

02 February 2021

Digital Economic Response to Covid-19 in Bangladesh

Introduction

The unforeseen spread of the COVID 19 pandemic has elevated the need for digital financial services (DFS) across the globe. The case has been no different for Bangladesh. Acceptance of digital payments has been increasing rapidly among urban and rural populations across the country. However, how adequately the use and importance of DFS was grabbed by all sectors of the economy was still a question. At the brink of the global crisis, the significance of mobile financial service (MFS) could not be overstated for a developing country like Bangladesh. A window of opportunity has opened up for the country's MFS providers like Bkash, Rocket, SureCash, Nagad and others to help combat the unfortunate economic impacts stirred by the crisis.

The existing infrastructure of MFS agents is considered one of the most accessible in the world, with 80% of the population reporting that they have a financial access point within 1 km of their home¹. During this crisis, its unusually well-distributed agent network is favorably positioned for supporting informal, private, and public responses in support of citizens in need, including low-income households. If grasped properly, this area of business will show huge growth possibilities with the ability to provide financial solutions throughout the country during any economic crisis, as well as in transactions under normal economic conditions.

The existing network of over six hundred MFIs have provided 77% of the population with access to finance (Hasan, 2018). This might be a laudable statistic given the infrastructural constraints of the country, but this pandemic has provided an opportunity where people are more dependent and responsive than ever to the DFS ecosystem and therefore, it is a chance to further integrate them into the financial system by gaining their trust and through the provision of more financial services. However, the key to this process would be to ensure that there is no exclusion. The Global Gender Gap Report 2020 finds that it will take 99.5 years to achieve gender equality, therefore, it is paramount to ensure that any degree of gender exclusion is avoided to guarantee best utilization of financial products and services offered.

Given that a majority of the workers are in the informal sector in Bangladesh, the announcement of the shut-down by the Government from March 26 did not bear good news for many within this group. Rickshaw pullers, day labourers, factory workers, domestic helps and many others witnessed sudden and exponential drop in their income. For some, income inflow has completely stopped. The global crisis has put a chunk of people out of work who are now struggling to address daily basic expenditures. To combat the adverse impacts of the shutdown, Bangladesh Government has extended support through various stimulus packages. For few packages, digital payment methods have been facilitated by the Government to mitigate the economic impact on the sufferers of COVID-19.

Needless to mention, the virus also had an oversized negative impact on migrant workers worldwide. Remittances account for a significant portion of income in Bangladeshi households with international migrants. Migrant workers sent home \$1.96 billion in August, up 36 per cent year-on-year. They remitted \$2.6 billion in July, a record for a single month². Stefano Paternostro, practice manager for social protection and jobs for South Asia at the World Bank said that, forty-one per cent of households with at

¹ [Financial Inclusion Insights, April 2019](#)

² [The Daily Star: Govt measures behind surge in remittance, September 2020](#)

least one family member engaged as a migrant worker would be in poverty without remittance. In light of this, credit is to be given to the Government of Bangladesh (GoB) for their 2 percent incentive policy on remittances which is doubtlessly vital for low income families.

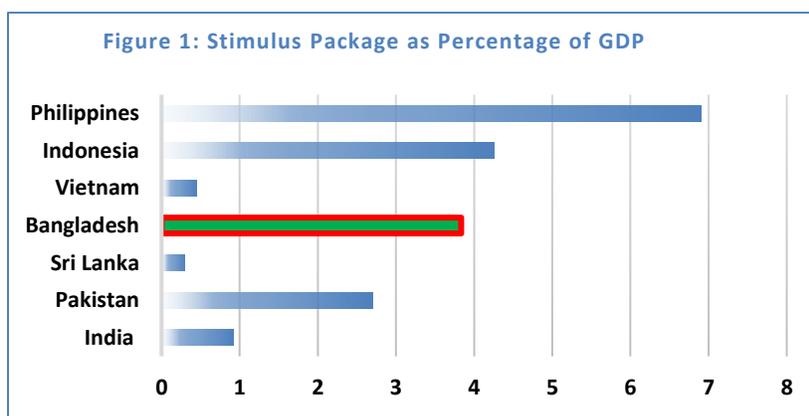
The response so far has been admirable. However, while many countries have made good starts in stimulus packages, Bangladesh has been slower to react. As of May 2020, GoB has announced 19 stimulus packages worth over Tk. 1 trillion, which was approximately 3.7 per cent of total GDP³.

This paper discusses the Covid-19 experience of Bangladesh and its digital efforts against the pandemic. The first section carefully outlines the responses assumed by both the public and private sectors of Bangladesh. It tries to provide a framework of the different stimulus packages offered by GoB, followed by a brief discussion on the alteration in the e-commerce ecosystem witnessed during the state of pandemic. The use and necessity of using digital platforms to disburse relief has also been discussed in this section. This is followed by a detailed analysis of the challenges faced by the government in efficiently targeting those in need of relief, infrastructural problems which might lead to information asymmetry, and distribution issues due to lack of governance and accountability. The paper also details the successful policies taken by various governments around the world in order to effectively protect their people from the negative impacts of the pandemic. Policy suggestions are provided in the last section briefly highlighting paths to overcome the challenges of crisis as such in the medium and long run.

Bangladesh COVID 19 Stimulus

- **Responses by Public Sector: Government stimulus packages**

To address the deleterious impacts of COVID 19, countries across the world have announced stimulus packages for various sectors of the economy. As of May 2020, the government of Bangladesh has announced 19 stimulus packages, worth over Tk. 1 trillion, to minimize the impacts of the Covid 19 shocks on various sectors and people of the country. The allotted stimulus amount represents approximately 3.7 percent of the GDP.⁴



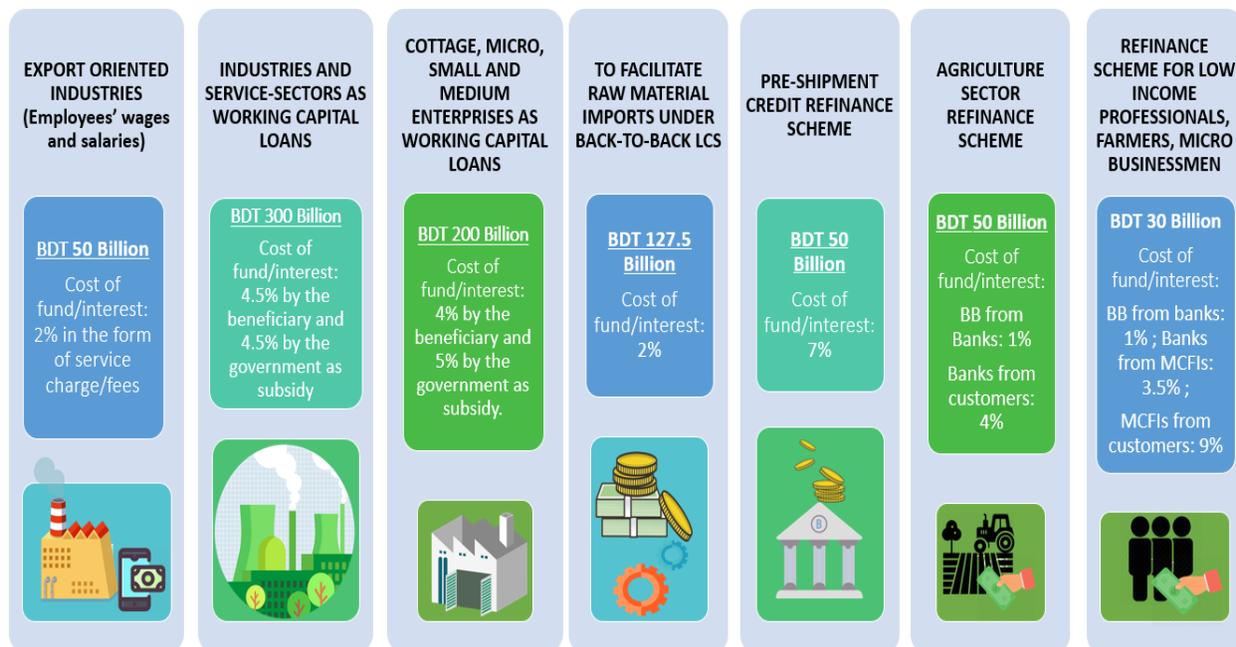
Source: World Bank, The Jakarta Post, TBS News

³ [The Financial Express: Covid-19, Bangladesh budget 20-21 and public debt, June 2020](#)

⁴ [UNB: Govt allocates Tk 103,117 crore under 19 packages to protect people amid COVID-19 pandemic, June 2020](#)

A total of 18 economic sectors, including export-oriented industries; small, medium and cottage industries, agriculture, fish farming, poultry and livestock have been brought under these incentive packages.⁵

Figure 2: List of industry/business-oriented stimulus packages



Source: Bangladesh Bank; KPMG; The Financial Express

As evident from the above, the initial stimulus packages excluded the informal sector participants who were equally subjected to the detrimental impacts of the pandemic. To curb the damaging consequences faced by this vulnerable group, the Government announced its financial assistance of BDT 2,500 to 5 million households that have been affected by COVID-19. This, in addition to the stimulus package of Tk 50 billion for export-oriented industries to disburse wages and salaries to the employees/workers, stimulated rapid activities in the market of digital transfer. As of July 2020, approximately 99% of the Tk 50 billion stimulus package was disbursed. As many as 1,992 export-oriented industries borrowed funds through 47 commercial banks to pay wages and salaries to their workers.⁶ Both these schemes required services of the Mobile Financial Service (MFS) operators to allow easy and risk-free transfers to the workers and the beneficiaries.

Following the announcement of the stimulus package, industries along with the trade unions started a drive to increase the opening of MFS accounts by workers. Around 3 million new accounts were opened by MFS operators in April 2020 to help disburse funds to export-oriented industries.⁷ The accounts have been opened through three MFS providers – Bkash, Rocket and Nagad.

⁵ [The Financial Express: COVID-19: Govt so far announces \\$11.90b stimulus packages, May 2020](#)

⁶ [The Daily Star: Covid-19 Stimulus Package: Disparity in disbursement, September 2020](#)

⁷ [The Daily Star: Time for MFS providers to shine, April 2020](#)

The massive shift from analog to digital was possible because of three enabling factors: ⁸

- comprehensive digital payment architecture developed by the government's flagship digital transformation program a2i
- e-KYC regulation recently passed by Bangladesh Bank that supported bulk account creation by linking with consumers' biometrically verified National IDs
- strong commitment to digitize wages made at the Digital Wages Summit in November 2019

The new guidelines by the Bangladesh Bank were tremendously helpful in opening accounts by those who lacked digital knowledge, as traditional paper-based documentation for account opening was no longer required. Accessing financial services became more efficient and easier due to the system. A customer could open an account within 5 to 10 minutes with his/her identification data authenticated instantly. This included accepting the birth certificate as KYC.

During the crisis, with many workers residing outside of Dhaka, Bangladesh Bank instructed all authorities concerned to open MFS accounts for their workers and employees to facilitate providing salaries and allowances from the government's financial package. This required MFS providers to work closely with factory owners and their worker registries portraying an impressive collaboration between BB, MFS providers and garment factory owners during an unforeseen crisis.

Additionally, BB has also reduced cash-out charges for export-oriented industries' worker salaries to only TK 4 per thousand takas, thereby encouraging more people to go cashless. ⁹ Prior to announcing the stimulus package, around 40-60 factories, most of which were working on sub-contract, failed to pay wages for March due to inadequate fund. ¹⁰

Following government's announcement on the fiscal stimulus, majority of the companies started availing the stimulus package for export-oriented industries. Under this scheme, the borrowers could avail loans for payment of wages and salaries of their workers for the months of April, May, and June, allotted with a grace period of six months to repay the loan in 18 equal monthly installments from January, 2021 till June, 2022. ¹¹

Instructions were provided by the Government to maintain a certain level of liquidity at agent points to avoid any form of liquidity crunch. The threat of contagion however escalated when RMG workers staged demonstration on the streets demanding payment of their due salaries and Eid bonuses. This was fueled after BGMEA's decision of cutting 40% of workers' wages for the month of April was announced.

Despite the commendable step taken by BB to make account opening and wage payment simpler, the payment process was somewhat intricately when few of the RMG workers could not present authentic identity cards to open and run MFS accounts. This delayed the transfer of payment to a handful of workers. Unavailability of agents at agent points amidst the risk of Covid further added to the complication.

⁸ [Business fights poverty: Inclusive digital payments solutions for the garment sector workers in Bangladesh, July 2020](#)

⁹ [The Daily Star: Mobile Financial Services soaring in a pandemic-stricken Bangladesh, May 2020](#)

¹⁰ [UNB: RMG union leaders skeptical about payment of wages, May 2020](#)

¹¹ [The Financial Express: Distributing stimulus package through banking channel Impact on the banking sector, May 2020](#)

Coinciding with the Muslim holiday Eid-ul-Fitr, the Government's decision to provide cash assistance of BDT 2,500 (USD 29) to 5 million households came as a relief to many. Around 20 million people were expected to benefit from the scheme estimating that each of the families has four members on average.

The beneficiary list, compiled by the ICT division, was based on data collected at Upazila levels by local-level committees formed with representatives from the district and Upazila administrations, union council chairpersons and members, teachers and influential people. The list included rickshaw pullers, van drivers, day labourers, construction workers, agricultural labour, transport workers and hawkers who were to receive payments via mobile financial service providers Nagad, bKash, Rocket and SureCash. The named service providers were given the responsibility by the Ministry of Disaster Management to transfer the funds to 1.7 million, 1.5 million, 1.0 million and 0.8 million account holders respectively. Beneficiaries could withdraw the money at agent points around the country free of charge. Rupali Bank's SureCash alone was in charge of directly disbursing 2 billion Bangladesh Taka to the mobile accounts of 0.8 million of its customers.⁸

However, the Finance Division (FD) of the Ministry of Finance could disburse to only 1.6 million families as of July 2020 due to issues of huge data mismatch. Discrepancy between NID number and its corresponding mobile number was found, as a result of which the remaining list of 3.4 million households was put on hold and sent back for further verification.¹² The ministry presented a verified list of 1.4 million families right before Eid ul Adha; the remaining list of 2 million households awaits further verification.¹³

The finance division recommended identifying the mobile phone numbers that are being used by the potential beneficiaries, and opening Tk 10-account under the supervision of the upazila administration if the targeted groups do not have mobile phone numbers against their respective NID or smart cards.¹⁴

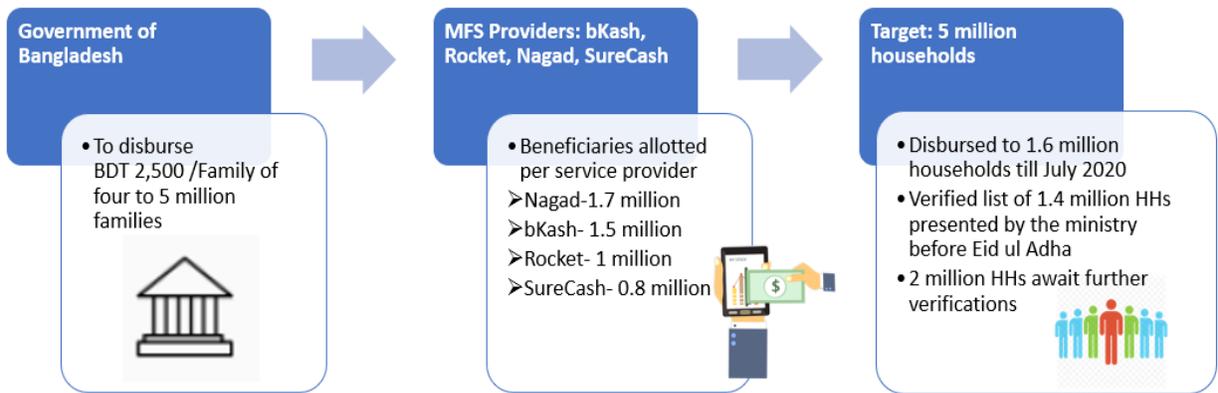
Although local-level committees made the lists of beneficiaries, a common allegation was that the list was made on political consideration as a result of which, genuine recipients were deprived. When anomalies surfaced after cross-checking the list with other available databases, the finance division struck off the names of 493,200 people, of which 107,386 were the beneficiaries of other social safety net schemes and 2,855 were government officials.⁸

As Bangladesh social protection system is underdeveloped (i.e. lack of automated single registry MIS powered by national ID verification) the large anomalies in beneficiary registration were expected. However, use of NID numbers for beneficiary registration is a novel and good initiative for developing the system for digital payment (G2P). The experiences of beneficiary registration initiative emerged out of the COVID 19 crisis may enormously assist GOB's ambitious effort to bring all social protection cash transfer schemes under G2P by the end of 2021.

¹² [The Daily Star: A Tale of Misplaced Priorities, July 2020](#)

¹³ [Kaler Kontho: ঈদের আগেই ৩০ লাখ পরিবারে প্রধানমন্ত্রীর নগদ অর্থ সহায়তা পৌঁছানোর লক্ষ্য, July 2020](#)

¹⁴ [The Daily Star: Two-thirds of poor families yet to receive Tk 2,500 cash support, July 2020](#)



Necessitating opening of MFS accounts for transfer of salaries and wages of RMG workers and to provide cash assistance to 5 million households, helped climb up the digitization and financial inclusion agenda of the country. While BGMEA targeted 90% coverage of wages for RMG workers in digital payments by 2021, the unprecedented crisis has pushed it to 100% coverage by mid-2020.¹⁵

The European Union (EU) had also proposed to grant assistance to one million Bangladeshi readymade garment (RMG) workers who have either been laid off or will permanently lose their jobs because of the Covid-19 pandemic. Under this grand and kind gesture, each of the workers were supposed to get cash support of Tk 3,000 for three months in the first phase.¹⁶

In line with the steps taken by the GoB, the EU too would have deposited cash in the mobile banking accounts of the jobless workers. This however required apparel makers to share workers' database with EU team to identify the genuine beneficiaries of the transfer, which the authorities failed to provide due to complexity and lack of data and a consensus among the owners. After several rounds of discussions about alternative usage of the grant (providing food, medicines and an exit route due to financial crunch), the EU incentive for workers has since then halted.

Despite the conflicted proceedings, it is clear that the government's attempt to digitize emergency payments evidently created a domino effect that can result in positive sustainable change in the payment sector in the long run.

This in turn will require intensive collaboration between the EU, GoB, factory owners and the MFS providers of Bangladesh.

In addition to the above incentive packages, special honorariums of Taka 1.0 billion for the doctors, nurses and health workers and Taka 7.50 billion for health insurance and life insurance were also announced by the Government. Distribution of rice among target-based communities, expansion of the Vulnerable Group Feeding (VGF) and Vulnerable Group Development (VGD) programs (aimed for the poor and the extreme poor), opening market sales of rice at lower prices and expanding social safety net programs were also used as government strategies to fight the impacts of Covid 19.

¹⁵ [Dhaka Tribune: a2i to launch technology for zakat fundraising to provide community relief, July 2020.](#)

¹⁶ [The Business Standard: EU plans to pay 1m RMG workers for 6 months, June 2020](#)

Figure 3: Different Uses of Digital Platform During Covid-19 Crisis



Source: The Daily Star; The Business Standard; MicroSave Consulting

E-commerce Responses

- Responses by Private Sector: E-commerce activities

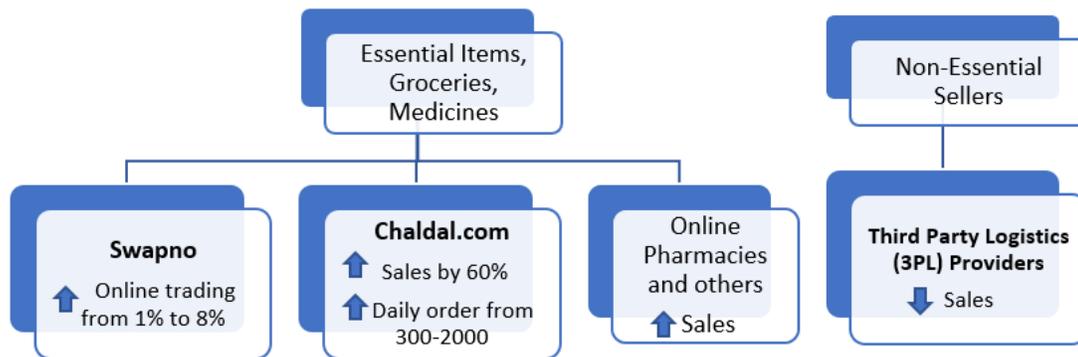
The ongoing pandemic has locked the world inside their homes, leading to greater e-commerce activities. According to the latest data from Statista, the e-commerce market in Bangladesh stood at 1648 million USD in 2019. The market is expected to experience a rise to 2077 million USD this year and 3077 million USD in 2023. This ranks Bangladesh 46th in the world in terms of e-commerce revenues. The General Secretary of e-CAB has said that e-commerce activity has grown by 70-80% since the pre-pandemic period and the sector almost doubles every year. The sector currently comprises of 40,000 individuals and 30,000 SMEs harboring around 400,000 female entrepreneurs who sell goods in various online platforms. Data from Bangladesh Bank shows that there is an upward trend in the transaction amount of the e-commerce sector of Bangladesh every month. In June 2020 the transaction amount was 4914 million BDT which increased to 6404 million BDT in July 2020.¹⁷ Increased e-commerce activity has created a pathway for more use of digital platforms to make payments. The rampant fear of spreading the infection through physical payments (notes) caused a large surge of demand to wash over the e-commerce industry and the use of MFS apps and other online payment platforms. In the earlier months of the pandemic, households

¹⁷ [Bangladesh's potential e-commerce industry, October 2020](#)

held back on consumptions on luxuries and directed their consumption towards essentials, however the trend is changing now.

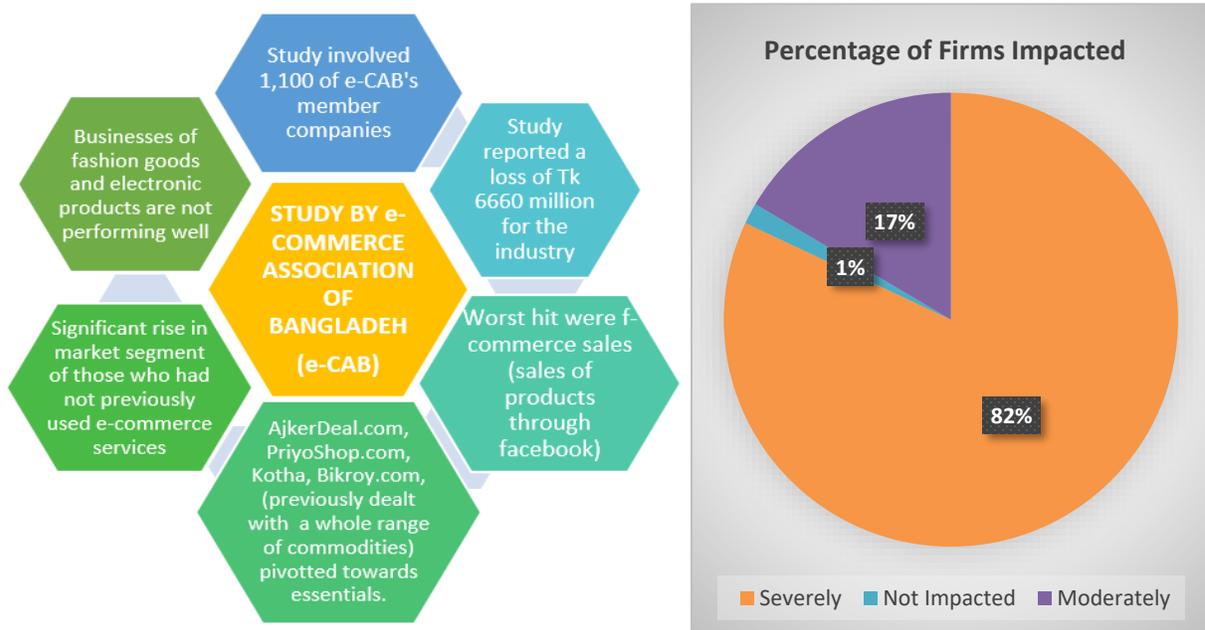
The prevalence of spending through digital platforms seems to be more popular the more we go up the income level of households. A majority of low-income households preferred in-person purchase of essentials, even during pandemic, as online purchases come with additional charges and many are not comfortable nor familiar with the process of online shopping.

E-commerce platforms whose product line includes essential items, groceries and medicine have seen a surge in sales amidst the pandemic. These businesses have turned their attention to ensuring of products from the source to the customer’s doorstep.



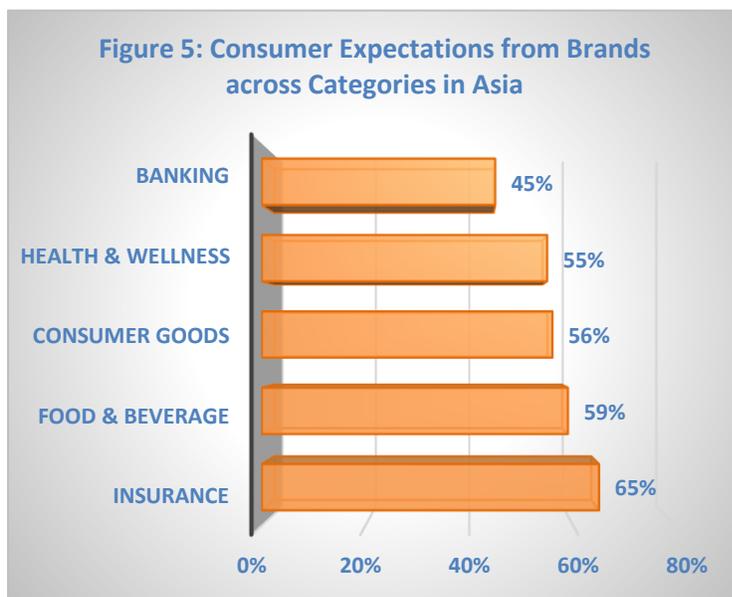
Source: The Daily Star, April 2020¹⁸

Figure 4: e-CAB Study-Impact of Pandemic on e-commerce



Source: The Daily Star, e-CAB

¹⁸ [The Daily Star: Online grocers fail to seize the day during biggest opening yet, April 2020](#)



Consumer demand is seen to be gradually shifting towards necessities across Asia. The change in attitude of consumers is a sign of optimism for the industry and businesses are hoping that the post-pandemic business environment will allow them to overturn their fortunes with major strides made in terms of volume of online shoppers.

During the Eid-UI-Adha of 2020, e-commerce sites played a pivotal role in facilitating the sale of livestock on their platforms, saving people from the risk of catching the virus.

Source: Kantar Group

E-CAB has announced that digital platforms have facilitated the sale of livestock worth 2500 million BDT. The volume of trade is however low as people bought animals from unregistered digital platforms which went unrecorded (The Business Standard, July 2020).

Challenges

The GoB's commitment towards financial inclusion, and the unique opportunity paved by the pandemic and steps taken could have seen much greater fruition, had there not been some bottlenecks along the way.

(1) DOCUMENTATION



Many people who have been hit the hardest by the economic slump, and situated far and wide in rural areas, were either not aware of the initiatives taken by the government or did not have the necessary documentations required to open MFS accounts.

The lack of documentation is a problem for many informal workers in urban regions too, who had seen their incomes fall significantly. Despite being urban dwellers and having access to a lot of the above-mentioned infrastructure, lack of documentations have seen them left out or unidentified in the selection process of beneficiaries.

What has been done

The new guidelines by BB does not require traditional paper-based documentation for account opening.

A customer can open an account within 5 to 10 minutes with his/her identification data authenticated instantly (birth certificate accepted as KYC).

For workers residing outside of Dhaka, BB, MFS providers, and garment owners collaborated to help the workers open MFS accounts to provide salaries and allowances from the government's financial package.

(2)
EXCLUSION ERROR



59% of the respondents in a recent Innovation survey of poor urban people had not received any financial support.

In the survey done in April 2020, it was further found that 82% of transgender people and 150,000 sex workers had no income in the last two weeks of April.

It was also noted in a more recent survey by SANEM that only 24% of females in poor family had access to phones, and consequently an even lower amount had access to internet and an MFS account (Dhaka Tribune, August 2020).

As evident from the protests in streets by garment workers, and recent reports, many who deserved, needed and fit the category of financial help and government stimulus, were left out.

What can be done

Households in need of the assistance should self-identify or self-register themselves through calling/dialing/sending SMS to dedicated mobile numbers for the allowances. The process is carefully outlined in figure 6 (Policy Brief, PRI, April 2020).

Agents should be provided clear instructions about how to help with the applicants while observing social distancing.

Providing some incentives for MFS agents to help needy and low-literate people use the MFS can help people identify themselves and register, and ensure better targeting, while people get accustomed to the digital system too.

(3)
MORAL HAZARD AND TRANSPARENCY

What has been done



To combat information gaps in the national database, there had been movements in the municipality (pouroshova) level where committees were formed to identify to make lists of people who are to receive the benefits. However, lack of transparency, and proper monitoring had given rise to moral hazards which caused large scale exclusion and selection errors.

When anomalies surfaced after cross-checking the list with other available databases, the finance division struck off the names of 493,200 people, of which 107,386 were the beneficiaries of other social safety net schemes and 2,855 were government officials.

The remaining list of households was put on hold and sent back for further verification.⁸

The finance division recommended identifying the mobile phone numbers that are being used by the potential beneficiaries under the supervision of the upazila administration if the targeted groups do not have mobile phone numbers against their respective NID or smart cards.

(4)
**INFRASTRUCTURE
AND DIGITAL
LITERACY**



The lack of necessary infrastructure remains the greatest challenge to the success of the initiatives. Mobile phone ownership, internet connectivity and digital literacy needed to operate and use MFS account are areas of concern.

Women especially are lagging in internet usage. Only 16% of women are well capable in using internet; this makes transfer of benefits to the right beneficiaries, through DFS/MFS, more difficult.- Dr. Tania Haque, Dhaka University (PRI-Bonik Barta roundtable discussion, 2021).

Household computer access is only 4% in rural areas and 12% in urban areas, according to a recent survey conducted by SANEM.

According to the survey, 80% of male youths own a mobile phone in the country, and the number decreases to 72% when considering households belonging to the poorest income decile. In comparison, only 24% of females from the poorest income decile has mobile ownership.

Due to lack of digital payment and technical knowledge, women are lagging in financial inclusion. Especially in rural areas, G2P transfers for female beneficiaries, through digital means are seen to be deposited into the accounts of their male counterparts who own mobile phones and have access to MFS accounts.

Besides the disparity, the figures show a massive gap in internet connectivity, and indicates the very low digital literacy to be able to use mobile financial service (Dhaka Tribune, August 2020).

For many beneficiaries, there is also a lack of incentive to keep MFS accounts active. For instance, MFS accounts of all employees in the garment sector were introduced for disbursement of incentive funds. But after four months and end of disbursement, the transactions in those accounts have stopped (Rubana Huq, President, BGMEA-PRI-Bonik Barta roundtable discussion, 2021). This clearly indicates that beneficiaries, especially women, are not fully aware of the potential and use of MFS accounts.

What can be done

- i) Adequate investment in the mobile broadband infrastructure—especially in remote areas.
- ii) Planning comprehensive and simple digital education programmes in both rural and urban areas.
- iii) Developing technology and training women to get skilled in understanding and using technology. People can discriminate, but instruments cannot discriminate- KAM Morshed, Senior Director, BRAC (PRI-Bonik Barta roundtable discussion, 2021).

The infrastructure and information gap, combined with lack of transparency and accountability have hindered the success of the initiatives taken by the GoB in combatting the economic slump and overall drive towards financial inclusion, and jeopardized the livelihood of the people in need of stimulus.

Way Forward

Globally, leaders have pledged to “build back better” from the Covid-19 pandemic and use this opportunity to make some essential deep-rooted impacts in the longer term, while making necessary short-term choices for immediate impact. Pakistan with their temporary but large-scale stimulus package was able to reach out to their illiterate, poor citizens in remote areas by facilitating a user-friendly regulatory environment. Philippines on the other hand extended already existed social registry to identify beneficiary households to which is expected to come to benefit in the future.

Given that the need for financial assistance may continue for several months, employing a more practical approach in determining the transfer amount has been suggested by the Policy Research Institute of Bangladesh (PRI) in their recent Policy Brief titled, 'Reaching Out to the Poor and Needy with Direct Cash Support: Dealing with the Last-Mile Delivery Challenge'. Considering this, establishing a new unconditional

‘Emergency Cash Allowance Programme (ECAP)’ of Tk 3,000 per family for 10 –12.6 million (1-1.26 crore) families has been recommended by the authors.

Immediate and Short Run

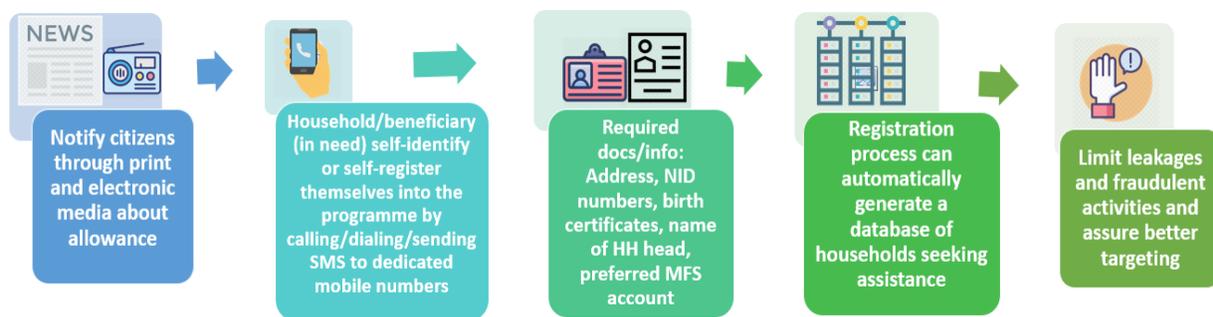
As the severity of crisis increases, recommended solution is to reach out to as many citizens as possible. Among numerous economic interventions by Government to stimulate economy in the Covid-19 crisis, easiest and effective emergency support is digital cash transfer using life cycle categories.

Building on the experiences with the first wave of Covid-19 outbreak in Bangladesh and the emergency G2P transfer made, the following recommendations are made:

- **Easier applications and opening of account**

In order to limit exclusion/inclusion errors while targeting beneficiaries, households in need of the assistance should self-identify or self-register themselves through calling/dialing/sending SMS to dedicated mobile numbers for the allowances. The process is carefully outlined in figure 6.

Figure 6: Beneficiary Selection Process



Source: Policy Brief 2020, PRI

Potential applicants without MFS accounts could use their NIDs or birth certificates to open accounts with the help of MFS agents. It was evident from the payments made to households and RMG workers that many of them needed support in registering for their MFS accounts. In this respect, the government should make use of the services of MFS agents, who are scattered all over the country. For any future transfer, the agents should be provided clear instructions about how to help with the applicants while observing social distancing. Providing some incentives for MFS agents to help needy and low-literate people use the MFS can help people identify themselves and register, and ensure better targeting, while people get accustomed to the digital system too. It is evident from Pakistan and worldwide experience, that having a well-spread out CICO system, can help onboard users far and wide. Thus, it is advisable to further increase the number of agents, if possible, some of the underprivileged people through training and Information sharing. The suggested self-identification process could have helped curtail the initial problems faced during the first phase of stimulus distribution by the Government.

- **Leveraging business associations for data collection of informal workers**

It was recorded that some of the payments were transferred to the same mobile number more than once resulting in disproportionate distribution of allowance. Thus, having a more robust and accurate data collecting system and infrastructure in place to record important data and efficiently analyze them is key for a more targeted response. Through leveraging industry associations like BGMEA, secured database can be maintained with further crosschecks and validation, to avoid selection errors. BGMEA has responded quick and efficiently in registering all their employees' info in a database and opening a mobile wallet. Other formal and informal associations throughout the country could also be tasked to come forward similarly. The verification of which can then be passed on to a sub-contracted analytic company for further proofreading. With proper initiative, it will be possible to even target street vendors, rickshaw pullers and other informal sector workers.

- **Improved targeting and better design**

While it remains extremely necessary to have an accurate and secured database of individuals powered by NID, and categorized according to sectors, other short-term measures could be taken in its absence.

When transferring money, it may be considered more effective if the recipient of the transfer is a woman of the household. There is overwhelming evidence from numerous academic empirical studies that women's access to resources leads to better utilization of the money, given that they have the liberty to weigh in on spending decisions. Many women-headed households might be more vulnerable during this crisis and by giving them special consideration and targeting them by proxy could prove to be an efficient selection method among others.

Though social protection systems have been demonstrated to deliver on various dimensions of women empowerment, programs often fail to engage women beyond targeting them as an avenue to improve household welfare through their traditional roles as caregivers. Through experimentation, measurement and learning, social protection and digital G2P initiatives could be used as an opportunity to realize the potential of women. Thus, is it advised to specifically select poor women in rural and urban areas, and wherever possible, have the money transferred to the female member of the household. International communities have already started to test ideas on this regard.¹⁹

Togo has introduced an unconditional cash transfer scheme, with larger benefits for women, delivered through mobile money. Burkina Faso has similarly announced plans to expand its social safety net program to include a solidarity fund for women vendors. Similarly, other marginalized and disadvantaged people too could be invited to self-register into the covid-19 effected database and open an MFS account for future social protection transfers.

- **Better monitoring and accountability**

The government must make adequate use of the existing NID database before undergoing cash transfers. The NID system has data of about 90 million adults; an overwhelming majority of the potential beneficiaries will be captured through this existing database. Using the existing system, which, on the basis of the NID, links the management information system (MIS) of different cash-based SSNPs, as well

¹⁹ [Designing social protection programs that empower women, Worldbank, June 2020](#)

as selected other government databases, it will be possible to verify households against a criteria of 'overlapping', in terms of not benefitting from more than one SSNP (if used in the programme design), and thus to avoid enrolling those households that:

- are already receiving another long-term cash allowance, e.g. the old-age allowance, disability allowance, or allowance for pregnant and lactating mothers, and
- contain registered employees (e.g. garment workers) who are receiving support through another, recently introduced cash transfer programme.

If the programme is to continue operating for several months then it should be possible to cross-check the mobile number information collected during registration (above), to validate that more than one member of the same current household has not registered for the programme. Local authorities can then follow up to investigate if this appears to be the case. If the applicant provides incorrect information and this is identified after receiving the money, then s/he could be fined with the proceeds going to a state fund.

Longer-term: ID and Payments Infrastructure; Digital Divide

Digital technologies are key enablers in promoting inclusive growth. Looking at the countries which are more successful to manage the impact of the Covid 19 and resilient at the times of this crisis, the strength of digital technologies for economic intervention becomes more and more apparent. While the short-term approach by the Government during this crisis has been commendable, there needs to be a long-term plan that will improve the use and access to means of digital transfer throughout Bangladesh. Plans should also be put forward to retain new customers who moved towards mobile banking during this period of crisis. Whilst we can expect that some people will go back to paying cash over the counter, but not everyone will. This sudden boost in digital payments should be contained to have lasting effects. A common consensus among experts is the expansion of digital identification, including biometric systems, to ensure efficient transfer of benefits pertaining to social security programmes and one that may also cater to unforeseen crises.

In general, identity infrastructure is well defined in Bangladesh. However, use of biometric information cannot be made mandatory at this stage since all NID cardholders are yet to get their smart ID cards.

During Key Informant Interviews (KIIs) and webinars, many key stakeholders, including policymakers, researchers, public and private sector representatives, have put forward their outlook on how to create a more efficient system to ensure better selection and transfer in the long term.

Enabling a single authority system



Dr. Ahsan H. Mansur, Executive Director, PRI

(PRI-Daily Star organized virtual discussion on Future of G2P in Bangladesh: the case of social protection system)

Currently the Bangladesh government runs more than 150 social protection programmes under more than 20 ministries/divisions that creates inefficiency and mis-targeting.

Global experience suggests that a single authority is generally most desirable in administering the social protection (SP) system because the database involves issues of quality control, maintenance, classification, across geographic regions and social groups, updating through addition of new beneficiaries and deletion of ineligible ones, after reviewing new applications for support and other information.

A dedicated data bank (may be under a separate Division within the main ministry) with data specialists is required to maintain and upgrade the massive databases.

NID operations should be moved to the central database and made accessible to all relevant government agencies or eligible institutions. Equal access for all service providers on a competitive basis is a doctrine that should always be protected to ensure quality and enhance efficiency

Access to information



Debdulal Roy, Executive Director (Programming), Bangladesh Bank

(PRI-Daily Star organized virtual discussion on Future of G2P in Bangladesh: The case of social protection system)

The national household database should be organised with the help of Bangladesh Bureau of Statistics (BBS) to provide access to uniform data to all relevant agencies. Linking NBR's taxation or bank account information with the data can also help find the right beneficiaries and the amount of fund needed for a beneficiary.

Once National Payment Switch Bangladesh (NPSB) and MFS become intertwined, users will have access to financing through NPSB, even without EFT. With the provision of a uniform QR code, customers can access their finances whenever necessary and at convenient places. However, this method will need proper promotion.

Moreover, if the transaction process requires a fee, the fee needs to be reduced so that the method can be utilised by younger people (students) and people living below the poverty line or in rural areas.

Grievance Redressal System



The issue of an effective Grievance Redressal System is yet to be resolved properly. Following the implementation strategies in the NSSS Action Plan, a central second-generation online GRS software has already been operationalised.

Although the establishment of the updated GRS is commendable, there seems to be a widespread recognition of a lack of awareness about registering grievances among beneficiaries/potential beneficiaries of benefits thus blocking them from accessing the online GRS portal.

Given the socioeconomic realities of Bangladesh, for a widely successful system of DFS-based G2P, there has to be a system that allows beneficiaries to reach service providers or authorities through their favourable mode of conversation.

Therefore, GRS related issues need to be addressed with proper initiatives.

Bridging Digital Divide



A recent survey of 6500 rural households by BRAC Institute of Governance and Development (BIGD) on Digital Literacy in Rural Bangladesh shows that almost 54 percent rural households in Bangladesh do not have access to internet and less than one percent is seen to generate any form of income through online activities. Not to mention the significant gender gap in terms of internet access and effectiveness in use (38 per cent males with online skills vs 30 per cent females).

In the survey, the prevalence of digital literacy is seen to be more in female-headed households.

Better digital access, skills and literacy status are witnessed in rural households in Chattogram, Dhaka, and Khulna divisions among groups with people who are male, younger, more educated, have higher income.

Bridging digital gap would require:

- i) Incorporating knowledge of digital services and digitization into the education system of the country and hands-on ICT exercises to help increase easy internet access in the longer-term (BIGD survey, 2020)
- ii) Ensuring skills-based training programmes (may be under PPP initiative or at subsidised costs) with a special focus on the rural people along with improving access (The Financial Express, BIGD survey, Sept 2020 (BIGD survey, 2020).
- iii) A gender-focused ICT assessment that would identify what technologies are most accessible and user-friendly, and what gaps and barriers already exist. SMS form of communication seem to be more acceptable than the Internet to women in rural areas of Bangladesh, thus using the SMS method can be used more effectively to reach those in remote areas.
- iv) Women are also less likely to own a cell phone in the rural areas and the product space for them is extremely limited (UNCDF, 2018). In addition, a big proportion of the women is unable to read messages in English, in light of this financial services in Bengali or with easy graphical directions should be made accessible to everyone, through inexpensive mobile devices that will not require the use of smart phones). This will be particularly helpful for women in rural households to interpret the messages of financial transactions or services.

Consider having more female agents at agent points to ease accessibility of financial services, and addressing queries related to such services easier for female MFS users.

Pakistan launched one-time financial assistance to the 12 million families. Those individuals and families wishing to benefit from an emergency cash grant were asked to send an SMS with their identity card number and open a Limited Mandate Account (LMA) which has the option of opening a mobile savings wallet. This ID number is linked to the National Socioeconomic Database, the National Database Registration Authority. A similar SMS based process has been discussed in the context of Bangladesh in the earlier section. The Policy Brief by PRI suggests that households in need of the assistance should self-identify or self-register themselves though calling/dialing/sending SMS to dedicated mobile numbers for the allowances. 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. This will automatically generate a database of households seeking assistance.

If the short term programme is to continue operating for several months, it may be wise to cross-check the mobile number information collected during registration, to validate that more than one member of the same current household has not registered for the programme. Local authorities can then follow up to investigate if this appears to be the case. If the applicant provides incorrect information and this is identified after receiving the money, then s/he could be fined with the proceeds going to a state fund.

To drive a shift in the payment ecosystem from cash-based to digital, Brazil also adopted similar cash based national program which help them include 2.5 million people into financial inclusion. These

programmes are designed to get long term relief and walk on road of strong safety net program by increasing financial inclusion. Both country and the recipient would be immensely benefited if Bangladesh can follow this trail of crisis response by ensuring transparent monitoring environment even though the timeframe is compacted.

How to protect the DFS infrastructure during crisis (such as agents, etc)

We understand, given the financial behaviour of poor and vulnerable households, that most beneficiaries will want to cash out, rather than making digital payments. This does pose a potential challenge around ensuring sufficient liquidity of mobile agents and Nagad centres. This is likely to be exacerbated given that there is currently limited commercial activity, with agents potentially now not taking in much cash.

Some strategies to minimize cash-out and liquidity concerns:

1. use the mobile mass data collected from mobile phones during registration to get an indication of the areas where there will be a high demand for cash-outs; or
2. schedule payments centrally to stagger the delivery of funds, for instance on the basis of a digit of the NID number, so that not everyone receives an SMS to say that their cash has arrived on the same day. This will not only help agents with their cash management but will also help to avoid queues to collect money.²⁰
3. appreciate the challenges faced by MFS providers in Bangladesh to come up with solutions. For instance, it may be important to ensuring agents services as essential and setting up reasonable cash-out fee to run their operations.

Conclusion

Bangladesh is not new to disasters or major humanitarian crises. The COVID-19 pandemic, however, is a crisis of a completely different magnitude and one that will require a response of unprecedented scale. Amidst the unwarranted economic crisis, the emergency stimulus packages announced by the Government to help different vulnerable sectors of the economy were highly commendable.

G2P payments had played a crucial role so far in helping some recently unemployed and needy people abate the imminent crisis of Covid-19.

The current momentum of financial inclusion must be maintained. Lessons from other countries evidently show the long-term benefits of maintaining rich pool of data, and the efficiency possible due to this in reaching people far and wide quickly. This paper suggests ways, to further improve the data collection process and targeting mechanisms used in our country, to better combat issues in transparency and fraudulent activities, while giving solutions to other possible challenges that could arise.

With proper initiative in data collection, proper validation and accountability, and strict monitoring, it will be possible to effectively reach to the poor and needy during times of crisis, and efficiently carry out the social safety net programs and other government stimulus packages in combating this unprecedented crisis, and beyond.

²⁰ [UKaid & OPM: Country Report: Support for an emergency cash transfer in Bangladesh in response to COVID-19, April 2020](#)

Appendix

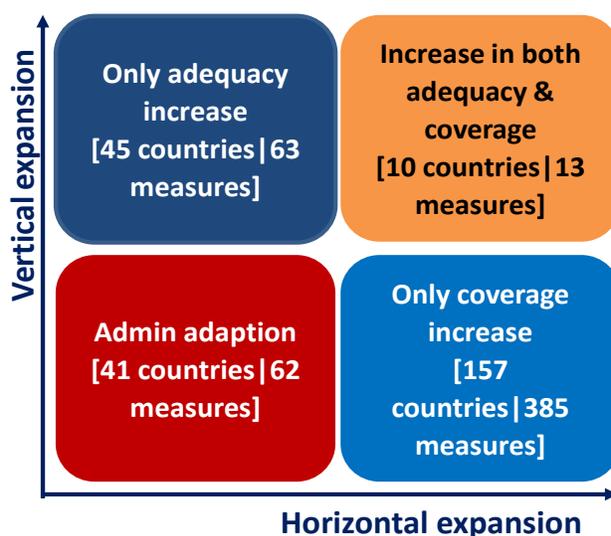
Social Protection Responses by Countries

The COVID-19 pandemic exerted immense challenges to almost all countries. Large reduction in income following -on tumbled economic growth demands Governments to launch income support schemes to individuals and families affected financially by COVID-19.

Social protection – especially social assistant has emerged as the most important stimulus to save lives and livelihood during COVID 19. Rich countries have already allocated around 6% of their GDP (IMF, 2020a)²¹ on social protection to mitigate the negative impacts of COVID 19. Higher allocation with universal coverage (even for a temporary basis) has come from unlikely sources such as IMF (2020b)²² and WB. Martin Ravallion (2020)²³ suggested to allocate at least 2% of GDP to SP programme.

SP system also witnessed unprecedented expansion – vertical and horizontal during the last 4 to 5-month period (see adjacent chart). Following these developments at the global level, Development Pathways (2020)²⁴ proposed to allocate 2 % SP stimulus (out of GOB proposed 3.7% stimulus) for Bangladesh.

Figure 7. Social protection programmes during COVID 19



Source: Gentilini et al. (2020)

Table below captures planned and on-going social protection programmes for selected countries.

Table 1: Some countries with planned or on-going social protection responses to COVID-19

Country	Form of Aid	Duration	Core Beneficiaries
Asian Countries			
India	-All under the National Social Assistance Program (NSAP) will get Rs1, 000 (US\$ 13). -Rs500 (US\$ 6.5) for Jan Dhan Accounts -Rs2000 for 87M farmers for 3 months by PM-KSN	NSAP (monthly), Jan Dhan Accounts (April-June)	Elderly, widows and disabled
Sri Lanka	Rs. 10,000 to Samurdhi recipients 1.8 million people	-	Samurdhi recipients
Vietnam	-Poor household will get a monthly allowance of VND 1 million (US\$ 43)	Three months (April-June)	To support poor, near-poor households, social

²¹ International Monetary Fund (2020a) Fiscal Monitor, April 2020. IMF, Washington.

²² International Monetary Fund (2020b), 'Managing the Impact on Households: Accessing Universal Transfers. Special Series on Fiscal Policies to Respond to COVID-19', IMF, Washington.

²³ Ravallion, M. (2020). On the virus and poor people in the world. Blog Post. Economic & Poverty: Martin Ravallion's website on the economics of poverty.

²⁴ Development Pathways (2020), 'Economic Fallout of COVID-19 and Child Sensitive Social Protection in Bangladesh

Country	Form of Aid	Duration	Core Beneficiaries
Singapore	-Near-poor household get VND 500,000 (US\$ 21) -social protection beneficiaries and merit people would receive VND 500,000 per month -Employees of small/household businesses would be supported with VND 1 million per month. 50+ Covid-19 Financial Assistance Schemes	Varies	assistant beneficiaries, merit people, worker from informal sector, part-time worker, and unfit people for unemployment The enterprises, Unemployed, People with different jobs affected by Covid-19
S. Korea	- 1 million won (\$\$1,180) in vouchers as part of a government "emergency disaster relief" scheme -11.7 trillion won supplementary budget to fight the virus -50 trillion won aid package to help struggling small and medium-sized enterprises		14 million families poor families, SMEs
Rest of the World			
Kenya	-4,000 Kenyan shillings (US\$40) each month to 279,000 people by WFP. -10 billion added to existing cash transfer programs by national treasury.	three month program per month	Poor urban families, vulnerable groups including the elderly and orphans
Tanzania	Govt. aims to develop market systems and announced different schemes for SMEs.		Vulnerable groups such as women, youth, MSMEs and rural farmers
South Africa	-R500 (US\$ 27) to be added onto the Child Support Grant -Additional R250 (US\$ 13) to the social pension and disability grants -R350 (US\$ 19) for unemployed and informal worker.	6 months	Parents with Child, Disabled, Unemployed, People who are not receiving any grants

Among classes of Economic interventions ‘social assistance (non-contributory transfers)’ is followed by the two most popular actions, ‘social insurance’ and ‘supply-side labor market interventions’.

Social Insurance-

- Algeria, El Salvador, Finland and Lebanon (Paid sick leave)
- Romania, Russia, and South Africa (Unemployment benefits)
- Montenegro, Germany and the Netherlands (Deferring or subsidizing social contributions)

Labor market intervention-

- Jamaica, Kosovo, Malaysia and Thailand (Wage subsidies)
- Bosnia and Herzegovina, China and Romania (Activation measures -worker trainings)

So far countries have responded to Covid19 crisis with innovate approaches by expanding existing social security programs or introducing new schemes. Multi-lateral agencies including IMF and WB have advised low- and middle-income adopt universal coverage for their citizens since social assistance coverage is low and inadequate. An effective tailored incentive packages is needed to finance modern, comprehensive and universal systems that can effectively reduce poverty and inequality, hence tax revenues to recover more quickly or these countries.

Pakistan and Philippines are two pioneer countries which introduced some temporary universal lifecycle social security schemes to tackle large scale shocks .The design and delivery systems of those massive temporary scheme set an example for other low and middle income countries in terms of their effectiveness.

Philippines: Philippines introduced a transfer aimed at the 75 per cent poorest households across the country. Security scheme “Bayanihan to Heal as One Act”, targets explicitly family of informal workers and grant each family P 5,000 to P 8,000 (US\$ 100 to US\$ 160) as financial assistance, for two months, to benefit 18 million families. Philippine used its social registry to identify beneficiary households. The government of Philippines has also introduced a cash-for-work program for 16000 workers. The government included informal workers (micro and small businesses) to be also given access to cash-transfer funds normally disbursed to poor households, to help them deal with the impact of COVID-19. Permanent, probationary, or contractual private worker if affected by the Covid-19 pandemic will receive P5,000 from the Department of Labor and Employment (DOLE). Moreover, Overseas Workers Welfare Administration (OWWA) has announced to give cash assistance to workers who are affected by the travel ban due to COVID-19.

Pakistan: To counter the economic fallout of Covid-19, Government of Pakistan had announced a temporary (one time) Social assistance program named Ehsaas Emergency Cash (EEC) for 12 million poorest families. This financial assistance effort aimed to deliver \$1 billion dollar, Rs12,000/family. The program has used existing Benazir Income Support Programme (BISP) enrolment, National Socioeconomic Register (NSER) and Nadra, in combination with SMS-based self-enrolment. This program design had its longer-term goals to increase financial inclusion and to strengthen overall safety nets in Pakistan, both of which will bring lasting benefits to recipients and the country as a whole.

Each EEC beneficiary has a Limited Mandate Account (LMA) and gone through the account opening prerequisites, sanctions list screening, and Know Your Customer (KYC) checks to open a mobile savings wallet linked to this account. A mobile phone number which does not necessarily belong to beneficiary and an agent location can set up the account instantly. LMAs have allowed users to make cash withdrawals at thousands of Cash-In-Cash-Out (CICO) merchants nationwide and use it directly for transactions. This crisis response has brought country’s poorest households accustomed with banking system and it is internationally evident that CICO networks play a critical role in a country’s transition from cash-based to fully digital financial systems.

Temporary cash transfer scheme (Vertical and horizontal social security expansion) of Pakistan and Philippines are fiscal response to poor citizens to tackle the potential political instability. Comparatively large but effective those initiatives are best model for low- and middle-income countries as they required costly public order measures while lessens risk of collapsing of those economies.