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**ANNEX 2**

of the Commission Implementing Decision on the financing of the annual action programme part 2 in favour of Bangladesh for 2018

**Action Document  
for Support to National Social Security Strategy reforms in Bangladesh**

<b>1. Title/basic act/ CRIS number</b>	Support to National Social Security Strategy reforms in Bangladesh CRIS number: ACA/2018/040701 financed under the Development Cooperation Instrument (DCI)	
<b>2. Zone benefiting from the Action/ location</b>	South Asia, Bangladesh. The Action will be nationwide with emphasis on the country's most vulnerable areas	
<b>3. Programming document</b>	Multiannual Indicative Programme between the European Union and the People's Republic of Bangladesh for the period 2014-2020 <sup>1</sup> , which has been amended following the mid-term review <sup>2</sup>	
<b>4. Sector of concentration/ thematic area</b>	Priority Sector 2: Food and Nutrition Security	DEV. Aid: YES
<b>5. Amounts concerned</b>	Total estimated cost: EUR 132 000 000  Total amount of EU budget contribution EUR 132 000 000 of which: EUR 130 000 000 for budget support, EUR 1 500 000 for complementary support and EUR 500 000 for monitoring and evaluation, audit and communication and visibility. <i>The total amount available for technical assistance is EUR 6 500 000 including EUR 1 500 000 under this Action and EUR 5 000 000 allocated under the Bangladesh Resilient Livelihoods Programme (ACA/2016/38955)</i>	
<b>6. Aid modalities and implementation modalities</b>	Budget Support Direct management – Budget Support: Sector Reform Performance Contract Direct management – Procurement of services	
<b>7 a) DAC codes</b>	16010 – Social welfare/services 16011 – Social protection and welfare services policy, planning & administration 16015 – Social services including youth, women, children 12240 – Basic nutrition	
<b>b) Main Delivery Channel</b>	Channel 1 – 12000 Recipient Government / 12001 Central Government Channel 2 – 90000 Others	

<sup>1</sup> C(2014) 5718 of 18.08.2014.

<sup>2</sup> C(2018) 4741 of 20.7.2018, "Addendum to the Multiannual Indicative Programme between the European Union and the People's Republic of Bangladesh for the period 2014-2020".

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Aid to environment	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including women in dev.)	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Trade Development	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>	
9. Global Public Goods and Challenges thematic flagships	<ul style="list-style-type: none"> <li>- Food and nutrition security and sustainable agriculture</li> <li>- Human development, including decent work, social justice and culture</li> </ul>			
10. SDGs	Main SDG: 1. Secondary SDGs: 2, 5 and 10			

#### SUMMARY

Bangladesh is one of the poorest countries in South Asia, with a large share of the population facing chronic livelihood, food and nutrition insecurity. The 7<sup>th</sup> Five-Year Plan, the National Social Security Strategy (NSSS), the National Nutrition Policy and the National Plan of Action for Nutrition represent the commitment of the Government of Bangladesh to address the interconnected challenges of reducing extreme poverty, undernutrition and vulnerability. The SDG provide new impetus to confirm that commitment. Eradicating extreme poverty and building the resilience of vulnerable populations remain primary aims for EU's cooperation in Bangladesh, with food and nutrition security and sustainable development as a lead sector.

International experience confirms that social protection can play a key role in the improvement of poverty outcomes and the promotion of socio-economic rights. The NSSS includes significant areas of systematisation and improvement of the social security framework, notably the move towards a rationalisation of the programmes based on core life-cycle categories, improved targeting, coverage and delivery systems and robust systems of information, monitoring and evaluation. The NSSS provides solid grounds to use policy development and dialogue as drivers for reform, while ensuring full Government ownership and sustainability.

The Action will contribute to sustainable poverty alleviation and inclusive growth by supporting the reform of Bangladesh's social security system with a focus on improving the efficiency and effectiveness of social assistance programmes (cash and in-kind) for the poor and vulnerable and reinforcing the impact on maternal and young child nutrition. Expected outcomes include (i) improved governance and institutional capacity of the social security system enabling a demand-driven and informed decision-making process to better serve the needs of the poor and vulnerable and (ii) enhanced coverage and adequacy of social assistance to pregnant women and children under five, resulting in their improved

diets. The main partners are the Cabinet Division and the Finance Division of the Ministry of Finance.

The Action will be implemented via a Sector Reform Performance Contract to leverage the potential of reforms and position the EU at a higher level of policy dialogue. To complement the budget support, technical assistance will strengthen the capacities of the institutions responsible for delivering NSSS reforms. The Action will also encourage the Government to improve public finance management at sector level, in complementarity with other EU-funded programmes.

## 1. CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

#### 1.1.1 *Public Policy Assessment and EU Policy Framework*

Overall visions, objectives and policy directions for the development of Bangladesh are outlined in the Perspective Plan of Bangladesh 2010-2021<sup>3</sup> which aims at combatting chronic poverty<sup>4</sup> and obtaining middle income country status by 2021. It also aims to significantly reduce the prevalence of malnutrition among children under five. Sector strategies to achieve these objectives are prescribed in the 7<sup>th</sup> Five Year Plan 2016-2020 (7FYP). Social protection features as Sector 13, also covering food security and nutrition, social inclusion and gender equality. It sets out the vision and phased implementation of "*comprehensive social protection to all poor and vulnerable citizens based on a modern life cycle based approach*". It proposes essential reforms that will be instrumental in eliminating leakages, improving targeting and increasing the average value of transfers. The 7FYP makes a commitment to increase public spending on social protection from 2.02% of GDP in FY2015 to 2.3% of GDP by FY2020.

The 7FYP refers to the 2015 **National Social Security Strategy (NSSS)** as the key framework to develop the social protection system<sup>5</sup>. In the area of food security and nutrition, interventions will follow the 2006 National Food Policy, the 2015 National Nutrition Policy, the National Plan of Action for Nutrition 2016-2025 (NPAN2) and the second Country Investment Plan 2017-2021<sup>6</sup>. The NNP and NPAN2 have adopted a lifecycle approach in ensuring adequate nutrition for all Bangladeshis.

The NSSS was developed based on a thorough analysis of the existing social security system which comprises around 120 programmes financed through the national budget managed by 23 line Ministries/Divisions. Despite the multiplicity of programmes and relatively high Government spending (c.13% of total expenditure), coverage and impact on the poverty gap remain low: around one third of poor households have access to any social security programme, with levels of benefits that are on average low. The majority of programmes targets rural areas. In terms of funding, 8 Ministries oversee the largest part of the

<sup>3</sup> *Perspective Plan of Bangladesh 2010-2021: making vision 2021 a reality*, April 2012, GED, Planning Commission

<sup>4</sup> I.e. lowering poverty and extreme poverty rates from 24.8% and 12.9% in 2015 to 18.6% and 8.9%, respectively, by 2020.

<sup>5</sup> In Bangladesh, the term social security is used synonymously with that of social protection. The latter usually includes social assistance (non-contributory schemes financed under the national budget for poor or vulnerable populations (cash/ in-kind benefits)) and social insurance (contributory schemes for health protection, pensions and work-related benefits for those in the formal sector). The current framework in Bangladesh almost exclusively builds on non-contributory schemes.

<sup>6</sup> *Bangladesh Second Country Investment Plan 2017-21: Nutrition-sensitive food systems*

budget, with the pension for Government officials representing around one third<sup>7</sup>. There is no Ministry responsible for overall sector policy development and coordination. Deficiencies also remain in planning, budgeting and budget execution

The NSSS seeks to systematise and strengthen the existing social security system to achieve better results from the use of budget funds on poverty outcomes. It focuses on improving overall effectiveness, broadening scope and coverage and ensuring adequate monitoring and evaluation of the system. The approach taken to reform is through the transformation of the existing schemes into a reduced number of lifecycle programmes (childhood, working age, elderly). The strategy focuses also on social security of people with disabilities, socially excluded groups and the vulnerable groups in urban areas, as well as considers the progressive introduction of a social insurance system<sup>8</sup>. The system is reliant on the establishment of a National Household Database (by the Bangladesh Bureau of Statistics (BBS)) to improve registration, including enhancement of the civil registration system and linking civil registration with social programmes.

The NSSS incorporates a strong gender equality focus, with a variety of measures to enhance women's economic empowerment, access to healthcare and childcare services as well as employment security (e.g. maternity insurance)<sup>9</sup>. It also pursues the objective of building the adaptive capacities of the population against climate change and strengthening the resilience of vulnerable people towards shocks by ensuring efficient mechanisms to respond rapidly to emergencies or disasters.

In terms of policy costing, the NSSS presents a medium-term macro-scenario to frame the financing of the strategy, based on the assumption that GDP will increase at an annual rate of 6% (in real terms) and that social security expenditure under the national budget will increase by roughly one third in the period 2015/16 to 2019/20<sup>10</sup>. Over the past three years, social safety net spending has increased to 2.44% of GDP in Fiscal Year (FY) 2017/18 (equivalent to EUR circa 5.4 billion), from 2.08% in FY 2015/16<sup>11</sup>. The budget however shows an outstanding concentration on the civil servant pension scheme and the Freedom Fighters Honorarium<sup>12</sup>. A major challenge will be to set-up a more balanced and equitable distribution of benefits to prioritize the needs of the poor(est).

There is good coherence between the 2030 SDG Agenda and the aforementioned national sector policies. The NSSS fits the New European Consensus on

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<sup>7</sup> Ministry of Food (5%), Ministry of Disaster Management and Relief (19%), Finance Division (28%), Ministry of Women and Children Affairs (4%), Ministry of Local Government (12%), Ministry of Social welfare (12%) Ministry of Primary and Mass Education (5%), Ministry of health and Family Welfare (6%). Source: NSSS, June 2015.

<sup>8</sup> Contributory National Social Insurance Scheme and Private Voluntary Pension Scheme to be funded through private resources.

<sup>9</sup> A draft gender policy was developed as part of the NSSS (<http://socialprotection.gov.bd/wp-content/uploads/2017/11/NSSS-Gender-Policy-Draft.pdf>).

<sup>10</sup> Source: NSSS, Table 5.3 "NSSS Costing of Programmes (Tk. billion)", p. 69.

<sup>11</sup> Source: Safety Net Programmes Budget (<http://mof.portal.gov.bd/site/page/32220b73-846f-4a33-b4c0-a6650c918e25/Safety-Net>).

<sup>12</sup> c.6%. Allowances paid to about 200,000 freedom fighters and family members of martyrs of the Liberation War in 1971.

Development<sup>13</sup>. It will directly address two of the five "P"s for sustainable development: People and Prosperity – for which access to adequate and sustainable social protection was identified as fundamental to eradicate poverty, tackle discriminations and inequalities, address all forms of malnutrition and enhance resilience. The NSSS is fully consistent with the EC's Communication on Social Protection in EU Development Cooperation<sup>14</sup> and also addresses the efficiency, effectiveness and fairness of social protection financing under the "Collect More, Spend Better" approach. The NSSS and National Food Policy are in line with the EU Gender Action Plan 2016-2020<sup>15</sup> and the EU's Joint Communication on Resilience<sup>16</sup>.

The Action is in line with the EU's Multi-Annual Indicative Programme for Bangladesh 2014-2020 and the EU's global policy framework for addressing undernutrition which promotes a multi-sector approach at country level<sup>17</sup>.

### 1.1.2 Stakeholder analysis

The final beneficiaries of this Action are poor and vulnerable Bangladeshis, with a focus on the most nutrition-sensitive (pregnant women and young children). Overall responsibility for NSSS reform lies with the Central Management Committee<sup>18</sup> which is led by the Cabinet Division and comprises senior representatives from 30 concerned Ministries.

The **Cabinet Division** operates under the supervision of the Prime Minister. It coordinates and monitors the NSSS implementation. It is one of the main counterparts of the Action. A Social Protection Budget Monitoring Unit was established in the **Finance Division at the Ministry of Finance (MoF/FD)** in charge of the systems that will underpin the integrated NSSS programmes, including systems for sector public finance management, budgeting and disbursement of transfers (Government-to-Person).

Line ministries have been allocated responsibility for specific NSSS clusters<sup>19</sup>: the **Ministry of Social Welfare (MoSW)** plays a crucial role in the implementation of the NSSS. It has been assigned the responsibility of coordinating the thematic cluster on social allowances. The **Ministry of Women and Children Affairs (MoWCA)** manages social assistance programmes targeted at women and children. It also plays a key role in the development and implementation of gender and child protection policies and programmes.

In addition, the **General Economic Division (GED)** and the **Implementation Monitoring and Evaluation Division (IMED)** of the Planning Commission are responsible for process monitoring of the reforms, and for the development of an

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<sup>13</sup> Joint statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission on the *New European Consensus on Development - "Our World, Our Dignity, Our Future"*, 7 June 2017

<sup>14</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee of the Regions on *Social Protection in European Union Development Cooperation*, 20 August 2012 [COM (2012) 446]

<sup>15</sup> Council Conclusion of 26 October 2015

<sup>16</sup> Joint Communication to the European Parliament and the Council on *A strategic approach to resilience in the EU's external action*, 7 June 2017 [JOIN (2017) 21]

<sup>17</sup> Communication from the Commission to the European Parliament and the Council: *Enhancing Maternal and Child Nutrition in External Assistance – An EU Policy Framework* (COM 2013)

<sup>18</sup> See composition, roles and other specificities in the NSSS

<sup>19</sup> 5 clusters have been established: Social allowances, coordinated by MoSW; Human development and social empowerment, coordinated by the Ministry of Primary and Mass Education; Food security and disaster, coordinated by the Ministry of Food; Labour and livelihood interventions, coordinated by the Ministry of Disaster Management and Relief; and Social insurance, coordinated by MoF/FD.

M&E system to monitor implementation and capture the impacts of NSSS. The **Ministry of Local Government** plays a key role in the management and delivery of social safety nets at the local level. Its involvement will be mainstreamed. The Action will also build on the dynamics of **local women organisations** to promote access to social and economic services by involving them in the implementation and monitoring of activities (e.g. Child Benefit programme). The multi-sectoral **Bangladesh National Nutrition Council** has been revived with the approval of NPAN2 by the Prime Minister in 2017.

### **1.1.3 Priority areas for support/problem analysis**

Bangladesh has made notable achievements in terms of sustained economic growth, human development and poverty reduction, having just met all poverty-related Millennium Development Goal targets and assured food self-sufficiency. The country however remains one of the **poorest in South Asia**: some 20 million Bangladeshis live in extreme poverty (and a further 45 million people if we consider the international extreme poverty line of USD 1.25 per person/day), with a considerably larger share of the population facing **chronic food and nutrition insecurity**<sup>20</sup>. More than one in three children under five are stunted (36% or a total of 5.5 million); the national prevalence of wasting is among the highest rates in the world, at 14.3% (around 2.2 million); 3.1% of all children under five are severely acutely malnourished<sup>21</sup>; and around three quarters of all children between 6–23 months do not receive a minimally adequate diet<sup>22</sup>. While tackling undernutrition requires a complex multi-sectoral approach, low income remains a key cause: a nutritious diet is around three times more expensive than a diet that only meets energy requirements<sup>23</sup>. For a majority of poor households, income falls short of these costs. International evidence suggests that the provision of a child benefit can significantly improve nutritional outcomes in young children, in particular if coupled with Social Behavioural Change Communication (SBCC) to influence food choices/consumption.

An additional consideration relates to the high risk of **covariate shocks** in Bangladesh and the fact that a large proportion of the population remains vulnerable to recurrent shocks and crises. Bangladesh is one of the most disaster-prone countries in the world, exposed to a variety of natural hazards (e.g. cyclones, floods and earthquakes) as well as being highly vulnerable to the effects of climate change. As a result of heightened vulnerability, sexual and gender based violence represents an additional concern. It will therefore be important to support the evolution of the NSSS in such a way that it is well placed to respond to shocks and increasingly able to meet the need for humanitarian responses. Bangladesh has also experienced **rapid urbanization**, with projected estimates that by 2020 the urban population could range between 60–80 million. It is therefore crucial to rebalance the focus on both social security and nutrition to incorporate the urban agenda.

The country stands at a critical stage, with the systematisation of social protection playing a strategic role to achieve the government's pro-poor developmental objectives. The following areas are critical to bring about

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<sup>20</sup> Source: *National Social Security Strategy (NSSS) of Bangladesh*, June 2015, General Economics Division, Planning Commission, Government of the People's Republic of Bangladesh

<sup>21</sup> Severe acute malnutrition results in 1-2 million preventable child deaths each year and affects children's prospects of surviving and thriving in all areas of their lives.

<sup>22</sup> Based on WHO global standards. Source: Bangladesh Demographic and Health Survey (2014).

<sup>23</sup> *A Cost of the Diet analysis in the fish cultivation and urban livelihood zones of Khulna*, Save the Children UK, 2013

systemic improvements in the delivery of social security and contribute to improve poverty outcomes, lower inequality and build social capital:

- Governance and management of the system at institution and programme-base levels;
- Administrative systems and capacity of human resources to implement the NSSS;
- Budget planning, execution and monitoring (at sector and programme levels);
- M&E to inform evidence-based decision-making and planning;
- MIS to underpin the delivery of transfers, contributing to improve case management and reduce financial waste and leakages through data and performance monitoring (embryonic databases exist at Ministries but are not yet interconnected or linked to MoF/FD);
- Levels of benefits<sup>24</sup> and coverage (which remain low);
- Targeting measures that are inclusive and curb selective and discretionary approaches;
- Social accountability and effective grievance redress mechanisms.

Against this background, the Action will support the Government of Bangladesh in the following areas linked to institutional and programme reforms under the NSSS:

- Enhance institutional and accountability frameworks of the social security system, including governance arrangements underpinned by a management system, inter-ministerial coordination, rationalisation of social security programmes and strengthened sector PFM (planning, budgeting and execution);
- Enhance capacities to manage the social security system to ensure evidence-based policy formulation, planning and implementation, through robust systems for information management and M&E, and improve the monitoring of the nutritional status of pregnant women and children;
- Support the introduction and implementation of the Child Benefit programme envisaged in the NSSS, ensuring inclusiveness, optimum coverage (rural/urban), adequacy and predictability of benefits. Programme-based MIS and M&E will be piloted as part of this Action.

Also in consideration of the background above, it should be noted that the implementation of a **Child Benefit programme** is an important milestone in the NSSS<sup>25</sup>. Prioritised support to the maternity/ young children area indeed responds to a gap in the current social security system in Bangladesh, with the main objective to address undernutrition of children under 4<sup>26</sup>. The Child Benefit programme is expected to build on the existing maternal allowance programmes run by MoWCA, bringing in lessons learnt from programmes managed by the Government and/or development partners that target similar groups. It will be introduced as a model to enhance the management and delivery of social assistance programmes targeting other life-cycle vulnerabilities. According to

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<sup>24</sup> The share of real value of transfers of the total consumption levels of poor households is 11% (World Bank).

<sup>25</sup> See indicative programme details in the NSSS, Section 4.3.1.

<sup>26</sup> The age limit of the Child Benefit programme is currently set at 4 years old in the NSSS (section 4.3.1). The Government is expected to propose revisions to the age of eligibility and level of transfer.

initial forecasts, the programme would initially provide monthly transfers to some 7.5 million children in rural and urban areas, with the objective to gradually expand coverage and the level of transfer. The programme should integrate SBCC and link to other essential interventions to ensure improved nutritional outcomes (e.g. access to health, improved water and sanitation).

## **1.2 Other areas of assessment**

### **1.2.1 Fundamental values**

Bangladesh is a signatory to a number of international commitments, including the International Covenant on Economic, Social and Cultural Rights<sup>27</sup> and is a party to the Universal Periodic Review (UPR). The latest review (2013) and the most recent reports indicate that while the general legal framework on human rights has improved and a number of institutions and agencies have been established to promote human rights, anticorruption and transparency, the country still faces many challenges in the implementation of its international obligations. A new UPR cycle is under way, with the review expected in May 2018.

The Constitution of Bangladesh guarantees all fundamental rights and freedoms as justiciable rights, and contains affirmative actions to support women, children, and underprivileged groups. A number of laws and policies to promote human rights and groups in situation of vulnerability - notably women and children - have been approved by the Government and provide a solid legal framework<sup>28</sup>. The women's movement in Bangladesh has made strategic use of the Convention on the Elimination of All Forms of Discrimination Against Women to advocate for changes in laws and policies. The implementation of these acts however remains weak: high rates of violence against women and the proportion of child marriages persist; access of vulnerable and disadvantaged groups, including women, to justice is limited; and restrictions on civil society and the media continue.

Bangladesh is characterised by long-term confrontational politics between the two main political parties. The parliamentary elections in January 2014 had very low turnout and were boycotted by the main opposition party. Recent events have pointed to the risk posed by the emergence of violent political and religious extremism. The 2018 Parliamentary elections will be the next big test for democratic governance in the country.

At sector level, the fragmentation of the social security system (and the associated political economy) has undermined the capacity to expand coverage and improve the delivery of assistance: around one third of the poorest Bangladeshis receive assistance, jeopardising the enjoyment of equality and non-discrimination. Social accountability also remains limited with weak grievance mechanisms and monitoring systems. The shift from the current discretionary to a targeted universal approach to avoid leakages and under-coverage, as well as the introduction of an effective grievance redress mechanism are foreseen as part of the NSSS – with the expectation to bring marginalised populations into the mainstream social security system.

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<sup>27</sup> Not including the optional protocol.

<sup>28</sup> Act on National Human Rights Commission, Rights to Information Act 2009, Domestic Violence Act 2010, Prevention of Money Laundering 2012, National Child Labour Elimination Policy 2010, National Women Development Policy 2011, National Children Policy 2011.

The EU and EU Member States will continue their engagement with international and national human rights organizations to enable them to fulfil their role to protect and promote political, civil and socio-economic rights.

### **1.2.2 Macroeconomic policy**

The overall macroeconomic performance of Bangladesh has remained strong over the last years, supported by strong export demand, high remittances, and low commodity prices. GDP growth has increased to 7.1% in FY 2016/17 (supported by both domestic and external demand) from 6.5% in the previous fiscal year; inflation remains contained and relatively low (6%); international reserves are reasonably adequate; and the public debt-to-GDP ratio has remained largely stable at a moderate level. Stable macroeconomic outlook ratings were issued for the country for the sixth consecutive year provided a stable real GDP growth and strong external balance position. The country targets to become a middle-income country by 2021. The last IMF Article IV (June 2017) maintains the macro-economic outlook broadly positive, based on a number of assumptions, mainly strengthened tax revenue and the implementation of the envisaged structural reforms especially in the financial sector. The importance of well-selected public investment to facilitate growth and private sector's participation and the need to support tax administration reform to provide for the additional fiscal space required is also highlighted. A 7.1% GDP growth is forecasted for FY 2017/18.

### **1.2.3 Public Financial Management (PFM)**

The latest PEFA assessment for Bangladesh (2015) was endorsed by the Government in June 2016. It noted the strides made in PFM performance over the past five years resulting in improvement in 7 out of 28 key elements (6 of the 7 progressed to scores B+ or A). The diagnostic work also highlighted a number of weaknesses, notably in budget execution, internal control framework, financial reporting and internal audit. Based on the findings of the PEFA, the Government put forward a PFM Reform Strategy (PFMRS) 2016-2021 which incorporates the PFM policy guidelines and related objectives from the 7FYP. The PFMRS is well drafted and is useful to build the essential budget credibility and fiscal discipline while being implemented. The guiding principles of the reforms remain country ownership, gradualism, with a stronger focus on getting the basics in place and a change management or institutional reform. To implement the strategy, an Action Plan Matrix has been developed.

Overall, the country's continued and positive engagement in PFM reform has been instrumental in addressing identified weaknesses. Nonetheless, various remedial actions and priorities for reform in PFM continue to lag behind. To tackle ongoing challenges, Development partners provide support to PFM reforms and system. The World Bank Multi-Donor Trust Fund on PFM (including EU, DFID and Canada) focuses on budgeting, debt management and macro-modelling. In the area of procurement, the World Bank-funded Public Procurement Reform Project II is working on consolidating two areas: e-Government Procurement (e-GP). Revenue reforms are also intensifying with the World Bank's Value Added Tax (VAT) Improvement programme.. Other relating capacity development efforts in tax administration such as automation of business processes and change management remain in force - although their effectiveness and impact in higher collections and improved tax compliance are not yet visible. An EU programme in the areas of domestic revenue mobilization and accountability is also in the pipeline (AAP 2018).

At sector level, Social Expenditure and Institutional Review and/or Fiduciary Risk Assessment of social security programmes have not yet taken place. The Social Protection Budget Monitoring Unit (SPBMU) established at MoF/FD is tasked with the responsibility of establishing a MIS to improve the Government's capacity to manage, track and evaluate expenditure, increase value for money and bring efficiency into the delivery systems for social transfers. The system is being piloted for the old age and maternity allowance programmes, and the initial progress is quite strong. The SPBMU is also expected to assume a key coordination role to develop a consolidated social security budget to ensure that financing is made according to the NSSS priorities. The Action will provide support to selected areas that contribute to mitigate the potential financial and fiduciary risks in the sector, ensuring that PFM capabilities (such as MIS) are developed and that the control duties and responsibilities are segregated properly within the core line Ministries and executing agencies.

#### 1.2.4 Transparency and oversight of the budget

The level of disclosure of budget information has improved in the recent years and budgets and budget execution reports are made publicly available. Bangladesh has made significant improvements in the area of fiscal transparency. Notably, in the social security system, improvements had been made with respect to the publishing of the approved budget of the sector in detail by programmes/schemes over the past five years. Likewise, the Government makes available the budget and execution (i.e. "utilisation") of the budget for every sector and the respective Ministries/Divisions, including a segregation of both development and non-development expenditures, though these present a delay in reporting of two years. MoF/FD publishes annual budgetary information on social security under the heading of the "Social Safety Net Programmes", disaggregated by programmes and schemes.. The latest PEFA reveals that six of the nine benchmarks on budget transparency were met. The latest score of Bangladesh in the Open Budget Index (2017) is 41 out of 100.

## 2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
<b>Political risks</b>		
The NSSS reform agenda is delayed (also considering elections in the last quarter of 2018)	M	A consolidated 5-year Action Plan for NSSS implementation was signed-off by the CMC in 2017. High-level policy dialogue and engagement with the CMC will be sustained.
<b>Macroeconomic risks</b>		
A large proportion of the poor population remains vulnerable to seasonal and other exogenous shocks	M	Support the evolution of the NSSS so that it is well placed to respond to negative shocks (including seasonal) and meet all or some of the needs for humanitarian responses (with contingency plan/fund) will continue.
<b>Developmental/Institutional risks</b>		
Limited collaboration and collective action amongst line Ministries with regards the realignment of roles and	M	Technical assistance (under complementary measures) will support the roll-out the NSSS Action Plan, including specific milestones in institutional reform. The capacity of the

Risks	Risk level (H/M/L)	Mitigating measures
responsibilities within the social security sector, institutional reform and merging of core programme operations and business processes delay implementation		Cabinet Division will be strengthened to effectively play its coordination and monitoring roles in the reform.
The medium and long term sustainability of the social security system depends on the robustness of the fiscal system including policy choices in terms of mobilisation of domestic resources and inter-sector allocation of funds (pro-poor and gender-responsive budgeting)	M	Fiscal risks associated to social security expenditure will be fed into policy dialogue within the wider PFM reform agenda, but also from the specific angle of the social security budgeting systems. The EU programme to strengthen domestic resource mobilisation and budget oversight (AAP 2018) will contribute to overall PFM improvement.
This share of the social security budget allocated to pensions for Government officials and Freedom Fighters honorarium increases disproportionately	M	The issue will be closely monitored and fed into the policy dialogue, taking into account the associated political economy
The capacity of MoWCA to lead and implement the new Child Benefit programme is low	M	Key MoWCA planning and management staff will be engaged in all phases of the reform process. Capacity building will be provided (technical assistance).
<b>PFM / Corruption and Fraud risks</b>		
The adoption and roll-out of the PFMRS 2016-2021 Action Plan is deferred. Oversight of financial and performance plans and proper compliance of eligibility rules remains weak	L	A draft PFMRS Action Plan is available. It will be indicatively implemented in FY 2018/19. The EU will remain involved with the Government and development partners to support the PFM reform agenda. A programme in the areas of domestic revenue mobilization and accountability is in the pipeline (AAP 2018). The complementary measures under this Action envisage coordination with this PFM programme, particularly on strengthening the financial and performance auditing capacities at line management and local authority levels. Support will also be provided to the SPBMU.
There is a likelihood of funds leakages due to corruption and weak budget controls (including citizen's and women's access to information on expenditures, etc.)	M	Risk monitoring will be fed into policy dialogue, particularly in relation to the wider PFM reform agenda. The EU programme to strengthen domestic resource mobilisation and budget oversight (AAP 2018) will contribute to overall PFM improvement. The introduction of (1) tools for management and monitoring under the NSSS will contribute to monitor and control fiduciary risks, (2) Government-to-Person payment systems will reduce leakages and waste of funds. These activities are core function of the SPBMU

Risks	Risk level (H/M/L)	Mitigating measures
		and will continue under the Action
<b>Assumptions:</b>		
<ol style="list-style-type: none"> <li>1. A cadre of Government staff responsible for management and oversight of the NSSS reform is in place</li> <li>2. The PFMRS Action Plan and EU programme to support PFM include social protection as a pilot sector</li> </ol>		

### 3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

Development partners' support to the social protection sector in Bangladesh has remained significant over the years. While this has led to positive contributions, the overall scope and impact have remained limited mainly due to a focus on humanitarian/social assistance intended to relieve poverty of the most vulnerable groups (notably in rural areas), proliferation of actors with stand-alone programmes and uneven coordination in the sector. The adoption of the NSSS provides a government-led, consolidated policy framework to engage at strategic level and promote a system-oriented approach, as called for in the Communication on Social Protection in EU Development Cooperation. Partnering with key, strategic counterparts at overarching level will be important to build mutual responsibility and accountability, also taking into account the political economy of the sector. Related to that, a lesson drawn from previous programmes is the importance of having an overarching structure that oversees and manages the various components of the support targeted at the different stakeholders under the Action to avoid compartmentalization of programme activities and ensure coherence at policy and implementation levels – in line with the NSSS.

An efficient, results-based coordination and policy dialogue platform is required between the Government and development partners engaged in supporting poverty reduction, and amongst development partners themselves. So far, dialogue has focused primarily on a bilateral, project by project basis, contributing to a vacuum with regard to policy dialogue – with no monitoring and evaluation mechanism at sector level. Attention should also be paid to ensure that the technical assistance under the complementary measures has a strong policy orientation.

#### 3.2 Complementarity, synergy and donor coordination

Sector development policy and donor coordination in social protection are addressed in the framework of the **Local Coordination Group on Poverty** co-chaired by GED and DFID<sup>29</sup>. The group meets irregularly and has failed to develop a common results-oriented framework for the sector. A development partners' group is established in parallel.

Relevant **EU-funded** programmes include the following: (1) The **Bangladesh Resilient Livelihoods Programme**<sup>30</sup> (2018-2022) is closely related to the Action and provide opportunities to demonstrate how reformed social protection and livelihood support can together provide sustainable pathways out of poverty

<sup>29</sup> DFID's co-chair mandate reportedly ended in 2017. Discussions on potential extension or replacement are pending.

<sup>30</sup> ACA/2016/038955.

as well as contribute to key nutrition relevant outcomes; (2) Under the **Food and Nutrition Security Programme for Bangladesh**<sup>31</sup>, the SUCHANA project component (2017-2021) co-financed with DFID involves transfers of assets for income generating activities and the generation of evidence in terms of the impact on child stunting; (3) **UJJIBITO**<sup>32</sup> (2013-2019) targets extremely poor women in rural areas (4) The **Establishing Vulnerable Peoples' Access to social safety net** programme implemented by World Vision aims at empowering local authorities and communities to promote access for the marginalized and most vulnerable. It is particularly relevant for the EU's broader support to the NSSS in terms of civil society's engagement in policy dynamics and accountability mechanisms.

**DFID** has been a dominant contributor to social protection in Bangladesh, notably through its programme Strengthening Governance for Social Protection<sup>33</sup>. DFID funding ended in 2017 but UNDP is expected to continue project activities for a couple years with a focus on policy process (with DFAT funding). The **World Bank** continues to be the largest development partner in social protection in Bangladesh: (1) The Safety Net Systems for the Poorest programme (USD 745 million loan), ending in mid-2019, contributes to improve the equity, efficiency, and transparency of five of major safety net programmes under the Ministry of Disaster Management and Relief including public works and food-based/in-kind humanitarian relief; (2) the Income Support Programme for the Poorest (USD 300 million loan) consists in strengthening the social security system at local level and piloting a conditional cash transfer programme for 600,000 mothers and an estimated one million children. This component started in late 2017 with a closing date in June 2020. The project is piloting interesting approaches which may have wider implications for the NSSS such as the creation of a 'one-stop shop' at local level and the use of biometrically secured post office cash cards. The programme builds on tight poverty-targeting approach reliant on the establishment of a poverty registry (under the National Household Database) and is partnering with the Ministry of Local Government and Rural Development Cooperatives; (3) A Cash Transfer Modernization programme (USD 300 million loan) to improve the service delivery of major cash transfer programmes managed by the Ministry of Social Welfare will run in 2019-2023 using the result-for-financing modality. **UNICEF** is engaged in the development of child-sensitive social protection policies. In 2018-2020, it is expected to provide technical assistance to coordinate the implementation of the child-components of the NSSS and support a series of analyses (e.g. multidimensional poverty and social protection in urban environments). UNICEF envisages supporting the feasibility analysis of a universal Child Benefit programme. **Other development partners** involved in social protection also include the Spanish (livelihoods programmes), SDC (making markets work for the poor), WFP (transitioning from food to cash), IOM (migration) and FAO (nutrition-sensitive social protection).

With its specific focus on institution building and its system-oriented approach, the Action will respond to a gap in intervention while complementing activities supported so far by development partners in partial areas of the social protection sector. Implementation will be based on a continuous analysis of relevant actions and pilots. The Action will also be an important foundation to develop more

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<sup>31</sup> DCI-ASIE/2015/037414.

<sup>32</sup> DCI-ASIE/2012/23185, DCI-FOOD/2013/23186 and DCI-FOOD/2013/24640

<sup>33</sup> <http://socialprotectionbd.org/en/>

effective sector-wide coordination and potential partnerships with like-minded development partners.

### 3.3 Cross-cutting and other issues

International experience confirms that social protection can play a key role in the promotion of **socio-economic rights and social justice**, and the realisation of **human rights** (e.g. adequate standard of living, education, health, equity). These objectives will be pursued by supporting and advising the Government in building inclusive, efficient and comprehensive social security systems based on agreed international standards.

Despite improvements in education for girls and the creation of economic opportunities for women and their political participation, Bangladesh continues to score poorly on **gender** indices<sup>34</sup>. The key challenge identified is discrimination, which makes it difficult to create lasting change, especially among the poor and marginalised. The absence of social protection for mothers can also be a major impediment to exclusive breastfeeding. A comprehensive package of maternity protection should include income security, access to health care and protection of women's rights at work during maternity and beyond. The necessity to reconcile unpaid care work with the imperative to generate income often pushes women into the most vulnerable forms of non-standard employment and informal work. The absence of income security during the final stages of pregnancy and after childbirth forces many women, especially those in the informal economy, to keep working into the very late stages of pregnancy and/or to return to work prematurely, thereby exposing themselves and their children to significant health risks. The Action is linked with the country's gender policies (e.g. the 2011 Women Development Policy) as it focuses on promoting access to adequate social assistance for mothers and young children. It will also consider options of addressing the disability of beneficiary family members in designing social assistance schemes.

**Climate change** is not addressed directly by the Action, but factors caused by climate and natural disasters (e.g. migration, geographical areas exposed to disasters) and affecting the welfare of the vulnerable population will be addressed while designing the social security system in such a way as to strengthen the resilience of those most at risk. An integrated approach to disaster risk management will also be explored within the framework of the NSSS as a shock responsive social security system can effectively reduce the loss of lives and livelihoods while reducing the requirement for humanitarian aid and minimizing both the human and economic costs associated with a given crisis.

Aspects of the Action address fiscal and financial management and accountability, which are key criterion in **good governance**.

## 4. DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal(s) 1: "End poverty in all forms everywhere", but also promotes progress towards Goal(s) 2: "End hunger, achieve food security and nutrition and promote sustainable agriculture", 5:

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<sup>34</sup> It ranked 72 in the Global Gender Gap Index 2016 out of 135 countries and 139 in the Gender Inequality Index 2017.

“Gender Equality”, 10: "Reduce inequalities" and 13 "climate change". This does not imply a commitment by Bangladesh benefiting from this programme.

The **General Objective** (impact) is to contribute to inclusive growth and the reduction of poverty and of all forms of malnutrition in Bangladesh.

The Action pursues the following **Specific Objectives**:

**Specific Objective 1:** The poor and vulnerable are served by a more effective and comprehensive social security system based on an inclusive life-cycle approach.

**Specific Objective 2:** The diets of pregnant women and children under 5 are improved.

**Expected Results:**

- Result 1: The institutional and accountability frameworks of the social security system are strengthened
- Result 2: The capacities to manage the social security system are enhanced, ensuring evidenced-based policy formulation, planning and implementation
- Result 3: The efficiency of social assistance to pregnant women and children under 5 is increased

## **4.2 Main activities**

### **4.2.1 Budget support**

The activities are:

- Transfer of grant of up to a maximum of EUR 130 million to the State Budget of Bangladesh in FY 2019/20 to 2023/24;
- Sustained policy dialogue with the Government to advance the effectiveness, accountability and financial sustainability of the social security sector;
- Regular follow-up of EU budget support eligibility criteria;
- Donor coordination with key development partners to ensure effective and complementary cooperation to support the implementation of the NSSS.

### **4.2.2 Complementary support**

Complementary support for the Action will be provided through a service contract(s) for technical assistance managed by the EU Delegation. A total of EUR 6.5 million is available, as follows:

(1) **EUR 5 million is already allocated under the Bangladesh Resilient Livelihoods Programme (ACA/2016/038955)** mainly to sustain this sector budget support programme with targeted technical assistance for capacity development of the institutions responsible for delivering the reforms of the NSSS. This includes:

- Advice and expertise in the social security sector on (i) development policy; (ii) institutional reform, organisational development and change management (iii) budget planning, programme costing and expenditure and PFM; (iv) M&E and MIS; (v) management and delivery of social assistance (Child Benefit)
- Capacity building at central and local levels;

- Support to programme management and monitoring of progress against the performance indicators, policy advisory recommendations and substantial inputs for sector policy dialogue, communication and visibility.

These activities will ensure logical continuity and complementarity of activities supported by other development partners and will mainly target the Cabinet Division, MoF/FD, MoSW, MoWCA, and GED. The technical assistance should tentatively start in early 2019, for an indicative period of 5 years. The tender procedure will indicatively be launched in the first semester of 2018.

**(2) EUR 1.5 million is allocated under this Action for additional and/or complementary capacity building** to reinforce and/or add to the activities of the technical assistance referred to in point (1) above. The detailed scope and content of this additional and/or complementary technical assistance will be assessed in the early stages of programme implementation in close coordination with the Government, taking into account latest sector development, gaps and needs.

### 4.3 Intervention logic

Bangladesh's social security needs improvement. The critical areas for reform have been clearly identified by the Government of Bangladesh. The Action is designed to facilitate and accelerate these reforms by acting as a change agent through knowledge sharing and capacity development, in collaboration with development partners.

This budget support programme will provide additional fiscal space to the Government of Bangladesh, with associated policy dialogue and capacity development (inputs).

Contributing to the following outputs:

- Improved institutional and accountability framework of the social security system, including (i) the definition of governance arrangements with clear organisational structure and roles and responsibilities of Ministries/Divisions in managing the system; (ii) the optimisation, rationalisation and consolidation of social security programmes; (iii) the improvement of public finance management in the sector, contributing to reduce fiduciary risks; and (iv) the establishment of capacities at local level to deliver social assistance to a specific target group (pregnant women and children under 5), which will serve an example for designing, planning and developing similar mechanisms for the delivery of other social assistance programmes within the overall management framework.
- Enhanced capacities to manage the social security system, ensuring evidence-based policy formulation and implementation, including (i) the design of an overall gender/nutrition-sensitive and results-based M&E system for social security (based on the five NSSS thematic clusters) with specified performance indicators and organisational arrangements and procedures allowing for effective monitoring and evaluation of the NSSS implementation and relevant analysis thereof; and (ii) the design of a programme-based M&E system for social assistance to a specific target group (i.e. pregnant women and children under 5) within the overall M&E system, which will serve as an example to develop programme-based M&Es for other social assistance schemes.
- Increased efficiency of social assistance to pregnant women and children under 5, including (i) the development and introduction of the Child Benefit

programme ensuring adequate support, inclusiveness and coverage; (ii) the design, piloting and rolling-out of a MIS for the Child Benefit programme, ensuring accurate enrolment of beneficiaries (assignment), registration of applicants and beneficiaries, case management (entering and exiting the programme, update of data etc.), statistical reporting, monitoring of expenditure etc. which will also contribute to reduce fiduciary risks.

Contributing to the following outcomes:

- The poor and vulnerable are served by a more effective and comprehensive social security system, based on an inclusive, life-cycle approach;
- The diets of pregnant women and children under 5 are improved as a result inter alia of relieving cash constraints and SBCC;

Contributing to the following impact: inclusive growth and reduction of poverty and all forms of malnutrition (including stunting and wasting) in Bangladesh.

## **5. IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation of the budget support component**

#### **5.3.1 *Rationale for the amounts allocated to budget support***

The amount allocated for budget support is EUR 130 million (and EUR 1.5 million for complementary support). This amount is based on average annual tranches of EUR 26 million, corresponding to 1% of the sector's average annual budget. Initial forecasts indicate that within this sector's needs, the Child Benefit Programme would cost BDT 45 billion annually (EUR 450 million) to provide assistance to some 7.5 million children. An average annual tranche of EUR 26 million represents around 6% of amount needed for the Programme.

The budget support funds will be disbursed through fixed and variable tranches. The latter are linked to performance indicators. The first instalment of a fixed tranche will be disbursed during FY 2019/20 as frontloading funding. The indicative schedule of disbursement is presented below (in EUR million):

<b>Fiscal Year</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
Fixed Tranche	24	5.0	5.0	5.0	-	39
Variable tranche	-	22.75	22.75	22.75	22.75	91
<b>Total</b>	<b>24</b>	<b>27.75</b>	<b>27.75</b>	<b>27.75</b>	<b>22.75</b>	<b>130</b>

### 5.3.2 *Criteria for disbursement of budget support*

- a) The general conditions for disbursement of all tranches are as follows:
- Satisfactory progress in the implementation of the National Social Security Strategy and continued credibility and relevance thereof;
  - Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
  - Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the Public Finance Management Reform Strategy 2016-2021;
  - Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.
- b) The specific conditions for disbursement that may be used for variable tranches are the following:
- Improvement of institutional set-up of the social security system at central level;
  - Improvement of institutional capacity at local level for social assistance to pregnant women and children under 5;
  - Introduction of a programme-based nutrition sensitive M&E system for social assistance to pregnant women and children under 5 within an overall results-based M&E framework for the social security system;
  - Establishment or upgrading of programme-based MIS for social assistance to pregnant women and children under 5;
  - Introduction of a nutrition-sensitive Child Benefit Programme.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Finance of Bangladesh may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### 5.3.3 *Budget support details*

Fixed and variable tranches will be used for this non-targeted budget support.

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the Euro transfers disbursed into Bangladeshi Takas

will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

#### 5.4 Implementation modalities for complementary support of budget support

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation.

##### 5.4.1 Procurement (direct management)

Subject in generic terms	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance	Services	1	Q1 2020

#### 5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2) (b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### 5.6 Indicative budget

Programme components	EU contribution (EUR)
5.3 – Budget support (Sector Reform Performance Contract)	130 000 000
5.4.1 – Procurement (direct management)	1 500 000
5.9 – Monitoring and evaluation (incl. annual review) 5.10 – Audit	400 000
5.11 – Communication and visibility	100 000
<b>Total</b>	<b>132 000 000</b>

#### 5.7 Organisational set-up and responsibilities

The overview and overall monitoring in the implementation of the Sector Reform Performance Contract (SRPC) will be entrusted to the **Programme Steering Committee (PSC)**, chaired by the Government. The EU will be a full member. The key role of the PSC will be to ensure continuous policy support to Government stakeholders towards the implementation of the SRPC. It will be responsible for regular assessment of the progress of General Conditions and Performance Indicators, identifying the bottlenecks and challenges to overcome difficulties and find efficient solutions. It will also be a platform for policy dialogue with EU.

Thematic and technical monitoring of the progress in the implementation of the Action will be entrusted to a **Programme Implementation Committee (PIC)** chaired by the Cabinet Division, in charge of the coordination of the NSSS. It will include members from the Ministries/Divisions in charge of NSSS implementation. The key role of the PIC will be the management of the programme. It will be responsible for the coordination, support, follow-up and monitoring. It will play a key role in ensuring oversight and coordinating the implementation of inter-related targets of Performance Indicators. It will report to the PSC on a regular basis. The EU-funded technical assistance will support and facilitate the activities of the PIC.

## **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logical framework matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

In this regards, the PIC will convene meetings at least every two months to review the progress of the Action. The minutes of meetings will be duly signed and communicated to the chair of the PSC and the EU Delegation. The PSC will convene meetings at least once a year (ad-hoc meetings may be convened when necessary) and minutes of the meetings will be issued. The budget support programme will be reviewed through annual, time-bound reviews to assess compliance with the General Conditions and Performance Indicators for the release of the instalments. The reviews will be timed to meet the indicative disbursement schedule. An independent review team (third party contracted by the EU Delegation) may support the process for each instalment.

## **5.9 Evaluation**

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partners at least three months in advance of the dates foreseen for the evaluation mission. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation report shall be shared with the partner country and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluation and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2023.

#### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in 2024.

#### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This Action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

<b>Subject in generic terms</b>	<b>Type (works, supplies, services)</b>	<b>Indicative number of contracts</b>	<b>Indicative trimester of launch of the procedure</b>
Communication and visibility	Services	1	Q1 2021

## APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)<sup>35</sup>

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
<b>Overall objective: Impact</b>	To contribute to inclusive growth and the reduction of poverty and of all forms of malnutrition in Bangladesh	<u>OO 1</u> : Rate of Real GDP growth ** EU RF L1 #3 <u>OO 2.1</u> : Rate of Poverty ** EU RF L1 #1 <u>OO 2.2</u> : Rate of extreme poverty <u>OO 2.3</u> : Rate of poverty gap ** EU RF L1 #2 <u>OO 3.1</u> : Level of Child stunting (disaggregated by gender, wealth, rural/urban) ** EU RF L1#9 <u>OO 3.2</u> : Level of Child wasting (disaggregated by gender, wealth, rural/urban) <u>OO 3.3</u> : Level of inequalities (prevalence-ratio of poorest to richest)	<u>OO 1</u> : 6.8% (FY17) <u>OO 2.1</u> : 24.8% (2015) <u>OO 2.2</u> : 12.9% (2015) <u>OO 2.3</u> : 6.5% (2016) <u>OO 3.1</u> : 36% (2015) <u>OO 3.2</u> : 14% (2014) <u>OO 3.3</u> : y% [TBI in inception phase/first year of operation]	<u>OO 1</u> : 7% (FY20) <u>OO 2.1</u> : 18.9% (2020) <u>OO 2.2</u> : 8.9% (2020) <u>OO 2.3</u> : x% (2023) [TBI in inception phase/first year of operation] <u>OO 3.1</u> : 25% (2020) <u>OO 3.2</u> : x% [TBI in inception phase/first year of operation] <u>OO 3.3</u> : z% [TBI in inception phase/first year of operation]	<u>OO1</u> : IMF Article IV Review  <u>OO2</u> : 7FYP monitoring reports; GED report(s); BBS  <u>OO3</u> : 7FYP monitoring reports; GED report(s); BBS; WHA and SDG
<b>Specific objective(s): Outcome(s)</b>	The poor and vulnerable are served by a more effective and comprehensive social security system based on an inclusive life-cycle approach	<u>SO 1.1</u> : Social security expenditure as a % of GDP (disaggregated by categories) * MIP SIF 2.2.2 <u>SO 1.2.1</u> : % of poor/vulnerable registered and receiving assistance (coverage) disaggregated by gender, rural/urban and categories (children and households receiving child and family benefits; women giving birth receiving maternity cash benefits; persons with severe disabilities receiving disability cash benefits; persons above the statutory pensionable age receiving a pension (contributory and non-contributory), vulnerable people receiving non-contributory benefits (vulnerable people= all children and adults not covered by contributory benefits and all persons above retirement age receiving contributory pensions) ** EU RF L2 #10 <u>SO 1.2.2</u> : Number of people receiving at least one social protection benefit through EU supported programmes ** EU RF L2 #10 <u>SO 1.3</u> : Status of rationalised set of social security programmes <u>SO 1.4</u> : Timeliness of transfers <u>SO 1.5</u> : Total cost of transfer ratio (TCTR)	<u>SO 1.1</u> : 2.4% (FY 2017/18) [disaggregation TBI in inception phase/first year of operation] <u>SO 1.2.1</u> : TBI in inception phase/first year of operation <u>SO 1.2.2</u> : TBI in inception phase/first year of operation <u>SO 1.3</u> : c.120 social security programmes (2017) <u>SO 1.4</u> : Delays of payment up to 12 months (in rural districts) <u>SO 1.5</u> : TBI in inception phase/first year of operation	<u>SO 1.1</u> : 2.8% of GDP (2020) [disaggregation TBI in inception phase/first year of operation] <u>SO 1.2.1</u> : % increase [TBI in inception phase/first year of operation] <u>SO 1.2.2</u> : % increase [TBI in inception phase/first year of operation] <u>SO 1.3</u> : Planning, budgeting (MTEF and annual) and budget execution and accountability based on 5 thematic clusters and reduced number <u>SO 1.4</u> : up to 30 days (2023) <u>SO 1.5</u> : % decrease [TBI in inception phase/first year of operation]	<u>SO 1.1</u> : Social Safety Net Budget published annually by MoF/FD online; MoF/FD annual expenditure reports  <u>SO 1.2-1.5</u> : CMC report on NSSF implementation; MTEF; Programme MIS

<sup>35</sup> Indicators aligned with the relevant programming document (MIP Bangladesh 2014-2020) are marked with '\*', and indicators aligned to the EU Results Framework are marked with '\*\*'

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
	The diets of pregnant women and children under 5 are improved	<p><u>SO 2.1</u>: Minimum dietary diversity for pregnant women included in the Child benefit programme (disaggregated by wealth and rural/urban)</p> <p><u>SO 2.2</u>: Minimum adequate diet in children (6-23 months) included in the Child Benefit programme (disaggregated by gender, wealth and rural/urban)</p> <p><u>SO 2.3</u>: Exclusive breastfeeding of children included in the Child Benefit programme (disaggregated by wealth and rural/urban)</p> <p><u>SO 2.4</u>: % of mothers (including pregnant women) included in the Child Benefit programme who benefited from Social Behaviour Change Communication (SBCC)</p>	<u>SO 2.1–SO 2.4</u> : TBI in inception phase/first year of operation	<u>SO 2.1–SO 2.4</u> : % increase (2023) [TBI in inception phase/first year of operation]	<u>SO 2.1–SO 2.4</u> : MoWCA reports; Child Benefit MIS; Child Benefit M&E; GED/IMED; BBS; CIP; Ministry of Health
<b>Expected Result(s): Induced outputs</b>	The institutional and accountability frameworks of the social security system are strengthened	<p><u>O 1.1</u>: Status of the institutional set-up of the social security system at central level</p> <p><u>IO 1.2</u>: Status of the institutional set-up at local level for social assistance to pregnant women and children under 5</p> <p><u>IO 1.3</u>: Level or status of consolidated budgetary allocation to social security (disaggregated by categories)</p> <p><u>IO 1.4</u>: % ratio of the social security budget to the total State budget (disaggregated by categories) * MIP SIF 2.2.2</p> <p><u>IO 1.5</u>: Number of stakeholders trained</p>	<p><u>IO 1.1</u>: Thematic clusters established, no institutional restructuring planned (2017)</p> <p><u>IO 1.2</u>: Various Ministries involved in social assistance programmes to women and children at local level (sub-division and union) (2017)</p> <p><u>IO 1.3</u>: No consolidated social security budget (MTBF)</p> <p><u>IO 1.4</u>: Total 13.5% (FY 2017/18)</p> <p><u>IO 1.5</u>: 0</p>	<p><u>IO 1.1.1</u>: Design and progress<sup>36</sup> in implementation of an implementing Action Plan to reform institutional, administrative and accountability framework at central level</p> <p><u>IO 1.1.2</u>: The central institutional set-up with accountability and administrative framework is established or approved by the Cabinet for establishment<sup>7</sup></p> <p><u>IO 1.2.1</u>: Design and progress<sup>37</sup> in implementation of an Action Plan to reform institutional, administrative and accountability framework at local level, with a focus on social assistance to pregnant women and children under 5</p> <p><u>IO 1.2.2</u>: The local-level institutional set-up with accountability and administrative frameworks is established</p> <p><u>IO 1.3</u>: Comprehensive and consolidated social safety net budget (MTBF) (2023)</p> <p><u>IO 1.4</u>: 15%</p> <p><u>IO 1.5</u>: A least 80% of the total group of key stakeholders at central level and at least 50% at local level trained</p>	<p><u>IO 1.1</u>: CMC reports; Technical Assistance reports</p> <p><u>IO 1.2</u>: CMC reports; Line Ministries reports; Technical Assistance reports</p> <p><u>IO 1.3–IO 1.4</u>: Annual budget; MTBF/MTEF</p> <p><u>IO 1.5</u>: Technical Assistance reports; PIC meeting minutes</p>

<sup>36</sup> A certain number of key, quantifiable elements from the Action Plans will be identified and will be integrated in the Performance Indicators Framework through a rider in the second year of operation.

<sup>37</sup> As above

	<b>Results chain</b>	<b>Indicators</b>	<b>Baselines (incl. reference year)</b>	<b>Targets (incl. reference year)</b>	<b>Sources and means of verification</b>
	The capacities to manage the social security system are enhanced, ensuring evidenced-based policy formulation, planning and implementation	<u>IO 2.1</u> : Status of the framework of an overall results-based, gender and nutrition-sensitive Monitoring & Evaluation (M&E) system for social security <u>IO 2.2</u> : Programme-based and nutrition-sensitive M&E system for social assistance to pregnant women and children under 5 <u>IO 2.3</u> : Number of stakeholders trained in M&E system	<u>IO 2.1</u> : No effective M&E system (2017) <u>IO 2.2</u> : Not existent <u>IO 2.3</u> : Not existent	<u>IO 2.1</u> : Designed M&E system framework and regulatory framework to monitor and evaluate social security, based on NSSS 5 thematic clusters <u>IO 2.2</u> : Progress <sup>38</sup> in implementation of Annual programme-based monitoring plan for the Child Benefit programme <u>IO 2.3</u> : 100% of key stakeholders at central level trained in Results-based monitoring system; 100% of key stakeholders at local level trained in programme-based M&E for Child Benefit programme	<u>IO 2.1</u> : CMC reports; Technical Assistance reports; IMED reports <u>IO 2.2</u> : Line Ministries reports; Technical Assistance reports <u>IO 2.3</u> : Technical assistance reports
	The efficiency of social assistance to pregnant women and children under 5 is improved	<u>IO 3.1</u> : Programme-based MIS for social assistance to pregnant women and children under 5 (Child Benefit programme) <u>IO 3.2</u> : Number of stakeholders trained (data management etc.) <u>IO 3.3</u> : Introduction of a nutrition-sensitive Child Benefit programme	<u>IO 3.1</u> : Various MIS being piloted by the Government and development partners <u>IO 3.2</u> : Not existent <u>IO 3.3</u> : Various Government-run programmes and pilot schemes supported by development partners exist for the target group (2017)	<u>IO 3.1</u> : Consolidated MIS for social assistance to pregnant women and children under 5 (Child benefit programme) allowing efficient assignment, data management and reporting (incl. age/sex disaggregation) is piloted and tested in 4 locations, with corresponding phasing-in or roll-out Action Plan <u>IO 3.2</u> : 100% of key stakeholders involved in the operation of the Child benefit MIS trained <u>IO 3.3</u> : Comprehensive Child Benefit programme implemented in x% of urban and y% of rural areas, with 80% coverage of eligible target group [TBI in second year of operation]	<u>IO 3.1-3.2</u> : CMC reports; MoWCA report; 2023/2024-2025/2026 MTEF <u>IO 3.3</u> : Technical Assistance reports
<b>Expected Result(s): Direct outputs</b>	The commitment and capacity of the main Government stakeholders to promote the adopted reform policy (NSSS) are strengthened	<u>DO 1.1</u> : Dedicated human resources <u>DO 1.2</u> : Professional capacity to perform efficiently	<u>DO 1.1</u> : Dedicated human resources for NSSS implementation and coordination are limited <u>DO 1.2</u> : Professional capacity and access to expertise remain limited	<u>DO 1.1</u> : Increased dedicated human resources for NSSS implementation and coordination (notably at Cabinet Division) <u>DO 1.2</u> : Enhanced professional capacity and increased access to expertise	<u>DO 1.1- DO 1.2</u> : Technical assistance
	Policy dialogue and capacity building activities are better coordinated, aligned to national policies and systems and more conducive for NSSS implementation	<u>DO 2.1</u> : Local Coordination Group (LCG) on Poverty (and sub-group on social protection) <u>DO 2.2</u> : NSSS common-results framework	<u>DO 2.1</u> : The LCG on Poverty (and sub-group on social protection) meets irregularly <u>DO 2.2</u> : An NSSS Action Plan is available. It needs to be consolidated into a results-based, costed and time-bound implementing strategy (based on the new institutional framework)	<u>DO 2.1</u> : The LCG on poverty and sub-group on social protection is revived and meets regularly (Government of Bangladesh-DP and DP) <u>DP 2.2</u> : An NSSS common-results framework is developed, with clear roles and responsibilities (Government of Bangladesh-DP) and monitoring and reporting framework	<u>DO 2.1-DO 2.2</u> : Technical assistance; LCG
	Increased predictability in the disbursement of external funds to sustain NSSS reform	<u>DO 3</u> : Allocation of budget funds for institutional reform	<u>DO 3</u> : The indicative costs of the reforms are not specific and/or consolidated	<u>DO 3</u> : Line Ministries have greater leverage to negotiate their budgets (incl. reforms-associated costs) with MoF/FD	<u>DO 3</u> : Technical assistance

<sup>38</sup> As above.