1998). Although there is financial hardship in universal programmes, the ongoing and frequently severe targeting failures in resource-constrained environments suggest that universal or categorical approaches may ultimately be more equitable, administratively feasible, and politically viable in the long run.

Another issue with the current system, which underscores the need for a universal scheme, is that the SSNP budget is managed across multiple ministries. Each of the 24 departments has its own programmes and budgets. This also means that they have separate operating costs. Consolidating all programmes may reduce these operating expenditures.

The methodology used to assess the financial requirements for supporting a universal programme is based on the ILO Social Protection Floors Calculator. This tool provides a bottom-up estimate of the fiscal needs required to finance universal protection across demographic groups. First, it maps out the eligible population for each programme, such as children, orphans, the elderly, and unemployed workers, using up-to-date demographic and employment data. Next, a benchmark benefit level, commonly tied to the poverty line or minimum wage, is applied to that population, giving a raw cost for each component of the safety net. By expressing results as a share of GDP or government revenue, the tool facilitates an assessment of the feasibility of implementing a universal social protection framework. The calculations include only the cost of non-contributory social assistance benefits for the specified population and do not account for social insurance, which is financed through employer and staff contributions and provides higher benefit levels. Child benefits are modelled as cash transfers to families with children in the selected age groups, while administration costs are incorporated for all benefits, with a 3 per cent administrative cost assumed for universal programmes. The analysis uses the following assumptions: (i) a total population of 169,356,251 (ILO, 2024), (ii) GDP per capita of BDT 208,447, (iii) a national (lower) poverty line of BDT 35,021 annually (ILO, 2024), (iv) a minimum salary of BDT 1,500 monthly

(ILO, 2024), (v) children accounting for 28.4 per cent of the population, of which 0.1 per cent are orphans (ILO, 2024),(vi) older persons representing 5.8 per cent of the population (ILO, 2024), and (vii) a total fertility rate of 2.0 per cent (ILO, 2024).

Table 5 highlights the potential cost of implementing universal child benefits to adopt a universal approach to Bangladesh’s MCBP programme, providing financial support to all children within the designated age brackets. A universal child benefit can be conceptualised as an extension of the existing MCBP under the SSNPs budget. Whereas the current MCBP targets specific groups of mothers and children, a universal approach would broaden coverage to include all children within the defined age range, encompassing orphans and other vulnerable populations. This expansion would reduce exclusion errors and enhance the programme’s overall inclusivity.

**Table 5: Cost of Universal Child Benefits**

<b>Cost of universal child benefits (as a percentage of GDP)</b>				
Age groups (in years)	0 - 4	5 - 9	10 - 14	0-14
Benefit level				
100 per cent of the national poverty line	1.50	1.49	1.92	4.91
75 per cent of the national poverty line	1.12	1.12	1.44	3.68
50 per cent of the national poverty line	0.75	0.75	0.96	2.46
25 per cent of the national poverty line	0.37	0.37	0.48	1.23
<b>Cost of universal child benefits (as a percentage of the current national budget)</b>				
Age groups				
(in years)	0-4	5-9	10-14	0-14
Benefit level				
100 per cent of the national poverty line	6.70	6.66	8.58	21.94
75 per cent of the national poverty line	5.00	5.00	6.43	16.44
50 per cent of the national poverty line	3.35	3.35	4.29	10.99
25 per cent of the national poverty line	1.65	1.65	2.14	5.50

**Source:** Authors’ calculations based on the ILO’s Social Protection Floors Cost Calculator (ILO, 2024).

Cost estimates are obtained at varying levels of benefit, each benchmarked to generally accepted national income-adequacy standards, such as the national poverty line in local currency units. The national poverty line for Bangladesh is the minimum amount of money needed to support household consumption, as determined by the household expenditure survey and adjusted for

inflation. The value is assumed to be BDT 35,021 annually for the estimates of this study; this is the lower poverty line.

The ILO cost calculator shows that sustaining a cash transfer equal to 100 per cent of the national minimum wage, which is BDT 35,021 annually, to children aged 0-4 years old requires 1.50 per cent of GDP, 5-9 years old requires 1.49 per cent of GDP, and 10-14 years old requires 1.92 per cent of GDP. In total, to cover the entire age group from 0-14 years old, a cash transfer worth 4.91 per cent of GDP would be required (Table 5) (ILO, 2024).

When assessed against the FY2026 national budget, the estimated fiscal requirements for supporting children aged 0–4 vary by the size of the transfer. Providing transfers equivalent to 100 per cent of the poverty line would require 6.7 per cent of the national budget, while transfers set at 75 per cent, 50 per cent, and 25 per cent of the poverty line would require 5 per cent, 3.35 per cent, and 1.65 per cent, respectively (Table 5). Given that social safety net programmes currently account for 14.78 per cent of the national budget (Figure 2), initiating the scheme with transfers equivalent to 25 per cent of the poverty line is both feasible and fiscally prudent. A phased approach, starting with the lowest fiscal burden and gradually achieving universal coverage, is the most strategic option. Given Bangladesh’s low tax-to-GDP ratio and the challenges of achieving greater tax justice in the near term, reallocating sufficient budgetary resources to reach universality by 2030 will remain difficult without such a gradual strategy.

**Table 6: Cost of Universal Social Benefits to Orphans**

Indicators	Cost of universal social benefits to orphans (as a percentage of GDP)	Cost of universal social benefits to orphans (as a percentage of current national budget)
Benefit level		
100 per cent of the national poverty line	0.01	0.04
75 per cent of the national poverty line	0.01	0.04
50 per cent of the national poverty line	0.01	0.04
25 per cent of the national poverty line	0.00	0.00

**Source:** Authors’ calculations based on the ILO’s Social Protection Floors Cost Calculator (ILO, 2024).

Universal social benefits for orphans would amount to just 0.01 per cent of GDP, equivalent to 100 per cent of the national poverty line (Table 6). When estimated as a percentage of the FY2026 national budget, 0.04 per cent of the budget is required to provide social benefits to orphans equivalent to 100 per cent of the national poverty line. The cost remains largely unchanged, ranging between 0.00 and 0.01 per cent of GDP and 0.00 and 0.04 per cent of the national budget, even if the benefit level is reduced to 75, 50, or 25 per cent of the poverty line (Table 6) (ILO, 2024). These minimal costs demonstrate that universal child-focused protection can be implemented with very limited fiscal burden.

Bangladesh has made a move towards universality, starting with UPS in August of 2023, under the National Pension Authority (National Pension Authority, 2023). However, uptake remains low. The UPS is built around several sub-schemes tailored to different income groups and work types, including low-income workers, informal workers, private-sector workers, and expatriates. However, due to limited awareness of the programme’s design and trust, especially among informal-sector workers, many eligible individuals face asymmetric information about the programme’s details and long-term impacts. Moreover, Bangladesh’s UPS is largely voluntary and provides no immediate benefits. This remains a barrier for low-income households that may not grasp the concept of long-term benefits when there are no short-term returns. This is a problem that the study’s framework aims to address in the subsequent section.

**Table 7: Cost of Universal Pensions Scheme (UPS)**

Indicators	Cost of universal pensions (as a percentage of GDP)	Cost of universal pensions (as a percentage of the current national budget)
<i>Benefit level</i>		
100 per cent of the national poverty line	1.01	4.51
75 per cent of the national poverty line	0.76	3.40
50 per cent of the national poverty line	0.50	2.23
25 per cent of the national poverty line	0.25	1.12

**Source:** Authors’ calculations based on the ILO’s Social Protection Floors Cost Calculator (ILO, 2024)

Calculations for Bangladesh, using the ILO’s Social Protection Floors Cost Calculator, show that the cost of providing cash benefits equal to 100 per cent of the national poverty line to all persons aged 65 years and above would be only 1.01 per cent of GDP and 4.51 per cent of the national budget for FY2026 (Table 7) (ILO, 2024). Currently, if we look at the budget of FY2025, only 0.12 per cent of GDP was allocated to old age allowance (MOF, 2025). A non-contributory UPS could build on the existing OAA framework, requiring an extra 0.1 to 0.5 per cent of GDP per year through 2040, while benefits set at the national poverty line would raise the cost to 0.3–0.7 per cent of GDP (lower bound) or 0.3–0.9 per cent (upper bound) (Rahman, Khan, & Sabbih, 2021). Consolidating existing programmes under the elderly life cycle and reallocating their budgets could free up resources equivalent to 0.8 per cent of GDP, which can be directed towards scaling up the OAA or phase 0 of the non-contributory UPS (MOF, 2025; MoSW, 2025). Findings suggest that a UPS for the elderly is feasible to implement, given Bangladesh’s current economic and institutional landscape.

In addition to the paper’s discussion of the feasibility of certain schemes, the paper analyses the allowance for the Widow, Destitute and Deserted Women, Disability Allowance, Education Stipend, and OMS, but does not provide financing requirements. This is primarily because, in

many countries, such programmes are administered as components of broader universal social protection programmes, such as unemployment benefits, or delivered through in-kind support mechanisms, such as subsidised food vouchers in the case of OMS. But these are important programmes in the context of Bangladesh. Therefore, their design should be re-examined to increase coverage and remove the existing bottlenecks. For instance, OMS can be scaled up by using urban poverty mapping and integrating a dynamic national household database that contains comprehensive information on individuals and is regularly updated. While the problem of self-selection may persist, KII insights suggest that it is not creating sufficient inefficiencies in the OMS programme's delivery to vulnerable people.

## 6. Potential Pathway for Universal Social Protection

Bangladesh's current SSNPs scenario emphasises providing a safety net to safeguard against poverty-related deprivation or descent below the poverty line for those already at the margin. However, as shown in the previous analysis, targeted programmes are more prone to errors and, in the long run, may be more costly to finance due to administrative costs, leakages, and implementation inefficiencies. As a result, a universal scheme that encompasses the population in need will be more favourable and, in the long run, sustainable for the economy.

Financing social protection programmes requires a mix of instruments. Previous literature indicates that healthcare programmes primarily rely on instruments such as social insurance, private insurance, and budgetary sources (Vilcu & Mathauer, 2016; Luyten & Tubeuf, 2025). In the context of pensions or old-age allowances, contribution schemes and conditional cash transfers are prevalent. It was estimated that Bangladesh needed USD 68.83 billion from internal sources in addition to USD 11.03 billion from external sources since 2021 to meet SDG financing shortfalls through 2030, illustrating large competing demands on public budgets (Zaman, 2023).

Furthermore, evidence from general equilibrium analysis (Huang, Imrohorglu, & Sargent, 1997) suggests that gradual transitions towards partially or fully funded social protection schemes can improve fiscal sustainability while promoting capital accumulation. Although initial fiscal expenditure may be significant, efficiency gains, in the paper estimated at up to 2.8 per cent of GDP, demonstrate the potential long-term benefits of pre-funded systems (Huang, Imrohorglu, & Sargent, 1997). For Bangladesh, such a framework could inform phased implementation of universal protection by balancing intergenerational equity with macroeconomic stability. Recent research also supports the phased implementation of universal protection. Building on global experiences and national analyses, Bangladesh might adopt a phased approach to implementing the UPS or OAA, based on the ILO multi-pillar pension model (Rahman, Khan, & Sabbih, 2021).

The ILO's multi-pillar pension framework comprises four interrelated components, collectively designed to ensure comprehensive income security in old age. Pillar 0, representing the Social Protection Floor, provides a non-contributory, government-financed pension that guarantees a basic minimum income for all elderly citizens, particularly in contexts characterised by high levels of informal employment and poverty. Pillar I, the Social Insurance Pillar, is a mandatory contributory scheme, jointly financed by employers and employees, typically implemented through Defined Benefit (DB) or Defined Contribution (DC) arrangements, and intended to maintain an adequate standard of living after retirement. Pillar II, the Complementary Pillar, comprises supplementary contributory schemes that may be mandatory or voluntary, often employer-financed and privately managed, designed to augment the benefits provided by Pillars 0 and I. Finally, Pillar III encompasses voluntary personal savings, allowing individuals to make additional private contributions for retirement, which are managed under government regulation and invested in competitive financial markets, such as stocks and bonds. Collectively, these pillars provide a structured, layered approach to securing retirement income.

Such a sequenced approach enables the government to strengthen administrative capacity, integrate informal-sector workers, and consolidate overlapping social safety-net programmes.

Bangladesh's current infrastructure and institutional capacity are insufficient to support a fully universal model; therefore, a gradual, phased rollout represents the most feasible approach. This may ultimately create fiscal space to sustain a universal system. Key informant insights indicate that, although the timeline is not fixed, it may take approximately 20 to 30 years to develop a universal model. There remains fiscal space to scale up existing pension schemes for the elderly, as well as child and orphan benefits. The adoption of a fully universal social protection framework requires long-term planning and a gradual transition. Accordingly, the study proposes two models to guide the phased expansion of OAA and MCBP towards a Universal Pension Scheme (UPS) and a Universal Child Benefit (UCB). The justification for prioritising the elderly and children is that they fall outside the productive labour force. Children are years away from entering the job market, while a large share of the elderly is no longer able to work due to age-related limitations. As a result, neither group can sustainably generate income, leaving them structurally dependent on household or state support. Moreover, these groups face disproportionately high health risks, thereby imposing costs on working family members. Investing in them yields long-term social and economic returns. For example, child benefits promote better nutrition, school retention, and human capital formation, thereby strengthening future productivity; pensions reduce old-age poverty, lower the burden on working-age family members, and stabilise household consumption. The following proposed frameworks are based on the paper by Rahman et al. (2021) and the ILO multi-pillar pension scheme. This study, however, extends the existing model to the UCB.

## 6.1 Proposed Financing Framework for UPS

The financing structure for UPS in Bangladesh can be developed based on the ILO multi-pillar pension scheme. UPS will ensure that every elderly person has some level of income security, regardless of whether they worked in the formal sector. The proposed UPS for Bangladesh adopts the ILO model for its simplicity and adaptability to low-income contexts, drawing on examples such as the Maldives, which successfully implemented Phase 0 (Consolidation) and Phase 1 (Expansion) (Sun, 2016) to achieve both universality and sustainability.

The initial step towards achieving universal protection for the ageing population is Phase 0, in line with the ILO Pillar 0 Social Protection Floor, where the government provides a minimum level of funding. This requires reallocating existing resources to establish a social protection floor for elderly individuals, akin to the current OAA but extending coverage to the entire elderly population. Although fully implementing this in the short term may be challenging, the current OAA coverage can be progressively expanded to achieve this goal. Funding in this phase would remain tax-based, while universality would be achieved through coverage. The underlying rationale is to gradually phase out means-tested targeting and broaden the OAA to encompass all citizens aged 60 and above. Moreover, it is essential to address the widespread lack of awareness and education regarding pension schemes. Mandatory orientation sessions, informational brochures, and targeted campaigns should be used to clearly communicate the long-term benefits of participating in the pension system. Strengthening financial literacy in this way can encourage informal-sector workers to enrol and consistently contribute, even during the next phase 1, ultimately increasing their future pay-off. This is an important dimension of the study's framework, as the current UPS in Bangladesh experiences market failure largely due to information asymmetry.

The next step is Phase 1: expansion of contributory schemes in line with ILO Pillar 1 Social Insurance, co-financed by public-sector formal-sector employees and the government. Formal sector employees contribute a portion of their income to their retirement plan, while the government provides a fixed matching contribution. The current plan for UPS in Bangladesh, which is still in the initial stage, proposes a 50 per cent matching scheme by the government for self-employed but very poor citizens. This phase will work in parallel to Phase 0. This dual-tier approach ensures that poor and informal workers remain protected under Phase 0, while formal and contributing workers accumulate pension entitlements under Phase I. Moreover, the government should introduce a Pay-as-you-go (PAYG) Direct Benefit (DB) model, in which the pension is financed by contributions from currently working individuals. If the Government of Bangladesh establishes the necessary institutional and legal framework to implement a PAYG-DB scheme for employed individuals, groups such as farmers, service providers, private sector employees, and the self-employed would have a practical option to secure their income in old age. An additional advantage of the proposed pension scheme is its risk-free operation, as it is managed by the government. Compared with retirement plans offered by private insurance companies, it is expected to provide higher returns. The combination of lower risk and improved returns could incentivise individuals to contribute a portion of their salaries to the programme.

## 6.2 Proposed Financing Framework for Universal Child Benefits

UCB aims to address coverage gaps and uphold the social protection rights of children by providing cash transfers to families and guardians of orphans, irrespective of household income. Recipients typically do not need to make contributions or meet specific conditions to access the benefit. However, certain eligibility criteria, including the child's age and family circumstances, determine the amount of the transfer. This study conceptualises UCB as an extension of the existing MCBP, building on its framework, and can also serve as a precedent for mobilising and structuring financing resources for the broader MCB programme in Bangladesh.

The financing of UCB in Bangladesh could thus be structured in a phased approach, drawing on the principles of the ILO's multi-pillar social protection framework, as employed for the Universal Pension Scheme.

Similar to UPS, the initial step towards establishing a universal child benefit scheme, referred to as Phase 0, is consolidating existing MCBP programmes under the SSNP budget into a single, integrated programme that provides cash transfers to all eligible families. At this stage, eligibility can be determined using existing criteria, such as household income or family circumstances, such as single, divorced, or widowed mothers. Reallocating the fragmented budgets of current programmes into a unified scheme will create fiscal flexibility, facilitating the gradual expansion of coverage. Financing in this phase would remain tax-based, with the primary objective being the reallocation and consolidation of SSNPs to establish a foundational child protection floor for all children.

The age coverage should be expanded incrementally, beginning with the youngest cohort (0–4 years), to ensure fiscal manageability. Benefits would be provided as conditional cash transfers tied to specific requirements, including regular health check-ups for mothers and children, and

completion of vaccination schedules. For expectant mothers, the child would be considered as aged 0, with benefits in the form of conditional cash transfers indexed to inflation and linked to a basket of essential goods for pregnancy. Conditionality for these transfers would be associated with successful antenatal care received at designated healthcare facilities. Moreover, campaign and courtyard sessions to educate mothers about their health during pregnancy and their children's health should be made more accessible to everyone. In the case of orphaned children, benefits should be directed to the designated caregiver or registered orphanage responsible for the child's welfare. However, strict monitoring and evaluation mechanisms must be in place to ensure that the transfer directly supports the child's well-being and is not diverted for other purposes.

Once a universal child protection floor is established, Bangladesh can, in the next step, move towards a contributory scheme co-funded by employees and the government, referred to as Phase 1. This phase will be a tiered system where families receive a basic universal benefit (from Phase 0) and an additional top-up based on contributions. Both phases operate simultaneously to ensure that informal sector workers continue to receive a minimum child benefit, while formal sector employees can obtain enhanced benefits based on their contributions.

## 7. Stakeholder Perspective Regarding the Feasibility of Universal Protection in Bangladesh

Consultations with stakeholders reveal a generally positive outlook for the long-term feasibility of universal protection in Bangladesh, provided that administrative and regulatory hurdles are effectively addressed. However, several political barriers were identified through KIIs. One major challenge is that many individuals responsible for decision-making on social protection schemes are not experts in the field. Specialists are often relegated to administrative tasks rather than conducting the research necessary to determine how scarce resources should be allocated to maximise utility gains. Another barrier is the stagnation of promising initiatives, such as the single registry dynamic system and the Universal Pension Scheme, which remain at the proposal stage and have not been implemented, thereby preventing meaningful progress. Finally, the proliferation of small, fragmented programmes within the SSNPs budget was linked to the approval process: smaller programmes can be approved directly by ministries, whereas larger programmes require approval from the Planning Commission. This dynamic has led to the inclusion of numerous small programmes without adequate cross-analysis, resulting in duplication and inefficiency. The need for a single, dynamic registry database linked to the national ID and birth registration system was repeatedly emphasised by multiple stakeholders. They argued that such a system would enable timely updates on household circumstances, facilitating the identification of duplicate beneficiaries and households that are eligible but not currently enrolled in any programme. This would also reduce distortions in programme targeting and delivery that arise from asymmetric information. Stakeholders believe that addressing both political and data-related barriers is necessary as the country moves toward universality. They noted that if these challenges can be effectively tackled, Bangladesh could realistically achieve universal social protection within the next decade, as reflected in the interviews.

## 8. Conclusion and Policy Recommendations

Bangladesh's current approach to protecting the poor and vulnerable is through a targeted effort. As Phase 2 of the NSSS action plan concludes in 2026, it is imperative to reconsider a strategic approach to a universal scheme. Global evidence indicates that a universal scheme provides greater coverage for vulnerable groups and reduces the inefficiencies inherent in a targeted approach. For a developing country like Bangladesh, underdeveloped fiscal institutions pose higher administrative costs in a targeted approach. Asymmetric knowledge about programmes and their criteria is another problem with targeting. 'Speed money' is frequently used to circumvent restrictions and access benefits intended primarily for households with lower incomes. Additionally, early access to programme availability information, commonly disseminated through local networks, significantly affects targeted outcomes. Households with prior access to information are more likely to be misclassified into programmes, yet their awareness also reduces the likelihood of exclusion errors among those within their networks. This suggests that better-connected and informed households may leverage their informational advantage, potentially at the expense of more vulnerable or less informed individuals. Typically, local actors, such as union or school committee members, facilitate such recruitment. Analysing the five key programmes revealed the inefficiencies in the design. A persistent exclusion error due to poor targeting highlights the system's loopholes. The current SSNP scenario in Bangladesh also underscores the ineffectiveness of budgetary allocation. Programmes that serve only the vulnerable and poor account for a large share of the budgetary allocation, leaving a smaller share for more important programmes.

Financing for a universal scheme entails gradually phasing out targeted programmes. Using the ILO calculator, the study's findings indicate that moving towards a universal pension scheme would require 1.01 per cent of GDP to provide cash benefits equal to 100 per cent of the national poverty line and 4.51 per cent of the national budget for FY2026. Achieving universal child benefits for ages 0-4 requires a cash transfer equal to 0.37 per cent of GDP and 1.67 per cent of the national budget, equivalent to 25 per cent of the national poverty line. The reason for highlighting the 25 per cent of the national poverty bench line is because while Bangladesh may not have the fiscal space to finance 100 per cent of the national poverty line for a universal child benefit in the short term due to its low tax-to-GDP ratio, a 25 per cent is feasible to achieve especially if the fragmented SSNP's relating to mother and child are consolidated. Lastly, financing a universal scheme for orphan children requires a cash transfer worth 0.01 per cent of GDP and 0.04 per cent of the national budget, which is equal to 100 per cent of the national poverty line. While not all universal schemes are viable in the short term, a universal pension scheme is achievable.

Financing such a system requires a diverse set of instruments, given Bangladesh's significant financing gaps for the SDGs. Evidence from global and national studies supports a phased transition towards universal coverage, starting with a non-contributory model (Phase 0) and gradually introducing contributory elements (Phase 1) to enhance fiscal sustainability. Given limited institutional and administrative capacity, a gradual rollout over 20–30 years is recommended to build fiscal space and integrate existing programmes. In this consideration, the study proposes the following policy recommendations.

- *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 significant exclusion and inclusion errors. Developing a dynamic system integrated with the Bangladesh Bureau of Statistics (BBS) data, NID database, 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.
- *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.
- *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.
- *Invest in digitalisation for efficiency, transparency and cost reduction:* Strengthening SSNP delivery requires digitalisation, accurate poverty mapping, beneficiary identification and monitoring. Systems should be designed with technology foresight to allow for future upgrades. Moreover, end-to-end data managed by digital tools will reduce leakage risks and overhead costs.
- *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.
- *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.

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