### BASIC INFORMATION

#### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Project Name</th>
</tr>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>P160819</td>
<td></td>
<td>Cash Transfer Modernization Project (P160819)</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
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<tr>
<td>SOUTH ASIA</td>
<td>Apr 03, 2017</td>
<td>Jun 29, 2017</td>
<td>Social Protection &amp; Labor</td>
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<table>
<thead>
<tr>
<th>Lending Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Economic Relations Division</td>
<td>Department of Social Services, Bangladesh Post Office</td>
</tr>
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#### Proposed Development Objective(s)

The Project Development Objective is to improve the transparency and efficiency of cash transfer programs for vulnerable populations by modernizing service delivery.

#### Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
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<tr>
<td>International Development Association (IDA)</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>300.00</strong></td>
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#### Environmental Assessment Category

- B-Partial Assessment

<table>
<thead>
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<th>Concept Review Decision</th>
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</thead>
<tbody>
<tr>
<td>Track II-The review did authorize the preparation to continue</td>
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**Note to Task Teams:** End of system generated content, document is editable from here.

Other Decision (as needed)
B. Introduction and Context

Country Context

Bangladesh’s economy has achieved rapid growth for decades, and shown impressive poverty reduction. Gross Domestic Product (GDP) growth has risen from 3.7 percent per annum in the 1980s, 4.7 percent in the 1990s, 5.6 percent in the 2000s, to over 6.0 percent in recent years. Purchasing Power Parity (PPP) adjusted Gross National Income (GNI) per capita has increased from US$1,140 to US$3,330 between 2000 and 2014. Driven by strong economic performance, the percentage of the population living under the national poverty line declined from 44.2 percent in 1991 to 18.5 percent in 2010 when the latest poverty measurement was conducted. Economic growth has also been slightly progressive – the consumption growth of households in the bottom 40 percent of the income distribution is slightly higher than that of households in the higher quintiles. Concurrently, substantial progress has been made in human development most notably in declines in fertility rates and increased child mortality and life expectancy along with improved health and education.

Despite much progress, however, poverty and vulnerability remains a great challenge, and a more robust social protection system is needed to address the challenge. A large number of people live below and around the poverty line and face various risks. Gaps across different populations are persistent, and some of the most vulnerable groups such as the elderly, widowed, and persons-with-disabilities, who have limited earnings opportunities, are greatly exposed to severe destitution. Currently, the Government of Bangladesh implements a large number of social safety net programs to serve the poor and vulnerable, and plans to expand the safety net system to respond to lifecycle shocks. However, the effectiveness of the programs are hampered by outdated administrative systems, weak targeting, and lack of social accountability. In order to better respond to the challenge of poverty and vulnerability in the country, a more robust social protection system is required with modern administrative instruments for efficient and timely resource allocation.

The need to strengthen the social protection system should be recognized with urgency given the rapid demographic transition, which provides only a limited window of opportunity to utilize the potential of young workers before the country faces the challenge of an ageing population. Low fertility rates and improved life expectancy result in an increasing share of the elderly population, which will likely exceed 10 percent within two decades. Household structure has changed such that shares of nuclear and single households, compared to extended ones, are increasing and that the average household size decreased from 5.18 in 2000 to 4.50 in 2010. Changes in household structure often indicates changes in living arrangements for the elderly as they are more likely to live separately from their children and share of female-headed households increases (World Bank, 2013). The weakening of family ties and traditional support systems for elderly parents further highlights the importance of safety nets. In particular, old age support systems with a recognition of the needs of females will have to be further strengthened. Therefore, Bangladesh needs to make efforts to prepare for population ageing and establish necessary institutional arrangements for robust social protection systems while taking short term actions to engage young workers in productive activities and reap the demographic dividends.

Sectoral and Institutional Context

Current Challenges

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1 Previous studies have reported that the national poverty rate declined to 32.0 percent in 2010. However, using an updated price index, a recent report indicates that the poverty rate indeed declined to 18.5 percent in 2010.

2 Based on the latest figure, about 28 million people still lived under the poverty line in 2010.
The Government of Bangladesh has already recognized the abovementioned challenges and needs and is preparing policies to effectively address these issues, as evidenced in the National Social Security Strategy (NSSS) 2015. The NSSS lays out a comprehensive social security framework based on a lifecycle approach, to support poor and vulnerable households to adequately respond to and manage various risks. Strategies to strengthen old age support through institutional reforms in pension programs are discussed. In addition, the NSSS presents a specific reform agenda to effectively use the country’s social security budget, close to 2 percent of GDP, for maximum impact. Challenges faced by current social safety net programs in Bangladesh, recognized by the NSSS as well as analytical work conducted by the Bank, include (1) program fragmentation, (2) lack of pro-poor targeting, (3) administrative inefficiency, and (4) limited social accountability.

**Program fragmentation:** While many countries tend to build and strengthen flagship social safety net programs as a key driver of poverty reduction, Bangladesh has been implementing numerous different programs. Bangladesh currently implements more than 140 programs through over 20 ministries. The size of these programs (illustrated in Figure 1) varies substantially, with the overall social protection landscape comprising numerous small programs. The *Pension for Retired Government Employees and their Families* is the largest program, which takes up almost a third of the safety net budget, followed by the *Honorarium for Freedom Fighters*. Apart from these two programs, which are not poverty targeted, the Ministry of Social Welfare (MoSW), along with the Ministry of Education (MoE) and the Ministry of Disaster Management & Relief (MoDMR), implements major poverty focused social safety net programs. While a flagship program is not a panacea for reducing fragmentation – there may be specific challenges beyond the scope of such a program – efforts to consolidate similar interventions and strengthen major programs can help rationalize the delivery of scarce resources.

![Figure 1. Social Protection Expenditure in Bangladesh](image)

Source: Ministry of Finance, Government of Bangladesh

**Lack of pro-poor targeting:** Few scientific or rigorous targeting mechanisms are currently in place in Bangladesh to identify the eligible poor. A considerable portion of safety net beneficiaries are indeed non-poor as indicated by numerous household surveys. An analysis of benefit incidence (the share of benefits received by the bottom quintile of the population) reveals that:

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3 This document refers to the “social protection system” to include social safety net, social insurance, and labor market policies and programs, following the World Bank’s Social Protection and Labor Strategy 2012-2022. The Government of Bangladesh uses ‘social security’ instead of ‘social protection’, and its social security budget includes expenses associated with safety net, social insurance, and labor market programs.


5 Pakistan’s *Benazir Income Support Program* in South Asia, and Brazil’s *Bolsa Familia* and Mexico’s *Prospera* in Latin America, are among such programs.
The income distribution of the population suggests that there is significant room to improve targeting accuracy. For instance, about half of all benefits are received by the non-poor in the case of the Old Age Allowance (Figure 2). Targeting accuracy tends to suffer because most programs rely on geographical targeting and network-based enrollment, but do not consider individual household characteristics and poverty status. A unified targeting system, which enables various programs to identify the deserving poor, can significantly improve the accuracy of targeting as well as program efficiency.

**Figure 2. Targeting Accuracy of Various Social Safety Net Programs**

![Targeting Accuracy Chart]


**Administrative inefficiency:** Limited capacity and underdeveloped systems introduce inefficiencies which hamper program effectiveness. This is particularly prominent in food-based programs, but cash-based programs are not exempt either. Major negative outcomes of administrative inefficiency are beneficiary duplication and benefit leakage. With limited program-specific management information systems (MIS) which allow digitized documentation, tracking, and cross-referencing of program level data, duplication is commonplace. In addition, rudimentary payment systems mean limited control over cash delivery, resulting in leakages and delays in benefit receipt. This has a particularly negative impact on the elderly and persons-with-disabilities, for whom access to points of service such as commercial banks becomes limited, and the use of intermediaries becomes necessary. As such, the use of technology can help overcome several of such systemic inefficiencies.

**Limited social accountability:** The entire process of application, identification, selection, enrollment, recertification, case management and benefit payment of many social safety net programs may benefit from greater transparency. Lack of citizen engagement results in weak social accountability which discourages citizens from exercising their rights and corresponding responsibilities in ensuring public programs deliver their intended outcomes. Program beneficiaries, especially the elderly, widowed, and persons-with-disabilities, often have limited awareness of programs and the procedures to access these programs and receive benefits. Grievance redress channels are seldom utilized due to limited awareness, accessibility and perceptions of ineffectiveness. The use of technology in this regard can also provide a platform for more active citizen engagement and transparency in addition to efficiency improvements.

**Strategic Priorities and Recent Developments**

The NSSS has recognized the need to gradually phase out food-based social safety net programs while strengthening
cash-based programs, in order to address the challenges discussed above. While Bangladesh’s safety nets have traditionally been food-based, there has been a strong emphasis on the need to shift from food to cash (or near-cash, i.e. food stamps or vouchers) programs. Food aid may be necessary in certain circumstances, but it often comes with substantial efficiency costs associated with the procurement, storage, and distribution of food. Cash payments, when equipped with efficient delivery mechanisms, are widely accepted as a less costly means of addressing poverty by allowing recipients to allocate resources according to their specific needs.6

Improvements in the service delivery system of cash transfers are critical in order to support program level reforms. The NSSS outlines six core areas of reform associated with the social protection system: (1) support MoSW to implement lifecycle programs and coordinate with social security programs; (2) establish a single registry MIS; (3) strengthen government-to-person payment systems that promote financial inclusivity; (4) strengthen processes for selecting recipients of social security schemes; (5) establish a complaints and grievance mechanism; and (6) establish a results-based monitoring and evaluation system. This would help to enhance the effectiveness of existing and prospective cash-based programs.

The proposed Project would build upon, as well as complement, existing investments in the sector by both the Bank and Government, and support the integration of a number of administrative systems to enhance the transparency and efficiency of these programs while helping address program fragmentation issues. Several of these have been, or are currently being, supported by the World Bank as part of its engagement with key ministries and agencies involved in the social protection sector. The Safety Net Systems for the Poorest (SNSP) Project (IDA 5281-BD) is supporting the MoDMR to improve the equity, efficiency, and transparency of social safety net programs as part of efforts to strengthen the social protection system in the country. The Income Support Program for the Poorest (ISPP) Project (IDA 5553-BD) expands systems strengthening support to the local administrative level. These initiatives are complementary, and efforts are underway to help integrate the processes being developed into a more coherent service delivery system.

The Bangladesh Bureau of Statistics (BBS) is currently developing the National Household Database (NHD) under the ambit of the SNSP Project (IDA 5281-BD). This database will contain key household characteristics to objectively determine poverty status based on a proxy-means-test (PMT) methodology.7 Using the Household Income and Expenditure Survey, 2010, which contains detailed information on nationally representative households’ socioeconomic status, along with household characteristics, BBS has finalized the PMT formula to be used to determine a “poverty score” of every household. Variables which are highly associated households’ poverty status, and are observable and verifiable were selected, and weights for variables were determined according to their association with household welfare. BBS will be conducting a door-to-door census to collect key information including the ownership of assets, labor market activities of the head of the household, and other demographic information, needed to populate the NHD. This data will become available to users in 2017 – the Local Government Division (LGD) has already signed an agreement with BBS for use of the NHD for its conditional cash transfer program (under the ISPP Project (IDA 5553-BD)), while MoDMR and MoSW also intend to use this information for their respective social safety net programs.

MIS for several social safety net programs have been, or are in the process of being, developed. These include cash transfer programs under the Department of Social Services (DSS) of MoSW – Old Age Allowance, Widow Allowance, and efforts are underway to help integrate the processes being developed into a more coherent service delivery system.

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5 An estimate suggests that the cost of transferring BDT 1 worth of food is BDT 0.20. In contrast, the delivery cost of BDT 1,000 to a recipient is about BDT 0.15. For details, see IFPRI (2009), “Comparing Food and Cash Transfers to the Ultra Poor in Bangladesh”; IFPRI.

6 For details regarding the PMT methodology in Bangladesh, see the following:
BBS. (2014b). “Proxy Means Test formula for Bangladesh”; Bangladesh Bureau of Statistics; Dhaka, Bangladesh; and
Disability Allowance and Disabled Students Stipend. Development of the DSS MIS was completed in June 2016, under the Disability & Children-At-Risk (DCAR) Project (IDA 4481-BD), and existing beneficiary information is currently being digitized. This includes their national identification (NID) number and/or birth registration number (BRN) in addition to key individual characteristics required for program administration. The MIS has also established a two-way data flow between DSS and the NID Wing of the Election Commission for identity authentication, and efforts to clean up the database will be undertaken over the course of the next year. An MIS for MoDMR's Employment Generation Program for the Poorest, developed under the Employment Generation Program for the Poorest (EGPP) Project (IDA 4833-BD), is currently being populated with beneficiary and community sub-project data; and additional modules being developed under the SNSP Project (IDA-5281-BD) will cover the Food For Work, Test Relief, Vulnerable Group Feeding and Gratuity Relief programs. Via their linkage to the NHD, the various safety net MIS are expected to contribute to the establishment of the proposed single registry which would allow cross-referencing various program-specific databases to assess the extent of coverage and flag duplications.

Pilots of digital payments have been undertaken by several ministries and plans for scaling-up such systems are being developed. LGD, MoDMR and MoSW are among the ministries which have already piloted digital payments using debit cards issued by the Bangladesh Post Office (BPO), as well as mobile financial services, over the past four years. LGD has successfully carried out a pilot conditional cash transfer program in 2012-13 and paid over 14,000 women using debit cards, and is planning on scaling up the program including its payment system to 600,000 women in northern Bangladesh. DSS has already issued cards to over 6,000 beneficiaries of Old Age Allowance and Disability Allowance in one upazila (sub-district) in the country, and outcomes of the card-based payments have been overwhelmingly positive in terms of the time and cost savings to beneficiaries in receiving their entitlements.

During the second phase of NSSS implementation, from 2026 onwards, major lifecycle programs are expected to be implemented by DSS for more harmonized service delivery. Other line ministries and departments will implement special and small programs (i.e. disaster response, food security, social empowerment, etc.). In order to position itself to effectively manage its broader mandate, MoSW intends on setting up a service delivery system for its major cash transfer programs, while institutionalizing a model to integrate other programs in the future (i.e. Honorarium for Freedom Fighters, etc. as per the directives in the NSSS). At present, little is known about the adequacy of the benefit level and their impacts on poverty; and at an administrative level, selection processes for beneficiaries are not systematic, the program MIS includes basic individual level information but lacks functionalities for budgeting, grievance tracking, and payment, among others; and payment delivery mechanisms are slow to deliver and do not use robust authentication mechanisms. An overhaul of the implementation procedures for these programs is being considered, with support from the proposed Project, which will include the use of ICT tools for beneficiary application, identification, selection, enrollment, recertification, case management and benefit payment. Such an integrated system will allow for a results-based monitoring and evaluation system to be established which would also help assess the poverty impacts of these programs, and support policymaking endeavors. Thus, the proposed Project would directly support the NSSS by strengthening institutional capacity of the Ministry and improving business processes of its programs.

Table 1. Cash Transfer Programs implemented by MoSW (FY 2017)

<table>
<thead>
<tr>
<th>Programs</th>
<th>Eligibility</th>
<th>Monthly Benefits</th>
<th>Total Beneficiaries</th>
<th>Total Budget</th>
<th>Share out of Total SN budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 These programs are formally known as: Old Age Allowance; Allowances for the Widow, Deserted and Destrutite Women; Allowances for the Financially Insolvent Disabled; and Stipend for Disabled Students.</td>
<td>9 Currently, beneficiaries are selected based on the union council’s assessment, which entails a subjective verification of eligibility criteria fulfillment.</td>
<td>10 The total safety net (SN) budget is the total social security budget announced by the Ministry of Finance exclusive of the budget allocated for The Pension for Retired Government Employees and their Families and the Honorarium for Freedom Fighters.</td>
<td></td>
<td></td>
<td></td>
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### Programs

<table>
<thead>
<tr>
<th>Programs</th>
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<th>Total Beneficiaries</th>
<th>Total Budget</th>
<th>Share out of Total SN budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Age Allowance</td>
<td>Annual income under BDT 10,000; men aged over 65; women aged over 62</td>
<td>BDT 500</td>
<td>3.10 million</td>
<td>BDT 18.90 billion</td>
<td>5.8 percent</td>
</tr>
<tr>
<td>Widow Allowance</td>
<td>Annual income less than BDT 12,000; disabled, elderly and sick persons prioritized</td>
<td>BDT 500</td>
<td>1.10 million</td>
<td>BDT 6.90 billion</td>
<td>2.2 percent</td>
</tr>
<tr>
<td>Disability Allowance</td>
<td>Annual income less than BDT 36,000; age over 6; disability certified with Article 3(1) of Bangladesh Disability Welfare Act 2001</td>
<td>BDT 600</td>
<td>0.75 million</td>
<td>BDT 5.40 billion</td>
<td>1.5 percent</td>
</tr>
<tr>
<td>Disabled Students Stipend</td>
<td>Annual income less than BDT 36,000; age over 6; disability certified with Article 3(1) of Bangladesh Disability Welfare Act 2001; monthly school attendance over 50% of days</td>
<td>Primary: BDT 500 High: BDT 600 College: BDT 700 University: BDT 1,200</td>
<td>0.06 million</td>
<td>BDT 0.48 billion</td>
<td>0.2 percent</td>
</tr>
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</table>

### Given the scope and coverage of the cash transfer programs, the potential impacts of the proposed Project is expected to be large.

Over five million poor elderly, widowed, and persons-with-disabilities are expected to benefit from the modernization of these programs, which are detailed in Table 1. The budget allocated for these programs is close to 10 percent of the total safety net budget, with the *Old Age Allowance* being the largest cash transfer program in the country targeted for the poor. Moreover, given the emphasis on the transition from food to cash based programs and increasing Government to Person (G2P) transactions, efforts to strengthen the delivery system of cash transfers would have significant spill-overs for other programs utilizing G2P platforms.

### Relationship to CPF

The proposed Project is fully aligned with the World Bank Group’s Country Partnership Framework (CPF) for FY 2016-2020. The CPF includes three strategic focus areas for Bank intervention – (1) growth and competitiveness, (2) social inclusion, and (3) climate and environment management – and the proposed Project primarily addresses the second focus area. Specifically, the Project is aligned with CPF objective 2.3 “improved social protection coverage for the poor”. The Project will directly support the poor elderly, widowed, and persons-with-disabilities, who are beneficiaries of MoSW cash transfer programs, and will aim to expand coverage to this vulnerable population not currently receiving program benefits. In doing so, the proposed Project will focus on improving the transparency and efficiency of these programs particularly by strengthening targeting of the poor as recommended in the CPF. In addition, by strengthening payment mechanisms, the Project will enable over five million beneficiaries of MoSW cash transfer programs to access digital financial services, and deepen financial inclusion efforts. A gender-sensitive approach to Project activities would also be in line with both the CPF direction and Government plans as part of a comprehensive poverty reduction strategy.

In addition, with a strategic focus on systems strengthening, the proposed Project is fully aligned with the World Bank Group’s Social Protection and Labor Strategy (2012-2022). The strategy adopts an approach where social protection administration, programs, and policies are coherently established and implemented, in order to achieve equity, resilience, and opportunity. The proposed Project will particularly contribute to the goal of promoting equity with a robust targeting system and promoting resilience with income support.
C. Proposed Development Objective(s)

**Note to Task Teams:** The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

The Project Development Objective is to improve the transparency and efficiency of cash transfer programs for vulnerable populations by modernizing service delivery.

- “Transparency” means that cash transfer program processes take place in a clear, objective and accountable manner.
- “Efficiency” means that cash transfer program processes take place in a timely, accurate and cost-effective manner.
- “Cash transfer programs” mean *Old Age Allowance, Widows Allowance, Disability Allowance and Disabled Students Stipend.*
- “Vulnerable populations” mean the poor elderly, widows, and persons-with-disabilities who are beneficiaries of the cash transfer programs.
- “Service delivery” means reaching out to citizens to provide information, giving access to citizens to receive feedback, providing means for beneficiaries to have their cases managed, making payments to beneficiaries for income support, among others.

**Key Results (From PCN)**

Progress towards the achievement of the PDO would be assessed using the following results indicators (the proposed indicators will be refined during the course of Project preparation):

1. Total beneficiaries of cash transfer programs (core sector indicator)
   - Share of female beneficiaries of cash transfer programs (core sector indicator)
2. Share of beneficiaries of cash transfer programs in lowest two expenditure quintiles
3. Share of households in lowest two expenditure quintiles covered by cash transfer programs
4. Share of cash transfer program budget delivered using digital payments\(^\text{11}\)
5. Total beneficiary cost savings using digital payments\(^\text{12}\)

Intermediate outcomes would be tracked using the following results indicators (the proposed indicators will be refined during the course of Project preparation):

1. Share of existing beneficiary data digitized\(^\text{13}\)
2. Share of existing beneficiaries recertified\(^\text{14}\)
3. Share of existing beneficiaries enrolled digitally\(^\text{15}\)
4. Average processing time from application to enrollment decision\(^\text{16}\)
5. Average processing time from grievance filing to resolution\(^\text{17}\)

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\(^{11}\) “Digital payments” mean those which are biometrically authenticated and paid through electronic instruments.

\(^{12}\) “Cost” includes both direct (e.g. transportation, unofficial fees, etc.) and indirect (e.g. time, opportunity, etc.) expenses incurred to withdraw benefits.

\(^{13}\) “Digitized” means that beneficiary data has been entered into the DSS MIS and matched against the NID/BRN databases for identity verification.

\(^{14}\) “Recertified” means that beneficiary data has been entered into the DSS MIS and matched against the NHD for poverty validation.

\(^{15}\) “Enrolled digitally” means that beneficiaries have provided biometric data and received an electronic payment instrument.

\(^{16}\) “Enrolment decision” means that an application is accepted, waitlisted or rejected; standards will be defined in the Implementation Guidelines and MIS.

\(^{17}\) “Resolution” means that a grievance is settled, whether in favor of or against a beneficiary; standards will be defined in the Implementation Guidelines and MIS.
6. Number of access points with MIS credentials
7. Number of access points for digital payments
8. Share of beneficiaries aware of application and selection process
9. Share of beneficiaries satisfied with service delivery
10. Number of unions using poverty ranking for beneficiary selection
11. Number of unions with personnel trained and stakeholders oriented on improved business processes

D. Concept Description

The proposed Project intends to contribute to efforts made by the Government of Bangladesh in implementing the NSSS, which aims to reform its sectoral intervention by “ensuring more efficient and effective use of resources, strengthened delivery systems and progress towards a more inclusive form of social security that effectively tackles lifecycle risks, prioritizing the poorest and most vulnerable members of society.” Towards achieving these goals the Project would support specific thematic areas by means of results-based financing which would (1) expand fiscal resources for vulnerable populations and enhance the impact of benefits, and (2) incentivize the achievement of necessary institutional reforms.

Key results areas of the Project include transparency and efficiency. Transparency in administration would be improved by a clear definition of rules, roles and control mechanisms in service delivery. This will entail the adoption of objective beneficiary selection criteria; digital management of beneficiary information; increased beneficiary awareness of program procedures; digital tracking of payments; greater accessibility for citizen engagement; among others. Efficiency in administration would be improved by addressing the quality of service delivery and sources of leakage. This includes reducing average processing time for selection and payment; ascertaining that benefits are only going to the poor; reducing beneficiary transaction costs by increasing access points for application, grievance reporting, and payment; making biometrically secured payments; ensuring consistency between entitlements and actual payments; among others.

The Project would address both the administrative and program levels of engagement towards building a social protection system and delivering its intended developmental outcomes. It will build upon basic subsystems supporting multiple programs (i.e. NID database, NHD, disability database, cash transfer program MIS, and electronic payment systems) and improve the design of major cash transfer programs and harmonize delivery mechanisms across the portfolio (i.e. beneficiary application, identification, selection, enrollment, recertification, case management and benefit payment). DSS will lead the modernization efforts through Components 1 and 2, while BPO will partner in this endeavor by building upon their extensive payment infrastructure through Component 3.

Component 1: Enhancement of Cash Transfer Programs (USD 260 million tentatively)

The objective of this Component is to finance a portion of expenditures on cash transfer programs towards rationalizing the coverage and level of benefits, and improving targeting performance. Financing will be disbursed against the achievement of performance targets geared to support the modernization of these programs. Disbursement-linked indicators (DLIs) would set the performance targets, focusing on transparency and efficiency of the programs, for the necessary institutional reforms to be made towards strengthening service delivery. These benchmarks would be attained via investments made under Components 2 and 3. Suitable DLIs will be selected from among the intermediate outcome results indicators and revised during the course of Project preparation, with the corresponding financing.

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18 “Personnel” includes key staff such as DDS’ Union Social Workers (USWs) and “Stakeholders” include key decision-makers such as union council members.
19 The annual budget of these cash transfer programs is BDT 31.68 billion, or approximately US$ 406 million (as of FY 2017).
amount for each target, as well as the independent means of verifying achievement to be determined in consultation with the implementing agencies. A portion of the financing provided under this Component may be earmarked towards DSS’ cash transfer programs in the subsequent year to support a gradual expansion of fiscal resources and timely transfer from the Ministry of Finance. At the same time, the Project would support the development of a process to rationalize the geographic distribution of resources, adjust the benefit amount under these programs systematically, and reduce inclusion and exclusion errors by clearly defining the eligibility and targeting mechanisms.

Component 2: Modernization of Beneficiary Selection and Management Systems (USD 30 million tentatively)

The objectives of this Component are (1) to establish protocols for beneficiary selection and recertification by integrating the DSS MIS with the NHD; and (2) to establish a fully digitized management process by enhancing DSS MIS functionalities and increasing beneficiary engagement points. This would allow for a demand-driven, equal opportunity application process with objective selection criteria, which would minimize manual interventions, and make program administration more transparent and efficient. This Component would provide financing for necessary hardware, technical support, service fees, debit cards, training and other operating costs.

Currently, selection for MoSW programs is subject to identification by union council members and approval by an upazila committee. The entire process is carried out manually and access to programs is often limited by subjective decisions, and there is a lack of recourse due to fears of retaliation or perceptions of non-responsiveness in case grievances are raised. On the contrary, use of the NHD would allow DSS to select participants based solely on poverty criteria and program-specific participation criteria (i.e. age, gender, and disability) thus removing subjectivity in the process. Transitioning to such a system will entail an effective communications campaign to inform communities, establishing an online application and grievance redressal process, and automating waitlists for replacements using the MIS. In parallel, this Component would support the recertification of the existing five million beneficiaries of the cash transfer programs, based on poverty and program-specific participation criteria, in order to validate their current eligibility. Exit protocols would be developed and published to ensure an objective process of removing unqualified beneficiaries. A process for replacing beneficiaries exiting the program would also be developed in order to ensure optimal resource utilization. The management process would involve the establishment of rigorous systems for grievances to be documented and addressed both for beneficiaries and non-beneficiaries alike, which would require the use of appropriate citizen-facing structures. DSS would thus ensure appropriate capacity building measures for its own network, as well as try to leverage other well established points of access such as the Union/Municipal Digital Centers (UDCs/MDCs) which act as a one-stop shop for public services.

Accordingly, this Component would support the upgrading of DSS’ business processes and the MIS to incorporate additional functionalities across the service delivery process. The main areas of focus in this regard is to improve efficiency in beneficiary selection and enrollment and to strengthen beneficiary case management processes. Beneficiary case management protocols will be informed by electronic payments system which would flag cases where funds remain unwithdrawn (to help identify beneficiaries who are no longer alive) and unauthorized withdrawals are attempted. Grievance redressal would be tracked using the MIS and based on pre-set service standards so that beneficiaries’ cases can be properly addressed and at the same time provide decision-makers with data on the most common incidence of problems to support continuous service improvement.

Component 3: Modernization of Beneficiary Payment Systems (USD 10 million tentatively)

The objectives of this Component are: (1) to change the bank branch-based cash payment system to a digital one using

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20 A review of DSS’ business processes indicates that it takes over 10 weeks for DSS to select and enroll beneficiaries to the cash transfer programs.
biometrically-secure debit cards by integrating the DSS MIS with the BPO system; and (2) to expand and strengthen the payment network. This would allow for faster cash payments, with the fund flow fully trackable from government to person, and provide greater accessibility to payment locations for beneficiaries. This Component would provide financing for necessary hardware, technical support, training and other operating costs.

Currently, cash transfer program allowances are distributed quarterly through local branches of Government banks. There are two main issues with current payment system.\textsuperscript{21} Firstly, banks do not use rigorous identity verification or individual accounts to disburse allowances, and are often overwhelmed on payment days leading to incorrect payments. Secondly, receiving payments represents a high cost for beneficiaries who often have to travel long distances and wait long hours, in addition to the cost of food and transportation. Using a card-based system would allow DSS to exercise greater control over individual payments. Debit cards would provide an added store-of-value facility to beneficiaries’ electronic accounts, while biometric authentication will provide more security during withdrawal by ensuring that the right beneficiary receives his or her entitlement while creating a digital audit trail all the way from government to person. The use of biometric authentication would also help provide proof of life thus supporting DSS in its regular recertification exercise and easing the burden of manual monitoring. Moreover, the card-based system using post offices provides greater accessibility than banks, and is thus expected to substantially reduce costs for beneficiaries. Use of this infrastructure would entail extensive capacity building for the BPO’s own network and explore the possibility of leveraging UDCs and MDCs as well, similar to the DSS approach.

Accordingly, this Component would support the integration of the DSS MIS with the BPO system, and the development of established standards for payroll generation, timely disbursement and reporting of unwwithdrawn or fraudulent withdrawal attempts. It would also explore options to provide value-added services via the debit cards, such as savings incentives or overdrawn facilities; and support equipping and training local post offices, and other payment agents, to provide additional access points to beneficiaries.

\textbf{Note to Task Teams:} The following sections are system generated and can only be edited online in the Portal.

\footnote{\textsuperscript{21} A thorough review of government-to-person payments is being conducted by the Consultative Group to Assist the Poor (CGAP).}
SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The Project will support the modernization of cash transfer programs under MoSW, all of which are implemented nationally.

B. Borrower’s Institutional Capacity for Safeguard Policies

The implementing agencies do not have any experience with World Bank Safeguard Policies and would require implementation support in this regard. However, the applicability of Safeguard Policies is limited to Indigenous Peoples OP/BP 4.10. As the Project would finance a portion of cash transfers under the Borrower’s Old Age Allowance, Widows Allowance, Disability Allowance and/or Disabled Students Stipend, indigenous peoples (referred to as “small ethnic communities” by Government of Bangladesh) would receive the same economic benefits using the same mode of delivery as all program beneficiaries. Participation in such programs would be determined or reconfirmed, as the case may be, using the NHD which would prioritize the poverty characteristics of a prospective beneficiary household. A simplified Small Ethnic Communities Framework (SECF) would outline the procedures to ensure proper dissemination of cash transfer program information for such communities as well as the avenues for citizen engagement.

C. Environmental and Social Safeguards Specialists on the Team

Sabah Moyeen, Iqbal Ahmed

D. Policies that might apply

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>Environmental Assessment OP/BP 4.01 is the umbrella policy for Indigenous Peoples OP/BP 4.10, the latter being triggered on account of the Project being implemented in areas where Indigenous Peoples are present.</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td></td>
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<td>Forests OP/BP 4.36</td>
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<tr>
<td>Pest Management OP 4.09</td>
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<td>Physical Cultural Resources OP/BP 4.11</td>
<td>No</td>
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<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>Yes</td>
<td>The Project will support the modernization of national cash transfer programs and would be implemented in areas where Indigenous Peoples are present.</td>
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<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
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<td>Safety of Dams OP/BP 4.37</td>
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<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
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### Projects in Disputed Areas OP/BP 7.60

No

### E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Mar 30, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS.

The relevant safeguards assessment would be conducted during Project preparation, and included in the Social Management Framework (SMF) and SECF to be completed prior to Project appraisal. Site specific Small Ethnic Communities Plans (SECP) will be prepared in accordance with the SECF when a particular identified area includes small ethnic communities.

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APPROVAL

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Approved By

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<th>Maged Mahmoud Hamed</th>
<th>01-Nov-2016</th>
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Note to Task Teams: End of system generated content, document is editable from here.