

# **Covid-19 Crisis and New Vulnerabilities: Urgency of Rethinking Social Protection**

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24 June 2021



# Four vulnerabilities of the covid-19 crisis

- **Earnings uncertainty of informal occupations**

- 1 year from crisis, income levels 7% below pre-covid levels (14% in urban)
- 8% still unemployed
- 41% had to shift to lower-skill jobs

- **Rising non-food expenditure burdens for low-income urban residents**

- 98% rise over 1 year of crisis: rent, health, transportation, utilities

- **Eroded financial coping capacity**

- On average savings depleted by 11% in urban and 24% in rural
- On average, debt as proportion of annual income doubled over 1 year from 13% to 26%

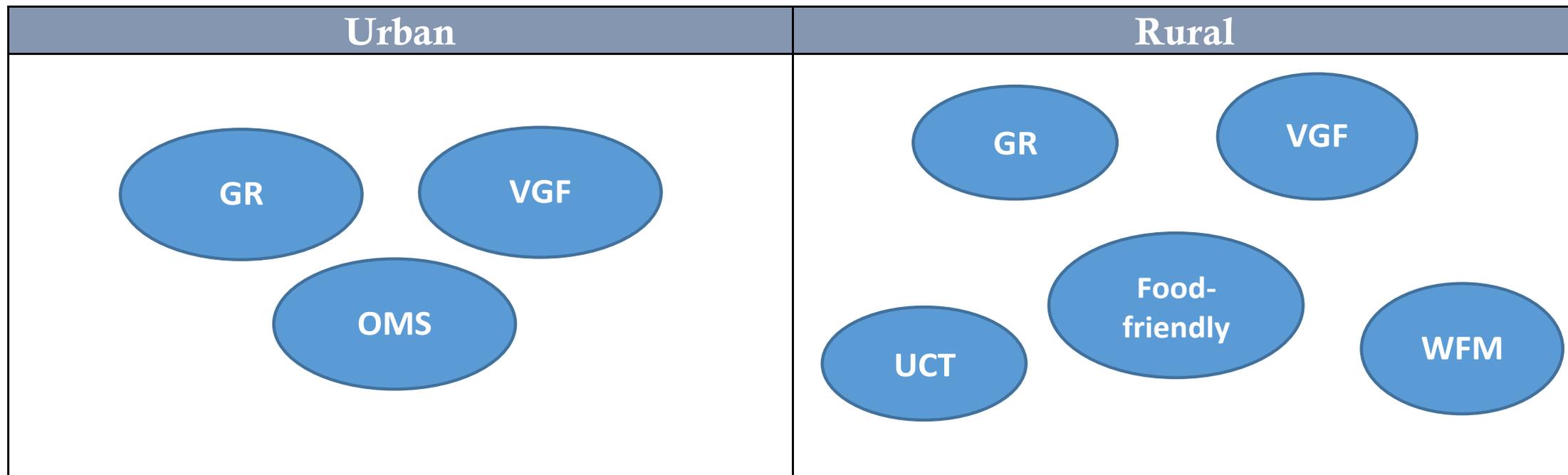
- **'New Poor' – unaddressed by social protection**

- A new candidate for social protection, households who slipped into poverty and were unable to regain pre-covid income levels one year into the crisis. PPRC-BIGD study, extrapolating from its survey data, estimated the national size of this group at 24.5 million in March 2021.

# Social protection has ignored the urban poor but a token start made on 2020

Safety net program	% share of urban in 2019-20
Old Age Allowance	0.44%
Widow Allowance	0.05%
Disability Allowance	0.26%

# Social protection response during 2020



## Few innovations:

- Guidelines on Humanitarian Assistance expanded in April 2020 to provide additional guidelines specifically for urban local governments
- For urban beneficiaries, instead of GR Rice or GR Cash, a multi-item package containing rice, edible oil, salt and potato was distributed

# Social protection response to covid crisis: Unpacking the Financing Trail

Issue	Action	remarks
Total budget mobilized for SP (2019-20)	<ul style="list-style-type: none"> <li>• USD 1.49 Billion</li> <li>• Revised upward to USD 1.53 Billion</li> </ul>	Additional amount in revised budget: USD 40 Million
Existing program-wise response	<ul style="list-style-type: none"> <li>• Twin priority focus: Food security and Cash transfer</li> <li>• Net additionality through re-purposing: USD 66 Million</li> <li>• Three institutional concerns: i) no consolidated database of beneficiaries ii) weak delivery mechanisms iii) leakage problems.</li> <li>• No credit was taken for social protection response to the Covid-19 crisis</li> </ul>	
New program	<ul style="list-style-type: none"> <li>• UCT for 5 million rural poor – USD 148.81 Million (eventually USD 104.1 Million was utilized)</li> </ul>	<ul style="list-style-type: none"> <li>• This was primarily funded by contingency funds at the Ministry of Finance</li> </ul>
Relative weightage of repurposing and contingency financing	<ul style="list-style-type: none"> <li>• Additional funding available through reurposing: USD 66.04 Million</li> <li>• Funding available for new programming from two contingency sources:               <ul style="list-style-type: none"> <li>i) Special FFW allocation for Members of Parliament: sFinancing new program through use of contingency funds USD 115.63 Million</li> <li>ii) Block fund earmarked for MoDMR for unexpected</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• No credit was undertaken to finance SP response to the Covid-19 crisis.</li> </ul>

## 3 Insights on the Financing Response

**The SP response to the Covid-19 crisis was primarily financed through re-purposing existing allocations rather than additional new financing**

**While allocations saw no major expansion, policy interest in digital transfers for cash-based programs saw a distinct boost**

**The covid-19 crisis did not trigger any major expansion in SP allocations in new budget.**

**SP budget share rose from 16.32% in 2019-20 to 16.83% in 2020-21**

## *Lessons from the Covid-19 Response*

### Political considerations underpinning policy response

- The imperative of prioritizing ‘livelihoods over lives’, making ‘strong lockdown’ a short-term affair and economic recovery the key effective priority
- Fiscal priority given to the economic recovery agenda with ‘repurposing rather than additionality’ of fiscal resources for short-term emergency response
- Preventing any pandemic-related discontent to escalate into broader social unrest and pose threats to the continuity of the existing political governance thus emphasis on emergency response rather than policy reforms.

# *Looking ahead*

- While potential windows as above have appeared, greater momentum on adaptive social protection is not a given. Strong and targeted policy advocacy is an imperative.
- Five musts for adaptive social protection:
  - Improved vulnerability mapping, especially including populations at risk of back-sliding into poverty as well the out-of-focus urban poor
  - Importance of community engagement to overcome many of the ‘last mile’ governance challenges on beneficiary listing and verification which alone can make digital data-bases and delivery of benefits credible
  - Early warning systems through more effective data monitoring.
  - Improving SP system capacity including greater coherence of functions of different administrative tiers as well as effective interface of administrative and elected functionaries with communities.
  - Planning the finance in advance and designing innovative and flexible financing mechanisms.