



# Reaching Out to the Poor and Needy with Direct Cash Support: Dealing with the Last-Mile Delivery Challenge

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# Reaching Out to the Poor and Needy with Direct Cash Support: Dealing with the Last-Mile Delivery Challenge

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## Summary

- The COVID-19 crisis has forced millions more into poverty. Poor and vulnerable population groups need emergency assistance to stave off hunger and meet their most minimal livelihood requirements. It is estimated that some 12 million or more households are in need of immediate support.
- The government's declared support measures in dealing with economic fallouts deserve appreciation. Much of the stimulus package is geared towards an economic recovery process while at this moment the challenge of addressing hunger and minimum basic needs should be the utmost priority along with the ongoing fight against the spread of COVID-19.
- We suggest that the government create a new programme an unconditional *emergency cash allowance programme (ECAP)* for the households that are in dire need. Under this intervention, each beneficiary household should receive Tk 3,000 per month to meet the basic minimum needs.
- We further suggest planning for a longer duration of the support measure given that COVID-19 infections have not yet peaked in the country and economic recovery might not start very soon.
- Cash assistance programmes are generally found to be more efficient than in-kind transfer schemes and are less susceptible to corrupt practices. Cash support is also important to help people keep their consumption as diversified as possible thereby supporting the local-level demand for a wide variety of goods and services.
- It is suggested that the government-to-person (G2P) cash transfer programme gets implemented through the existing digital financial system (DFS) infrastructure, upholding the social distancing rules, with the beneficiaries receiving their allowances in their mobile financial system (MFS) accounts.
- Such a programme with a coverage of 12 million households (i.e. about 50 million population) will cost Tk 108 billion (0.36% of GDP) for a 3-month period. The extension of the same programme over a 6-month period will cost Tk 216 billion (0.72% of GDP).
- Citizens requiring such assistance should be asked to self-select and register themselves through dedicated mobile numbers by providing some basic information.
- The proposal calls for engaging the close to 1 million MFS agents, scattered all over Bangladesh, in helping with the registration and opening of MFS accounts of the applicants.
- The cash allowances *may* be paid on a monthly basis.
- The proposed cash assistance programme will greatly complement the government's other declared support measures. The expansion of the safety net programmes, as already announced by the government, should be implemented in addition to this proposed cash transfer scheme to make the overall support system most effective.

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## I. Background

COVID-19 has now turned into a major global health and economic crisis unprecedented over the past 100 years since the Spanish flu of 1918. Economic activities across the world have ground to a dramatic halt. Countries and multilateral agencies (Asian Development Bank, World Bank, IMF, OECD, etc.) have started crunching the numbers to assess the likely economic and social costs of this global pandemic. Most recent IMF projections show an overwhelming majority of global economies to contract in 2020 and the growth in the Asia-Pacific region will hit the lowest since the 1960s. Hundreds of millions of people worldwide have lost their jobs and are confronted with survival and livelihood struggles. A study by UNU-WIDER shows that the resultant economic consequences could increase global poverty by as much as half a billion people, or 8 per cent of the total human population. This would be the first time in the past thirty years since 1990 that poverty has increased globally. The WFP has also warned that the world may see famines of biblical proportions in 10-39 countries of the world.

Bangladesh has also started dealing with the severe consequences of COVID-19 with curtailed economic activities manifested in factory closures, massive loss of employment, cancellation of export orders, declining remittance inflows, and depressed demand for domestically produced goods and services. The government has now declared that the entire country is at risk of the coronavirus pandemic. Emerging assessments seem to suggest that export earnings in FY20 could be \$5 – \$8 billion lower than that of the previous year (i.e. up to a negative growth of 20%). Remittances that have traditionally played a critical role in boosting consumption demand for rural households were down by 12 per cent (in March) and the inflows are likely to deteriorate further in the coming months. Manufacturing activities, that have been the engine of Bangladesh's GDP growth, are also likely to have plunged to an exceptionally low level. The services sector, including hotels & restaurants, construction, transportation, etc. has taken a massive hit by lockdown measures and shrinking demand. The World Bank projects overall economic growth in the current (FY20) and next fiscal year (FY21) to be in 2–3 per cent range. While it is too early to predict economic activities in FY21, the forecast for FY20 is plausible. Even if the government's claim of 8 per cent growth in the first 8 months of FY20 is accepted, a conservative assessment of a negative growth of -9 per cent for the remaining period will yield an overall growth 2.25 per cent for the entire fiscal year. Many economic analysts would argue that even prior to the unfolding of COVID-19 crisis economic performance was very subdued with export earnings in the first eight months of the current fiscal year declining by 5 per cent over the corresponding period of the previous year; private sector credit decelerating to 9 per cent, the lowest level in two decades; single-digit government revenue growth pointing to a huge shortfall from its target; and the government borrowing from the banking system being a record high. That is, from an already shaky point of departure, the overall economic situation has become even more precarious for Bangladesh.

Notwithstanding the above, the government's declared policy support measures in dealing with the economic fallout of COVID-19 deserves appreciation. With an initial stimulus package of Tk 72,750 crore (2.5% of GDP), further support programmes have been announced subsequently to expand the budgetary allocation to Tk 95,619 crore (3.3% of GDP) (Annex I). The support includes working capital loan fund for manufacturing and service industries, export promotion fund, pre-shipment credit refinancing, a special fund for export-oriented industries, working capital support for cottage, micro,

small and medium enterprises, rice procurement budget, working capital support for farmers, agricultural subsidy, and safety net expansion.

The unfolding extraordinary situation inflicted by COVID-19 requires extraordinary measures and as such the policy intent of those support measures is quite clear. Given the institutional capacity and record of governance, the effective implementation of the stimulus package will be a matter for future evaluation. At this moment, the following issues should be given careful consideration for immediate policy attention:

- (1) Much of the stimulus package is related to economic recovery while at this moment addressing hunger and minimum basic needs constitutes the utmost priority. Millions of poor and vulnerable citizens (including the 'new poor' arising from job losses or forgone income-earning opportunities) are now faced with serious livelihood challenges and thus need support.
- (2) Given the transmission patterns of COVID-19 as evident from the experiences of Europe and the United States, social distancing and lockdown measures may be required for a protracted period. That is, the economic recovery in any significant way could be months away. Therefore, livelihood support mechanisms for a 3-6 month period should be an important consideration.
- (3) Until now, reaching out to the poor and needy through direct policy support has not been detailed-out. Social distancing measures can only be effective when the people in need have the assurance of direct assistance that is delivered in a regular manner for as long as it is needed.
- (4) We do not pretend that it is an easy task but designing and implementing a comprehensive support system by directly targeting the poor and vulnerable groups is not impossible either.

In the above backdrop, the policy brief offers some policy thoughts on the number of people that would need support and how to make the support available to them. In our discussion, we provide an emphasis on cash assistance delivered through a digitised system, using the mobile phone-based financial network. We make our recommendations implementable by working out realistic cost estimates. At the outset, we also acknowledge that it might not be possible to strike a fool-proof programme design. There can be targeting errors, but we propose measures so that such leakages are limited.

## **II. Who should be given direct livelihood support?**

It is not easy to estimate the size of population (or, number of households) that need immediate support to stave off hunger and minimum needs during this crisis. In the absence of a fully-functioning elaborate identification infrastructure (i.e. unemployment insurance number; social security number; comprehensive tax identification number, etc.), two possible approaches – income loss and job loss - could be used to determine the size of the potential beneficiaries. Any method is unlikely to be perfect but the use of available information can provide some usable estimates.

## **Income loss approach**

A PPRC/BIGD survey (April 17, 2020) finds large income losses among poor and vulnerable population groups. The rapid assessment, conducted between 4 and 12 April 2020, comprising a sample of 5,471 respondents (with 51% urban residents and the rest 49% from rural areas) shows that income of urban residents fell by, on average, 82 per cent (in comparison with their monthly income in February 2020), while corresponding reduction for rural respondents turns out to be 79 per cent. The estimated number of new poor resulting from COVID-19 related economic disruptions is 38.16 million: about 27 million in rural areas and 11million in urban areas. Therefore, this new poverty rate is estimated as 22.6 per cent (i.e. 38.16 million as proportion to the total population of 170 million). When the existing 18.9 per cent poor is added to the new poor, the poverty incidence jumps to 41.5 per cent. The survey reveals that only 14 per cent of the respondents received some government assistance, while another 4 per cent had access to support offered by the NGOs. With their current savings, the rural poor can manage 13 more days' livelihood and the urban poor can sustain just 8 days.

Using the 2016 Household Income and Expenditure Survey (HIES), the latest official database for assessing poverty, it can be worked out that a 10 per cent reduction in household consumption across-the-board would increase poverty incidence by 9.7 percentage points with the overall headcount poverty rate rising to 34.1 per cent. When consumption declines by 15 per cent, the corresponding rise in poverty would be 15.2 percentage points. A further decline in consumption expenditures by 20 per cent will make the poverty rate 21.2 percentage points higher (with an aggregate poverty incidence of 45.5 per cent).

We further estimate that if household incomes are falling in the range 8 – 15 per cent, the size of the new poor rises between 12.8 million and 26 million with the overall size of poor households reaching 44.5 million and 58.1 million, respectively. Just for comparison, our estimate of 58.1 million is less than the PPRC/BIDG extrapolated 70 million. One reason for this difference could be that the PPRC/BIDG survey was targeted towards more poor and vulnerable population groups. Amongst others, the Centre for Policy Dialogue (CPD) proposed that the government should provide cash aid to 11.9 million poor households across the country to help them cope with the ongoing coronavirus crisis and the subsequent adverse implications arising over the next two months.<sup>1</sup>

## **Employment loss approach**

Estimates of job losses are preliminary in nature and are based on the so-called heuristic method. According to many newspaper reports, millions of people, mainly engaged in the informal sector, have become jobless. A telephone-based survey undertaken by a newspaper shows that as high as 47 per cent of readymade garment workers have lost their jobs in the backdrop of widespread cancellation of export orders and uncertainty about future export prospects.<sup>2</sup> It has also been reported that millions of transport workers were left without any work after the imposition of the nationwide

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<sup>1</sup> <https://www.thedailystar.net/provide-tk-8000-two-months-each-1.9-crore-poor-households-ongoing-coronavirus-pandemic-1892587>

<sup>2</sup> <https://www.newagebd.net/article/104630/47pc-bangladesh-rmg-workers-lose-jobs-for-coronavirus-situation>.

lockdown.<sup>3</sup> The number of jobless in the SME sector across the country is but anyone's guess. According to various rights groups and labour unions, an estimated 9 million workers have had no source of income since the enforcement of lockdown and social distancing measures. Our over-the-phone interviews and discussions with industry insiders during 10-17 April 2020 suggest the loss of employment could have badly hit as many as 10 – 12 million households.

Despite varying estimates, it is quite clear that the number of households who would need assistance is within an acceptable range. A simple average of the four estimates in Table 1 would result in 14.6 million households. The government has already announced a specific wage support programme for the RMG workers. If the factory owners are interested to take advantage of the package and strive for paying their employees, which they claim of a size of 4 million, these workers' households might not require any further direct cash assistance. There is currently no information on the number of unique households comprising garment workers. However, under plausible assumptions, consideration of unique garment workers' households, could lead to a need for assistance for a lower number of 10.0 million to 12.0 million households. However, it is worth pointing out that the recent crisis has revealed that wage digitisation covers only around 12 per cent of garment workers and it is not clear if factory owners, even with the assistance of wage support package, will pay for their all workers when they are away from work.

**Table 1: Estimated poor/vulnerable households needing support**

Source		Number of individuals affected	Number of households that would need support
PPRC/BIGD		70 million	17.5 million
PRI		58 million	14.5 million
CPD		56 million	14.0 million
Interviews/discussions with industry insiders		50 million	12.5 million

### III. How Much Is Needed for the Cash Transfer Programme?

One critical element in determining the support programme is the amount of transfer. At the outset, we would like to highlight that while a standard suggestion could involve considering the poverty line income as worked out in Bangladesh and make the equivalent amount of transfer. However, we take the view that it may not constitute a practical approach. While the budgetary capacity is an issue, it is also important to remember that we are confronting an unprecedented crisis in which the principal objective is to help people with their bare minimum necessities. As already mentioned, there could be the need for such support measures for several months and thus budgetary implications should be given a careful consideration. Also, the provided state support should not result in perverse incentives with the recipients expecting a relatively large support. In the following, we first summarise the current suggestions and then offer our recommendation of a specific amount.

- The transfer size as suggested in the PPRC/BIGD assessment is Tk 6,600 per month for every beneficiary rural household and Tk 8,100 for such urban households. For a typical four-member

<sup>3</sup> (<https://www.aa.com.tr/en/asia-pacific/covid-19-lockdown-leaves-millions-jobless-helpless-in-bangladesh/1798786>)



household, the above translates to Tk 1,650 per person for rural residents and Tk 2,025 per person for urban beneficiaries.

**Table 2: Transfer size**

Source	BDT per month per household
<b>PPRC/BGID</b>	8,100 for Urban household and 6,600 for rural household
<b>BRAC</b>	3,000 per household
<b>Poverty line based @2016 prices</b>	9,092 under upper poverty line and 7,748 under lower poverty line
<b>Poverty line based @2020 prices</b>	10,886 under upper poverty line and 8,938 under lower poverty line

- Many economists would tend to suggest a transfer amount close to the poverty line income. Bangladesh uses 16 different poverty lines for different regions. For poverty assessments in the 2016 Household Income and Expenditure Survey, these amounts varied from Tk 1,865 (rural Sylhet) to Tk 2,929 (Dhaka metropolitan area). The average national upper poverty line was set at Tk 2,268 per person per month and the average lower poverty line was Tk 1,862 per person per month. Thus, for a four member-household, the transfer size should be Tk 9,072 per month under the upper poverty line and Tk 7,748 per month under the lower poverty line. Since these are at 2016 prices, using an average yearly inflation rate of 5 per cent, the inflation-indexed values of the 2020 household poverty lines could be determined respectively at Tk 10,886 per month under the upper poverty line and Tk 8,938 per month under the lower poverty.
- BRAC is currently offering assistance to their identified poor and vulnerable households needing support. Based on the expenses related to the basic minimum needs, they are offering Tk 3,000 per household. Strikingly, this is much lower than the poverty line incomes as suggested above.
- As pointed out above, we believe that benchmarking transfer size around the poverty line during this crisis period is not realistic. Given the current stage of the spread of COVID19 in Bangladesh (which has not reached the peak yet) and slow progress to reopen economy elsewhere in the world, it is more likely that direct government cash support programme would be required for a much longer period – at least for the next 3 to 8 months.
- We believe a transfer amount of Tk 3,000 per household or family is a reasonable one for the reasons mentioned above. We do acknowledge that this amount is small and would just allow the households to survive the crisis. This amount is unlikely to encourage perverse incentives for non-vulnerable households to seek for the assistance. We do think that it is not appropriate to get into the debate about why not a slightly lower amount of Tk 2,500 or not a slightly higher amount of Tk 3,500. There is some field-level evidence of Tk 3,000 being reasonable. At the end, it is a budgetary cost issue and should the government wish, it can simulate the cost implications over range of transfer amount.



**Table 3: Resource requirements**

Beneficiary Households (Million)	Transfer (BDT/Month/Family)	Programme Cost (million Tk)			
		One month	Three months	Six months	Eight months
10.0	3,000	30,000	90,000	180,000	240,000
12.0	3,000	36,000	108,000	216,000	288,000
% of GDP (when there are 10 million beneficiary households)		0.10	0.31	0.62	0.83
% of GDP (when there are 12 million beneficiary households)		0.12	0.36	0.72	0.96

- Our estimates show that if a total of 12 million households are to be supported with direct cash assistance of Tk 3,000 (per household), the total programme cost for a three month period will be Tk 108 billion, which is calculated as just about 0.36 per cent of Bangladesh’s estimated GDP for FY20. For a longer duration (six months) of assistance programme, using the same allowances for the same number of households, the computed cost would be Tk 216 billion (0.72 percent of GDP). These estimates thus show that the total cost of this massive transfer program will be something that the government can afford.

### Why Cash Assistance?

One question is why we are advocating for cash assistance. We do not undermine the need for in-kind assistance in various special circumstances. Otherwise, there exists a huge body of evidence to suggest great advantages of cash transfer programmes over in-kind distribution. Cash programmes are more efficient as they do not distort consumption and production choices. Cross-country studies show that such transfers are 25–30 per cent cheaper than in-kind transfers. Because of its known advantages, the National Social Security Strategy, that Bangladesh government adopted in 2015, proposes to transform all workfare-based food transfer interventions into cash assistance schemes.

There is also one more reason for suggesting cash assistance. Given the availability and rapid expansion of mobile financial services (MFS), money can now be sent to even remote places in Bangladesh. Yearly transactions through MFS reached more than \$50 billion in 2019. There are currently about 1 million MFS agents operating all over Bangladesh dealing with close to 80 million registered accounts, of which about 35 million are considered to be active. The MFS mechanism thus stands ready to inject the cash in a cost- effective manner with being much less susceptible to corrupt practices. The current government rightly gets a lot of credit for helping expand this mobile financial system and it would only be most timely and appropriate to use the same means to provide prompt livelihood support to the millions of households. Under the current social distancing guidelines, it is also very difficult to conduct in-kind distribution, let alone the proliferation of thefts and misappropriation of relief materials, as reported frequently in media.

Cash assistance is also important to help people keep their consumption as diversified as possible. This can sustain local-level demand for diversified goods and services. Otherwise, many small growers of such items as vegetables, eggs, fish and dairy products will have to discontinue their production. It can delay a post-crisis recovery process, because small producers might then find it difficult to build up their supply response.

#### IV. How to reach out to beneficiaries?

Providing estimates of potential beneficiaries and resource requirements is perhaps the easier part of the whole exercise. The most difficult task is to reach out to the poor and vulnerable groups. The National Social Security Strategy (adopted in 2015) called for a national household database to identify the poorest and vulnerable populations groups. However, even after several years, the proposed mechanism could not be established. Distribution of assistance under many social security programmes are yet to be digitised. Therefore, using a nationwide database to track and reach the needy households at this time would remain a missed opportunity. Largely because of this, most suggestions and commentaries on direct transfers are silent on the issue of the so-called last mile delivery challenge. International experiences seem to suggest some innovative solutions based mainly on digital financial services. Bangladesh can emulate some of these with necessary adjustments.

##### What other countries are doing?<sup>4</sup>

**Chile** has used its existing programme to extend assistance to new beneficiaries (new poor). The country already had a digital infrastructure in place, linking government to the poor (G2P) through various programmes. One such programme uses the national ID of the citizens through which emergency payments can be made. This national ID-linked basic account for most poor people, will be used by the government to pay more than 2 million low-income individuals a one-off grant during this crisis.

**Peru** is one of the countries that used its detailed censuses to identify the poorest citizens for social assistance which can now be employed to extend assistance to people who were initially deemed too well-off for assistance (non-poor in pre-COVID 19 period). The Peruvian programme *Bono Yo Me Quedo en Casa* for instance offers an additional transfer equivalent to 50 per cent of the minimum wage to 2.7 million poor households identified in a dataset created to target the *Peruvian Juntos Conditional Cash Transfers (CCT)*. Beneficiaries can check their availability online, and payments are routed via a national bank.

**Pakistan** is a country with no pre-existing database, making it difficult for the government to automatically enrol large segments of the population in emergency assistance programmes. Given the situation, Pakistan has announced a relief package with cash transfers to the poor. The emergency programme requires people to self-identify themselves as vulnerable and to text/SMS to the existing social programme Ehsass with their national identification number. An one-off instalment covering three months' allowances (PR. 12,000) have been transferred to the self-selected beneficiaries.

**India** also has sent money to *Jan Dhan accounts* linked to the *Adhaar ID system*, which was created to promote financial inclusion among the poor. The state of Bihar has announced a transfer to all migrant workers stranded in other states and plans to perform identity checks through a phone app.<sup>5</sup> The state of Uttar Pradesh announced that it will make direct online payments to poor and daily wage

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<sup>4</sup> This section draws heavily from François Gerard, Clément Imbert and Kate Orkin, Social Protection Response to the COVID-19 Crisis: Options for Developing Countries, Policy Brief, April 2020

<sup>5</sup> India Today, 26 March 2020, "[Bihar Govt To Bear Expenses Of Migrant Workers Stranded In Other States](#)".

workers who lose work due to the impact of COVID-19 (includes vegetable vendors, construction workers, rickshaw pullers, auto rickshaw drivers, and temporary staff at shops) (Aljazeera, 2020).

**Brazil's** Households recorded in the Cadastro Unico — i.e. the census of the poor — will be eligible for the *Auxilio Emergencial* as formal self-employed workers. The *Auxilio Emergencial* will provide self-employed workers with a monthly payment of 60% of the minimum wage for the next three months. The government also created a new website to extend coverage of this emergency assistance programme to informal workers at large. But it also acknowledged that the use of web-based system may prevent individuals without a computer or smartphone from enrolling unless complementary systems are set up. Even if they successfully enroll, transferring money to these new beneficiaries can be difficult.

**Thailand's** informal workers (temporary workers, contractors and the self-employed) will be eligible for a monthly allowance of THB 5,000 for three months from April to June 2020. The scheme will cover 9 million workers (ILO 2020).

**Philippines** offers a monthly transfer of between P5,000 (\$100) and P8,000 (\$160) for two months to 18 million people (mainly low-income families and households working in the informal sector).

**Malaysia's** short term “Bantuan Prihatin Nasional” cash transfer will provide a payment of between RM1,000 (\$230) and RM1,600 (\$370) to over 5 million households and between RM500 (\$115) and RM800 (\$185) to single individuals. The level of payments depends on income, and will be paid between April and May. A one-off payment of RM600 (\$140) will also be paid to e-hailing drivers.<sup>6</sup>

**Singapore** has undertaken various measures including (i) all Singaporeans aged 21 and above to receive a one-off cash transfer of between SG\$600 (\$420) or SG\$1,200 (\$840), depending on their income;<sup>7</sup> (ii) cash payouts to be given to families with children and elderly parents. Additionally, it will include a SG\$300 (US\$210) supermarket voucher to lower-income households;<sup>8</sup> (iii) eligible self-employed persons to receive SG\$1,000 (US\$695) every month for 9 months; (iv) A COVID-19 support grant will provide lower- and middle-income workers who lost their jobs with \$800 per month for 3 months.<sup>9</sup>

### **Using the digital financial system for reaching the poor and vulnerable groups**

Bangladesh is widely recognised for its disaster management successes. Temporary relocation of people to storm shelters during cyclones, feeding the flood-victims through mass gathering, and distribution of basic necessities during natural calamities are areas of work where Bangladesh has developed proven expertise of mobilisation and support delivery mechanisms. However, COVID-19 poses an entirely different kind of challenge where the conventional methods of mobilisation and service delivery would fuel community transmission of the disease. Given the social distancing requirements, a cash transfer programme directly to the targeted households based on the DFS

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<sup>6</sup> <https://www.pmo.gov.my/2020/03/speech-text-prihatin-esp/>

<sup>7</sup> <https://www.straitstimes.com/politics/all-adult-singaporeans-to-receive-one-off-600-solidarity-payment-in-april>

<sup>8</sup> <https://www.gov.sg/article/3-ways-the-resilience-budget-2020-will-help-families-ride-through-covid-19>

<sup>9</sup> <https://www.gov.sg/article/5-ways-the-resilience-budget-will-help-singapores-workers>

infrastructure is a practical and perhaps the most suitable option. The basic principle of the proposed approach is unconditional regular cash transfer to COVID-19 affected households through the government-to-person (G2P) approach, utilising the existing DFS infrastructure. In this respect, our proposals are the following:

1. Establish a new unconditional '*Emergency Cash Allowance Programme (ECAP)*' for the 10 – 12.6 million families, as estimated above, that can be operationalised by the Finance Division of the Ministry of Finance. Set the monthly transfer amount of Tk 3,000 per family or household. Payments should be made through mobile phone accounts using any DFS providers such as bKash, Rocket, Nagad, SureCash, etc.
2. Households in need of the assistance should self-identify or self-register for the allowances. Notify the citizens through print and electronic media about the maximum monthly allowances (of Tk 3,000) with the stipulation that only the COVID-19 affected most vulnerable households are eligible for this state support.
3. Citizens will be asked to self-identify or self-register themselves into the programme through calling/dialling/sending SMS to dedicated mobile numbers. The registration process should be simple enough so that most potential beneficiaries can apply for without needing much assistance. During the registration, they may be asked to name the head of the household, address, and all NID numbers for household members or their birth dates based on Union Parishad provided birth certificates. Information on their preferred DFS account will also be required for making the payments.
4. The registration process can automatically generate a database of households seeking assistance under the *Emergency Cash Allowance Programme*. We believe a database comprising 10-12 million households can be created within 2-4 weeks.
5. It is understood that many households will need support in registering. Our suggestion in this respect is to make use of the services of MFS agents. As mentioned above, there are as many as close to one million such agents scattered all over the country. The agents should be provided clear instructions about how to help with the applicants while observing social distancing (e.g. people can queue up with a minimum distance of six feet; people to use masks; agents to use hand sanitisers frequently as they are helping with the registration process).
6. Given the availability of several service providers, one issue is how to select any particularly ones for delivering this cash assistance scheme. Our preference is to let the potential recipients decide rather than the service providers being picked up by the government. This will be in line with the principles of the general market mechanism and can encourage competition among the service providers. For the agents, some service charges should be fixed by the government. The charges can be negotiated with the MFS providers and can be provided directly by the government or shared with the recipients.
7. It is most likely that many potential applicants currently do not have MFS accounts. Currently, e-KYC is in operation in Bangladesh. This allows opening such accounts using NIDs within a few minutes. The MFS agents can also offer assistance in opening new accounts.
8. At present, the Bangladesh NID system has data of about 90 million adults. It is our view that an overwhelming majority of the potential beneficiaries will be captured through this existing database. The use of NIDs will help identify duplicate applications.
9. It is possible that certain beneficiaries either do not have their NIDs or have misplaced/lost them. Under those circumstances, they may be registered using their birth certificates.

Opening of e-KYC accounts without NIDs can be temporarily allowed, as it is currently being allowed for the garment workers for receiving their wages. If needed, these accounts can be terminated after some months (e.g. by the end of the year). There are already some solid examples of the currently existing MFS infrastructure being an efficient means to delivering cash transfers. Between 6 and 20 April 2020, about 2.6 million garment workers could open their MFS accounts to receive their salaries. Under a social security scheme, the Primary Education Stipend Programme (PESP), some 14.4 million primary students are enrolled and their 10 million plus mothers receive monthly allowances through MFS (the programme provides a stipend of Tk 100 per month per child with a ceiling of Tk 300 with four or more children). Therefore, opening accounts using MFS and delivering cash assistance are already well-established in the country.

- 10.** It is possible to prioritise women as the household recipient for the transfer. There is overwhelming evidence from numerous academic empirical studies that women's access to resources leads to better utilisation, improving welfare of children and elderly members within the households. In some cases although women are found to have not much say on spending decisions, direct delivery to women is likely to generate greater beneficial outcomes. Many women-headed households might be more vulnerable during this crisis and they need to be given special consideration.
- 11.** Verification of eligibility of the applicants (for receiving emergency cash assistance) is an issue to consider since the programme is going to cover limited beneficiaries. It is possible for government to involve local level representatives, officials, NGOs as well as military personnel doing some spot checks. If the transfers are to be made on a monthly basis, the process of spot checks/verification can be a continuous process. If MFS agents are being engaged to help with the registration process, local level representatives and army personnel can help with the spot checks.
- 12.** We are of the view that the cash allowances are paid on a monthly basis. There are some international experiences when some countries have made such transfers for several months as a one-off payment. Given the low financial literacy of most of our poor people, regular monthly payments could help with a better management of the crisis.
- 13.** It is also understood that the government is also contemplating to introduce a food ration system covering 0.5 million recipients. It may take time to install a ration system and we do think that direct cash support is a more efficient approach. However, if it is eventually introduced, the ration beneficiaries can be cross-checked and excluded from the suggested cash allowance programme.
- 14.** Once we have the database of beneficiaries and their MFS accounts, we believe Bangladesh has the existing DFS infrastructure to handle the cash payments to those 10-12 million households smoothly. It may require quick establishment of data storing and payment protocols involving DFS providers, Bangladesh Bank, A2i and the Ministry of Finance.
- 15.** Social security support programmes for the urban poor has been very weak in Bangladesh. Many people are of the view that a large number of informal sector workers who have been hit hardest by COVID-19 live in semi-urban and urban areas. Therefore, any support mechanism for them would be extremely important.
- 16.** Effecting a perfect system for cash transfer perhaps will not be possible. It is true that MFS system can reduce corrupt practices but other types of fraudulent practices cannot be ruled out. International practices show short surveys of a random sample of beneficiaries to verify

the procedures and gather feedback to improve the services further. In Bangladesh, a grievance redressal mechanism can be thought of either using mobile phone services or through local representatives. It is important to acknowledge some scope of leakages/mistargeting, although the cost of such leakages will be much less than the same under an extensive food distribution program. Nevertheless, to minimize the extent of leakage, we suggest that the amount of transfer should be low. It is most likely the case that the measures suggested above will need further refinements to make them operational. But, we strongly believe that implementing such a broad-based support measure is doable and is the most important intervention that the government should pursue urgently.

17. Finally, the proposed cash assistance programme should be regarded as complimentary to already declared intervention measures. In fact, it will make the government support mechanisms comprehensive. The expansion of the safety net programmes, as announced by the government, should be implemented in addition to the cash assistance programme to make the overall support system more impactful.

## V. Conclusion

The unprecedented challenge of supporting a very large number of people should be dealt with through a well thought-out, timely and apt policy interventions. Millions of people have lost their jobs and livelihood opportunities and are in need of immediate support for their basic needs. The crisis inflicted by COVID-19 is going to be a protracted one and economic recovery may not take place any time soon. This means poor and vulnerable households – now much bigger than that of the pre-crisis situation – are likely to require assistance for several months.

The government has already announced the stimulus package related to economic recovery. What now needs more attention is providing direct income support to the poor and vulnerable people. Hunger and deprivation of bare minimum needs could spark social unrest, potentially undermining our hard-earned socio-economic progress achieved over the past decades. Lockdown and social distancing can only be effectively enforced when people have basic means to stave off hunger.

It is possible to reach out to the poor and vulnerable population groups through direct cash assistance. The use of the digital financial mechanism provides an already proven route for such intervention. Time is of the essence here in delivering this critical support. The proposal suggested in this policy brief shows that implementing a cash assistance programme, offering some reasonable assistance for basic needs, for 10 -12 million people is very much within our fiscal and technological means and thus should be pursued immediately.

## Annex I: stimulus packages announced by the honourable prime minister

<i>Date</i>	<i>Amount</i>	<i>Main Features</i>
<b>March 25, 2020</b>	Tk 5,000 Crore	<p>To assist/enable the affected export-oriented industries to pay the dues/salaries of their employees/workers.</p> <ul style="list-style-type: none"> <li>• The Bangladesh Bank will not declare any borrower as a defaulter until June</li> <li>• The timeframe to realize export earnings has been increased from 2 months to 6 months</li> <li>• The timeframe to service import payments has been increased from 4 months to 6 months</li> <li>• The limit on financial transactions through mobile banking has been increased</li> <li>• The timeline allowing the payment of utility bills for electricity, gas and water without any fines or surcharges has been extended until June</li> <li>• The payment of instalments on loans given out by the NGOs has been postponed</li> </ul>
<b>April 5, 2020</b>	Tk 30,000 Crore	<p>To provide working capital to the affected industries in the manufacturing and service sectors through the banks at low rates of interest.</p> <ul style="list-style-type: none"> <li>• The banks will extend this credit to the eligible affected industries from their own funds based on their client relations</li> <li>• The rate of interest on these loans will be 9%</li> <li>• The borrowing firms will have to pay 4.5%</li> <li>• The remaining 4.5% will be paid to the banks by the Government as subsidies.</li> </ul>
<b>April 5, 2020</b>	Tk 20,000 Crore	<p>To provide working capital to the affected industries in the Small and Medium Enterprise (SME) sector through the banks at low rates of interest.</p> <ul style="list-style-type: none"> <li>• The banks will extend this credit to the eligible affected industries from their own funds based on their client relations</li> <li>• The rate of interest on these loans will be 9%</li> <li>• The borrowing firms will have to pay 4%</li> <li>• The remaining 5% will be paid to the banks by the Government as subsidies.</li> </ul>
<b>April 5, 2020</b>	Tk 12,750 Crore	<p>To extend the facilities which are currently available under the Export Development Fund (EDF) of the Bangladesh Bank:</p> <ul style="list-style-type: none"> <li>• The allocation for the EDF will be increased to US\$ 5 billion from the current amount of US\$ 3.5 billion to facilitate the import of raw materials</li> <li>• An additional amount of US\$ 1.5 billion (Taka 12,750 crore) will be injected in the process</li> <li>• The rate of interest under the EDF will be reduced to 2% from the current rate of LIBOR + 1.5% (practically 2.73%).</li> </ul>
<b>April 5, 2020</b>	Tk 5,000 Crore	<p>To enable the Bangladesh Bank to start extending a new facility for credit called the “Pre-Shipment Credit Refinance Scheme”.</p> <ul style="list-style-type: none"> <li>• The rate of interest under this scheme will be 7%.</li> </ul>
<b>April 12, 2020</b>	Tk 5,000 Crore	<p>To facilitate the extension of credit to the affected farmers with Small and Medium Enterprises (SME) in the agriculture sector.</p>



<b>Date</b>	<b>Amount</b>	<b>Main Features</b>
		<ul style="list-style-type: none"> <li>• The Bangladesh Bank will form a new scheme to fund the affected farmers with small and medium scale enterprises like dairy, fisheries, poultry etc.</li> <li>• The maximum rate of interest under this scheme was initially declared to be 5%</li> <li>• But it was soon lowered and declared to be 4%.</li> </ul>
<b>April 12, 2020</b>	Tk 9,500 Crore	To provide subsidies to the agriculture sector, especially to assist the farmers in buying fertilizers at lower prices.
<b>April 12, 2020</b>	Tk 860 Crore	To enable the purchase of 200,000 more Metric Tonnes of rice than last season/year in order to provide a fair price support for the Boro farmers.
<b>April 12, 2020</b>	Tk 200 Crore	To facilitate the purchase of agricultural equipment/ machinery by the farmers.
<b>April 13, 2020</b>	Tk 100 Crore	To distribute as honorariums for all the doctors, nurses, health workers, officials of the field administrations, and members of the Armed Forces, BGB and law-enforcing agencies, plus all employees of the Republic, who are serving on duty across the country to deal with the ongoing pandemic.
<b>April 13, 2020</b>	Tk 750 Crore	<p>To provide as health insurance for all the doctors, nurses, health workers, officials of the field administrations, and members of the Armed Forces, BGB and law-enforcing agencies, plus all employees of the Republic, who get infected while serving on duty across the country to deal with the ongoing pandemic – and as life insurance in cases of unfortunate deaths.</p> <ul style="list-style-type: none"> <li>• Health insurance of Taka 5 lakh to 10 lakhs per person (according to rank), if infected while on duty</li> <li>• Life insurance 5 times higher than the value of the health insurance, in case of an unfortunate death caused by infection while on duty.</li> </ul>
<b>April 13, 2020</b>	Tk 6,859 Crore	To enable an expansion of the current social safety net programmes in both rural and urban areas.
		<ul style="list-style-type: none"> <li>• Those people with low levels of income who have returned to their homes will be provided with assistance in their respective villages under the “Ghore Fera” Programme</li> <li>• The citizens who are homeless and landless will be provided with homes free of cost, food for 6 months, and cash assistance</li> <li>• Infrastructure has been developed in Bhashanchar to accommodate 100,000 people and ensure their livelihoods there. The Government will make arrangements for those who want to migrate there.</li> <li>• Programmes like Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), and the Open Market Sale (OMS) of rice at Taka 10 per kg, will continue to operate.</li> <li>• Medicines and healthcare are being provided to the citizens free of cost.</li> </ul>