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ANNEX I

to the Commission Implementing Decision on the financing of the individual measure in favour of Bangladesh for 2024

Action Document for Support to the National Social Security Strategy Reforms in Bangladesh

INDIVIDUAL MEASURE

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title /OPSYS business reference Basic Act	Support to National Social Security Strategy Reforms in Bangladesh OPSYS number: ACT-62576 the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes. Part of Team Europe Initiative on Decent Work in Bangladesh
3. Zone benefiting from the action	The action shall be carried out in Bangladesh (nationwide)
4. Programming document	Multiannual Indicative Programme between the European Union and the People's Republic of Bangladesh for the period 2021-2027
5. Link with relevant MIP(s) objectives / expected results	MIP 2021-2027 specific objective 3: To enhance commitments for decent work and social protection for all in Bangladesh, covering the life cycle, and enactment of labour legislation, in line with international labour standards. MIP 2021-2027 result(s): 3.2: Nationally appropriate social protection systems and measures are implemented for all. 3.3: Enhanced effectiveness of social protection systems and provision through adoption of digital technologies.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	MIP 2021-2027 priority area: Human Capital Development (DAC 160) Sector: Labour rights & social protection
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 10 (Reduced inequalities)

	Other significant SDGs (up to 9) and where appropriate, targets: SDG 1 (No Poverty); 2 (Zero hunger, target 2.2); 5 (Gender equality); 8 (Decent work, target 8.5); and 16 (Accountable and inclusive institutions, target 16.6)			
8 a) DAC code(s)	DAC code 16010 – social protection – 100%			
8 b) Main Delivery Channel	Central Government – 12001 Multilateral organisation – 40000			
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @		<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	/
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020131 Total estimated cost: EUR 44 000 000 Total amount of EU budget contribution: EUR 44 000 000 ¹ of which EUR 38 000 000 ² for budget support and EUR 6 000 000 ³ for complementary support. The TEI Decent Work is a collaborative platform for EU and Member States (Denmark, Netherlands and Sweden), and an umbrella that includes over 40 programmes and over EUR 500M funding.			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Direct management through: - Budget Support: Sector Reform Performance Contract - Procurement Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.4.			

1.2 Summary of the Action

Despite significant progress in human development and poverty reduction, income and consumption inequality are on the rise in Bangladesh and a large share of the population continues to face livelihood, food and nutrition insecurity. The majority of this group is engaged in vulnerable employment with low wages and limited protection against risks. After the socioeconomic disruption brought by the COVID-19 pandemic, vulnerable groups continue to bear the brunt of the current macroeconomic instability and resulting inflationary pressures. The National Social Security Strategy (NSSS) and its two action plans embed the country's vision to create an inclusive social protection system that addresses poverty, inequality, and vulnerability, contributing to human development, gender equality, employment, and economic growth.

The proposed action aims to consolidate progress in reform areas where the Government of Bangladesh (GoB) has demonstrated ownership and interest in advancing. The intervention aims to strengthen governance of the digital infrastructure of the social protection system, while also strengthening social protection for young children, women and working-age population. The action particularly addresses (i) further development of Single Registry MIS and G2P for better management, inclusive targeting and effective monitoring of the social protection system; (ii) effectiveness of the Mother and Child Benefit Programme (MCBP); (iii) integration of shock-responsive elements in the MCBP; (iv) improvement of the implementation of the Social Protection Programme for Unemployed and Distressed Workers (SPPUDW); (v) launch of the Labour Management Information System; (vi)

¹ Proposed top-up on the existing total EUR 252 million.

² Top-up budget support of EUR 247 million.

³ Top-up the existing complementary support of EUR 4.5 million (both direct and indirect management).

institutionalization of the Employment Injury Scheme (EIS) pilot and (vii) inclusion of a clear social security framework in the next NSSS and/or in a separate strategy document. These key activities will contribute to three main outputs: 1) Strengthened governance and digital institutions; 2) Increased effectiveness of social assistance for mothers and children; and 3) Improved social protection for workers in the formal sector, particularly in the RMG/export-oriented industries. These outputs will lead to two outcomes: 1) Enhanced effectiveness and inclusiveness of the social protection system through the adoption of digital technologies and 2) Nationally appropriate, comprehensive and shock responsive social protection system and measures implemented along the life-cycle, ensuring decent work and social protection for all, with a focus on socioeconomically disadvantaged individuals. Ultimately, these efforts will contribute to reducing poverty and inequality.

With its focus on promoting social protection for all, the action is in line with priority 1 of the EU's Multi-Annual Indicative Programme for Bangladesh 2021-2027 (Human Capital Development) and is also relevant in the context of the Decent Work Agenda. It contributes primarily to the achievement of SDG 10 (equality) and also promotes progress towards SDGs 1 (no poverty), 2 (zero hunger), 5 (gender equality), 8 (Decent work for all). The action will contribute to the realisation of the EU Gender Action Plan 2021-2025 GAP III⁴, in particular to its thematic area of engagement “Strengthening economic and social rights and empowering girls and women”. Likewise, it will contribute to the implementation of the EU Strategy on the Rights of Persons with Disabilities, and the EU’s Action Plan on Human Rights and Democracy 2020-2024.

The action is implemented via a Sector Reform Performance Contract to lever the potential of reforms and keep the EU position at a higher level of policy engagement and dialogue. To complement the budget support, technical assistance aims to strengthen the capacities of selected institutions responsible for delivering NSSS reforms.

The commitment of the EU’s contribution to the Team Europe Initiative foreseen under this annual action plan will be complemented by other contributions from Team Europe partners, like the Social Protection for Workers in the Textile and Leather Sector” (SOSI), funded by the German Federal Ministry for Economic Cooperation and Development (BMZ). In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

1.3 Zone benefitting from the Action

The Action shall be carried out in Bangladesh.

2 RATIONALE

2.1 Context

From mid-July 2024, Bangladesh experienced political instability and unrest triggered by student protests against a government job quota system. The EU expressed its concerns over violence and loss of life in the context of these protests and called for a peaceful solution, respect for human rights and a thorough investigation. Prime Minister Sheikh Hasina resigned on 5 August. On 8 August, President Shahabuddin swore in an interim government which is tasked with steering the country through a transition that prepares the ground for democratic elections and ensures accountability for the deaths and violence that have occurred. The interim government is led by Nobel Peace Prize laureate Muhammad Yunus who has the title of Chief Adviser. On 8 August the High Representative issued a statement saying that the “EU looks forward to engaging with the new administration and to supporting this critical transition which should be part of a peaceful and inclusive process underpinned by good governance, democratic values and respect for human rights.” The EU has closely followed the situation and the actions of the authorities in the context of this crisis and will continue to do so.

Bangladesh has made significant progress in human development, poverty reduction and sustained economic growth. The latest Household Income and Expenditure Survey (HIES 2022) reveals that the Upper Poverty Line rates fell from 24.3% in 2016 to 18.7% in 2022. Moreover, while in 2016, 12.9% of the population was below the country’s Lower Poverty Line, in 2022, the rate has fallen to 5.6%. However, income inequality is rising. The Gini co-efficient increased from 0.458 in 2010 to 0.499 in 2022, representing a trend toward income concentration.

Bangladesh's remarkable socio-economic progress has positioned it to graduate from Least Developed Country (LDC) status in 2026. However, this transition will bring several challenges. Currently, as an LDC, Bangladesh

⁴ The [Gender Action Plan III](#) is a Joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy which was welcomed through [EU Presidency Conclusions](#) of 16 December 2020 endorsed by 24 Member States

benefits from the EU's Everything But Arms (EBA) initiative. With the graduation from the LDC category, Bangladesh is set to lose its EBA status. However, the EU has agreed to extend the EBA benefits for an additional three years after this graduation, allowing Bangladesh to continue enjoying duty-free access to the EU market until 2029. After 2029, Bangladesh may move to the Generalised Scheme of Preferences Plus (GSP+) scheme, which is less preferential. This shift is expected to significantly impact the export competitiveness of Bangladesh's Ready-Made Garment (RMG) products, a sector that accounts for about 83% of the country's export earnings, contributes approximately 11-12% to the Gross Domestic Product (GDP), and employs around 4.4 million workers, representing about 7% of the labour force. RMG workers receive low wages (the minimum wage is approx. EUR 107) and have limited protection against risks such as injury, death, and unemployment. These vulnerabilities can push households into poverty or prevent them from investing in their human or productive capital.

Moreover, Bangladesh is highly vulnerable to shocks and stresses. Although the country contributes less than 0.48% of global greenhouse gas emissions, the 2021 Global Climate Risk Index ranks it as the seventh worst-affected country by extreme weather events, with 90 million people currently living in areas with high climate exposure.

The COVID-19 pandemic increased urban poverty and worsened already volatile living conditions in low-income communities, particularly among most marginalised part of the population. In response, the GoB launched a BDT 1.21 trillion (EUR 11.8 billion) support package, including cash transfers, food assistance, and loans to sustain employment. While Bangladesh saw robust growth and increased exports during fiscal year 2021/22, the Russian war to Ukraine has since hurt the economy. Rising import prices and a stronger US dollar widened the current account deficit, leading to a sharp drop in foreign exchange reserves as the Bangladesh Bank intervened to support the taka. This disrupted Bangladesh's economic recovery from the pandemic.

In early 2023, to address macroeconomic instability, the Government agreed to an IMF reform programme, securing a loan of around USD 3.3 billion under the Extended Credit Facility/Extended Fund Facility and USD 1.4 billion under the Resilience and Sustainability Facility. Despite implementing reforms, challenges remain: foreign exchange reserves and tax collection are low, and inflation is high at around 10%, disproportionately affecting the most vulnerable.

The National Social Security Strategy (2015 – 2026) and its Action Plans – Action Plan 1 (July 2016 – June 2021) and Action Plan 2 (July 2021 – June 2026) - embed the country vision to establish an inclusive social protection system.

The proposed action supports the NSSS implementation, building on the Government's progress from 2021 to 2024 with EU budget support in social protection. Achievements include developing digital infrastructure for efficient social protection management, increasing MCBP beneficiaries and enhancing data sharing across IT systems, operationalizing the social assistance scheme for unemployed workers in the export sector, launching the EIS pilot, and gradually establishing a government-owned digital workers' database.

The action will benefit from the EU's leadership as the Development Partners (DPs) coordinator in the sector, ensuring aligned messages and actions. Additionally, the action will unfold over two years, coinciding with the preparation phase for the post-2026 NSSS. This timing offers a crucial opportunity for the EU and other DPs to help prepare the next strategy, participating in consultations, and advocating for the inclusion of key elements, such as a clear framework for social security, to advance the expansion of the social protection floor. Moreover, the action will likely serve as a stepping stone to provide further support to the sector, ensuring the EU's long-term commitment to social protection and consolidating the results of our previous and ongoing support.

The intervention aligns with the New European Consensus on Development (2017), reaffirming the EU's commitment to inclusive social protection, and the Communication on Social Protection in EU Development Cooperation (2012) and related Council Conclusions, which advocate for nationally owned social protection systems. It also reflects the EU Action Plan on Nutrition, emphasizing the role of social protection programmes in combating malnutrition. The action primarily contributes to SDG 1 (no poverty) and promotes progress towards SDGs 2 (zero hunger), 5 (gender equality), 8 (decent work for all), 10 (reduced inequalities), and indirectly 13 (climate action).

Additionally, the action aligns with the EU's Multi-Annual Indicative Programme for Bangladesh 2021-2027 (under human capital development), supports the EU's global policy on undernutrition, and contributes to the objectives of the Bangladesh Sustainability Compact and the Decent Work Agenda.

2.2 Problem Analysis

Short problem analysis:

The proposed action aims to address the following specific problems:

1. Inefficiencies in the management of the social protection system due to a partially developed Single Registry Management Information System (MIS)⁵ and lack of regular budget utilization reports for major social protection programmes.

Without a solid Single Registry MIS, beneficiary information is scattered across multiple databases, leading to data fragmentation, duplication of benefits, exclusion of eligible beneficiaries, increased risk of errors, poor targeting, and ineffective monitoring and evaluation.

The NSSS prioritizes the development of a Single Registry MIS by 2026 to ensure an efficient, inclusive and responsive social protection system. The GoB has made significant progress in this area, with the current Single Registry MIS, supported by the EU, encompassing data of 30,057,724 cash transfer beneficiaries and supporting 17 life cycle-based social protection programmes. This system handles beneficiary registration, payroll generation, and verification of beneficiaries' identity, budget allocation, and payment processing.

The action aims to further consolidate these advances, ensuring that all major cash transfer programmes develop their own databases and link them to both the Government to People (G2P)⁶ system and the Single Registry MIS. This integration will provide authorities with a comprehensive database for analysis and informed decision-making, preventing double-dipping practices and improving beneficiaries' selection.

Additionally, the Government will be supported to publish quarterly reports on social protection budget utilization to improve monitoring, identify discrepancies, plan future budgets, and build public trust in the government sound financial management capacities. These reports will provide an opportunity to engage the GoB and other stakeholders in gender-responsive budgeting, ensuring that public funds are allocated equitably to benefit all citizens, and contribute to rectify disparities in the society.

2. Limited effectiveness and efficiency of the Mother and Child Benefit Programme (MCBP)

Currently, the MCBP Management Information System (MIS) can share data with health sector MISs and the birth and death registration information system. However, health officials in the primary health care facilities do not regularly input the required data, making practical data sharing ineffective. This results in limited ability of the MCBP to track and monitor children's and mothers' access to health and nutrition services. Additionally, the Ministry of Women and Children Affairs (MoWCA) struggles to effectively utilize its budget and leverage MIS data, enrolling fewer beneficiaries each month than needed to spend the available funds. Payments to beneficiaries are often delayed, failing to meet children's nutritional needs during the crucial first 1,000 days. Long processing times for applications and disbursements contribute to these delays. Furthermore, the MCBP lacks mechanisms to integrate anticipatory shock-responsive approaches, failing to reach MCBP beneficiaries before the disasters hit. The action promotes improvements in system interoperability, coordination across ministries, and investment in the MCBP MIS to address these issues and ensure the programme achieves its goals. Limited and inefficient social protection mechanism for workers in the export-oriented sectors.

The social protection programme for unemployed and distressed workers (SPPUDW), initiated by the GoB with EU budget support at the onset of the COVID-19 pandemic, has paid very few people due to the absence of a government-owned digital workers registry, employers' disengagement, weak implementation structure and workers' lack of awareness.

The GoB is developing a Labour Management Information System (LIMS), but further effort is needed to launch it on time and enforce data sharing with employers.

⁵ A Single Registry MIS is a comprehensive digital platform designed to consolidate and manage data from various social protection programmes and services. This system integrates information from multiple databases, providing a unified view of beneficiaries, their entitlements, and programme interactions. The primary objectives of a Single Registry MIS are to improve the efficiency, transparency, and accountability of social protection delivery, facilitate coordination among different programmes, and enhance decision-making and policy formulation by providing accurate and timely data.

⁶ The G2P platform is a digital framework facilitating the transfer of cash transfer payments directly to beneficiaries' bank accounts or mobile wallets, minimizing leakage and ensuring timely delivery.

The Employment Injury Scheme Pilot has been operationalized in the RMG sector, providing pensions for permanent disability and death of workers in the workplace, through additional funding from brands. The GoB committed to transform this pilot into a National Employment Injury Insurance Programme by 2027, and a framework needs to be developed for this purpose. This action will support the Government in improving the effectiveness of the SPPUDW, increasing the number of eligible beneficiaries reached, and operationalizing its own database to enhance social protection delivery. It will also facilitate transforming the pilot into a national programme funded by employers' contributions. These efforts will be supported by a framework that clarifies the country's social insurance model, which should be reflected in a strategy the National Social Insurance Scheme (NSIS) or included in the post-2026 NSSS.

While being implemented until FY 2026, the proposed action will contribute to the development of the post-2026 NSSS and possibly pave the way for further EU investment in social protection. This investment will consolidate the achievements of the previous and proposed budget support operation, continue the rationalization of the overall system and help the GoB strengthen and align its frameworks in new areas like adaptive social protection and social insurance.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The main target group and right-holders of this action are the people living in poverty and/or vulnerable situations, with a focus on the workers and the most nutrition-sensitive individuals (pregnant/breastfeeding mothers and young children). Right-holders will benefit from strengthened social protection systems.

The overall responsibility for NSSS lies with the Central Management Committee (CMC) which is led by Cabinet Division and comprises 39 concerned Ministries/Divisions - the duty-bearers (public institutions).

The Cabinet Division operates under the supervision of the Prime Minister. It coordinates and monitors the NSSS implementation. Finance Division, under the Ministry of Finance has been leading the development of the Single Registry MIS. Finance Division and Cabinet Division have to strongly coordinate to agree on respective roles and responsibilities.

The Ministry of Women and Children Affairs manages social assistance programmes targeted at women and children, like the MCBP. The Ministry of Labour and Employment (MoLE), with its two departments, Department of Labour (DoL) and Department of Inspection for Factories and Establishments (DIFE) is tasked with the implementation of social protection schemes for the working age population, namely the SPPUDW and the EIS pilot.

Other Line Ministries which will be actively engaged in this intervention are the following: the Ministry of Disaster Management and Relief for the shock-responsive component; the Local Government Division with its Office of the Registrar General, Birth and Death Registration, and the Ministry of Health and Family Welfare with its two Divisions (Health Services and Medical Education and Family Welfare) for the interoperability with MCBP MIS and service integration. The action will also regularly engage with the Associations and Trade Unions of selected export-oriented sectors and with relevant NGOs, CSOs, academic institution and think tanks active in relevant areas. Finally, as co-chair of the Local Consultative Group Working Group (LCG WG) in Social Protection and lead of the Development Partners (DPs) coordination group in social protection, the EU, within the framework of this Action, will regularly involve and coordinate with the DPs in the social protection arena. In particular, the Action will coordinate with relevant implementing partners (GIZ, ILO and/or WB) of the global thematic programme on Universal Social Protection: Digital Convergence Initiative, which also supports open IMIS, the social protection sector's leading digital public good.

2.3 Additional Areas of Assessment

2.3.1 Public Policy

The NSSS and its action plans aim to create an inclusive social protection system that addresses poverty, inequality, and vulnerability, contributing to human development, employment, and economic growth, leaving no one behind. This strategy aligns with the GoB's commitments as reflected in the national Constitution and supports the 8th Five Year Plan (FYP) 2021-2025 and the Perspective Plan (PP) of Bangladesh 2021-2041, which emphasize the importance of social protection for reducing income inequality.

The NSSS also supports Bangladesh's international commitments to reduce poverty and food insecurity by focusing on nutrition-sensitive, shock-responsive, gender-sensitive, and disability-inclusive social protection programmes. This commitment was reiterated by Prime Minister Sheikh Hasina during the 2023 SDG Summit.

The main objective of this strategy is to improve the design and delivery of social protection schemes to reduce leakage and enhance targeting. This includes consolidating programmes, improving coordination among implementing agencies, and establishing a robust system for progress and results monitoring.

The current social protection system includes about 115 programmes financed through the national budget and managed by over 39 Line Ministries/Divisions, which will certainly require the rationalization of the overall NSSS. The EU contribution through the new Budget support programme will play a pivotal role in this regard. Over the last five years, budgetary allocation for social protection increased from 14.21% of expenditure in FY19/20 to 16.58% of expenditure in FY23/24 (EUR 10.52 billion, equivalent to 2.52% of GDP).

However, a significant portion of the social protection budget is allocated to non-poor programmes, such as the Civil Services Pension and interest payments on National Savings Certificates (NSC). In FY 2024, these allocations constitute around 31% of the total social protection budget, with 22% going towards the Civil Services Pension and 8.9% towards NSC interest. As a result, the effective allocation for the poor is only 0.78% of GDP.

If we consider the six years average lifecycle allocation, old age population received 71.64% of the social protection budget while children under 5 only 3.69%.

Since 2021, the European Union has consistently raised these issues in all policy dialogue platforms with the Government. While there has been progress in increasing coverage for early childhood programmes, the GoB has not removed non-poor programmes from the budget. This indicates decisions made at a political level beyond the control of the government bureaucracy. Over the next two years, the EU will leverage its leadership in the DPs platforms to revitalize this topic. The EU aims to explore common actions with the DPs and engage in direct policy dialogue with the Prime Minister's Office.

The Cabinet Division ensures NSSS coordination, but no ministry is currently responsible for overall sector policy development and coordination. The Ministry of Social Welfare should take over this responsibility in 2026, but no concrete action has been taken. Some ministries, like Ministry of Women and Children Affairs (MoWCA) and Ministry of Labour and Employment (MoLE) have limited capacity in planning and executing programmes, and there is a shortage of skilled human resources to manage the digital transformation.

The NSSS and its Action Plan 2 will end in June 2026. However, the GoB has yet to share a plan with the DPs for studies and consultations to develop the new strategy. ILO, with MoLE and the Asian Development Bank (ADB) has initiated an Assessment Based National Dialogue⁷ exercise for the working-age population. The EU has encouraged the Cabinet Division to share a roadmap with clear milestones leading to the new strategy. Specifically, the EU demands an inclusive and participatory process for the strategy development and promotes the inclusion in the NSSS (or in a separate strategy) of a clear inclusive social insurance model, outlining specific criteria for each branch of the social insurance⁸.

On the positive side, the Government has progressed on institutional⁹ and programmatic reforms, thanks also to the EU budget support and its policy dialogue.

Recent progress in institutional reforms includes:

- ✓ The development of a full-fledged Single Registry MIS, which now hosts data for over 30 million NID-verified beneficiaries and links with 17 life cycle-based social protection programmes. It provides reports on budget utilization, benefits disbursement, targeted areas, and beneficiary profiles. It can cross-check socioeconomic information across programmes to reduce double-dipping. However, it still faces challenges in accurately targeting beneficiaries. More programmes' MISs need to be linked, policymakers have to envisage solutions for programmes that do not use NID for identity verification and develop a double-dipping policy.
- ✓ The expansion of the G2P system, which is now linked with 27 cash transfer programmes, covering 88% of cash beneficiaries.
- ✓ In the area of Monitoring and Evaluation, Cabinet Division issues annual reports assessing the Line Ministries progress against their targets, as included in the NSSS Action Plan 2 and has launched an M&E dashboard for social protection reforms. Additionally, the GoB uses the Core Diagnostic Instrument framework to evaluate social protection system performance and has developed an M&E framework to be revised by June 2024. The Single Registry MIS contributes to monitoring the system and informing policy decisions.

⁷ The ABND exercise assesses whether the social protection floor is a reality for the entire population of a country and how it can be extended to all members of society. Policy gaps and implementation issues in the social protection system are identified.

⁸ These criteria include: institutional setup; governance structure, definition of coverage, clarification of contribution, and clarification of benefits.

⁹ Institutional reforms refer to the basic digital infrastructure to improve the management of the social protection system: specifically Single Registry MIS, G2P platform, M&E framework and Central Grievance Redress System.

- ✓ The current Central Grievance Redress System enables citizens to file grievances online against 15 major social protection programmes from any upazila (sub-district). The system also records the location of each grievance. Despite this progress, the GoB needs to involve field-level officials and Civil Society Organizations (CSOs) to raise awareness about this tool and bridge the digital literacy gap for wider use.

Recent progress in programmatic reforms includes:

- ✓ On the Mother and Child Benefit Programme (MCBP), the GoB expanded the coverage from 1.045 million beneficiaries in FY 2022 to 1.254 million in FY 2023. In June 2023, the MoWCA established data interoperability between the MCBP Management Information System (MIS), the two health system MISs, and the Birth and Death Registration Information System (BDRIS). This integration allows for data exchange on pregnancies, births, check-ups, and nutrition status, verifying beneficiary identity via the National Identification Number. Despite these advancements, data exchange is limited due to lack of coordination between MoWCA and health officials. More efforts are needed to improve service delivery and integrate shock-responsive elements into the programme, building on the results of a pilot funded by ECHO.
- ✓ The social protection programme for unemployed and distressed workers represents the first GoB social assistance scheme for unemployed workers in the export-oriented sector. It was established during the Covid-19 pandemic in a record-time and remains operational, though it reaches a limited number of workers. The GoB's reliance on the Employers' database for workers' data verification highlighted the need for a government-owned digital infrastructure. To address this, DIFE began developing an interim workers' database, which, by June 2023, included 1,500 factories' workers in the RMG and leather sectors. These NID-verified records will be transferred to the Labour Management Information System, when the system will be launched, to facilitate better social benefits' delivery.
- ✓ On the contributory side, reforms include the efficient implementation of the Employment Injury Scheme (EIS) pilot (since June 2022), and the launch of the Universal Pension Scheme¹⁰ (since July 2023)). These initiatives have created momentum for further reforms, such as developing an unemployment insurance scheme and recognizing the need for a National Social Insurance Strategy.

The NSSS, with its focus on socially excluded groups, remains relevant, amidst economic disruptions, inflation, and energy crises. The policy's credibility is evidenced by the progress in implementing reforms, supported by the EU and other DPs. **Therefore, in order to consolidate progress on this programmatic reform, it is essential the EU continues supporting the implementation of the policy.**

2.3.2 Macroeconomic Policy

At the time of the Budget FY24 presentation in Parliament, in June 2023, the Government projected real GDP growth for FY24 at 7.5%. Meanwhile it is evident that it will not even exceed 6%. The Bangladesh Bureau of Statistics, that only recently started publishing quarterly GDP-figures, reports 5.8% for the third quarter (y-o-y). The service sector, which encompasses trade, transport, hotels, Information Technology and financial activities, drove the overall growth. Growth of the industrial production was the lowest since FY20. In its April 2024 [Bangladesh Development Update](#), the World Bank projected GDP-growth at 5.6% for FY24 and only 5.7% for FY25. Inflation is still high at almost 10%.

In May 2024, the IMF performed its second Review. The press release regarding this review, of 8 May 2024 (find it [here](#)), mentions that there is a staff-level agreement that the third disbursement will take place (full report still to be published after Board approval, so expected soon).

The loan that the IMF Board approved end of January 2023 amounts to SDR 3.5 billion (i.e. approximately USD 4.7 billion) and consists of seven disbursements over 3.5 years. On the basis of the first Review, the IMF disbursed the second tranche, consisting of USD 468.3 million from the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) and USD 221.5 million from the Resilience and Sustainability Facility in December 2023.

The third disbursement will be higher than initially foreseen, due to the dire net international reserves position. The criterion, i.e. the floor on reserves, which was not only missed and waived in June 2023 (during the first Review), was also be missed in December 2023 and waived (during the second Review).

¹⁰ This scheme aims to cover the entire population, ensuring that everyone, regardless of their economic status or employment type, has access to a pension upon reaching the eligible age. As per GoB data, till December 2023, 16,600 people have registered in the public pension scheme.

Guided by the IMF, The Bangladesh Bank took the bold action in May to realign the exchange rate and simultaneously adopted a crawling peg regime with a band as a transitional step toward greater exchange rate flexibility, also to restore external resilience. Monetary policy was tightened; the current monetary policy rate is 8.5%. Moreover, the lending rate, which was previously capped, is now market-based.

The target on tax revenue that was missed end June 2023 (last quarter of FY23), was met in December 2023 (first quarter FY24). Hence, this criterion was met in the second Review. Expectations are now however that the next floor on tax revenue collection will again be missed (end of FY24). There is thus a huge pressure on the National Board of Revenue. In several seminar, that Research Institutes recently organised, the Chairman of NBR presented – unlike in previous year. NBR is working on reducing some of the tax exemptions and is seeking other ways of collecting more taxes. It is aware that in particular income tax collection will have to rise, since unlike in developed countries, the share of income taxation is superseded by customs and VAT.

Financial reforms should focus on addressing vulnerabilities in the financial sector, by strengthening banking regulation, supervision, and governance. Non-Performing Loans (NPLs) are still burdening the banking sector, in particular the state banks. The Bangladesh Bank is working with the commercial banks on the development of a roadmap under the non-performing loan reduction strategy and is promoting bank mergers.

Deepening capital markets will help mobilise financing to support growth objectives. Further trade liberalisation and enhancements to the investment climate will help bolster export diversification and foreign direct investment. Raising productivity, including through strengthening quality and accessibility to education and upskilling, along with increasing female labour participation, is pivotal to boost growth potential.

Building resilience to climate change and natural disasters is a priority for achieving high, inclusive, and green growth. In this context, strengthening institutions, improving climate spending efficiency, and mobilising climate finance remain crucial.

According to the most recent Debt Sustainability Assessment (December 2023), Bangladesh remains at a low risk of debt distress, despite the growing amount of external loans. The projection for the total debt-to-GDP ratio for FY24 is 41.4% and the external public and publicly guaranteed debt to GDP remain sustainable at around 18.1%.

According to the EU Delegation, domestic revenue mobilisation remains the main priority. In particular, there is ample room for more direct tax collection, which would also be conducive to reduce the increasing income inequality. The EU is supportive here, since it already works with the National Board of Revenue i.e. the national tax office on the digitalisation of eReturns and contributed to income tax litigation and tax arrears and recently on transfer pricing. Further digitalisation should positively impact compliance and be conducive in the fight against fraud and corruption, and in the course of time increase tax collection.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy, and the eligibility criterion is met.

2.3.3 Public Financial Management

The latest PEFA 2021 assessment for Bangladesh was launched in October 2021 and finalized in June 2023 and from December 2023 is publicly available at FD, MOF's website. The final report shows that overall, the situation has improved slightly in comparison with the previous PEFA 2016. By pillars, improvements can be seen for Pillar II (Transparency of Public finances), Pillar IV (Policy-based fiscal strategy and reporting) and Pillar VI (Accounting and reporting). By dimensions, the scores improved for 23 dimensions, decreased for 7 dimensions, and remained unchanged for 58 dimensions. 6 dimensions were not comparable. By indicators, the scores improved for 12 indicators, decreased for 4 indicators, and remained unchanged for 12 indicators. 3 indicators were not comparable.

The key weaknesses identified in the PEFA assessment are:

- **Pillar 1- Budget Reliability:** Budget execution deviated significantly from the initial budget, the overall expenditure outcome deviated by more than 5 percent and revenue outturn by 15 percent.

- **Pillar II- Transparency of Public Finances:** Transfers to subnational governments and public access to fiscal information, do not reach the basic threshold; reports on budget execution are generally published late.
- **Pillar III- Management of Assets and Liabilities:** Financial assets are tracked, but not reported annually; information on the disposal of assets is incomplete.
- **Pillar IV Policy Based Fiscal Strategy and Budgeting:** the legislature still has less than a month to review the budget.
- **Pillar V Predictability and Control in Budget Execution:** the government has a low performance in the areas of macro-fiscal sensitivity analysis, fiscal impact of policy proposals and revenue arrears monitoring.
- **Pillar VI Accounting and Reporting:** Accounting and reporting are not fully compliant with cash basis IPSAS.
- **Pillar VII External Scrutiny and Audit:** There is a significant backlog of audit reports, and the follow-up system is not always applied.

GoB is making efforts to maintain the prioritization of the PFM Action Plan implementation. Implementing team from different stakeholders have made significant efforts to balance the PFM Reforms priorities after the emergencies stemming from the Covid-19 pandemic as well as global economic crisis. However, from the assessment of recent PEFA, it is very clear that the planned reforms in the PFM area of Bangladesh have taken longer than originally planned. Learning from international experience indicates that PFM reforms are typically an on-going process, take several years to implement and in many senses are never “done”. The 14 priority areas of the PFM Action Plan (2018-2023) are being continued for the PFM Action Plan 2024-28 including DRM, macro, accountability, PFM governance, etc. The PFM Action Plan 2024-28 is relevant to the national development objectives of Bangladesh in that it addresses key PFM performance aspects affecting service delivery and it is in line to support the delivery of 8th Five-Year Plan.

Presently, support to PFM reforms in Bangladesh comprises various donor-supported programmes and projects aimed to the modernisation of tax and customs administration, budgeting and budget execution, public procurement, external audit and parliamentary oversight, among others. MoF is implementing a PFM reform program of USD 170 million “Strengthening PFM to enable Service Delivery” (SPFMS) supported by USD 100 million PfR credit from the World Bank and USD 70 million commitment of contribution from GoB. In addition, the EU is implementing EUR 10 million TA to support the National Board of Revenue (NBR), Parliament Secretariat and the Auditor and Comptroller General to strengthen the area of domestic revenue mobilization and accountability. The donor trust fund supported programme “Strengthening Public Expenditure Management Programme” (SPEMP) is complementing in different areas of implementation the PFM Action Plan. JICA is continuing its support for the component Public Investment Management. In the area of procurement, the World Bank-funded Public Procurement Reform Project II is working on consolidating two areas: e-Government Procurement and contract management. The IMF through SARTTAC continues to provide capacity building support on various PFM areas.

Among many achievements some major achievements are:

- PEFA 2021 report has been finalized and disseminated in June 2023 and based on the results PFM Action Plan 2024-28 has been revised.
- The new Income Tax Act, 2023, Customs Act 2023 have been passed in the Parliament in 2023 and Income Tx Act is being implemented from 22 June 2023.
- Online income tax return filing system (e-Return) is now fully operational.
- NBR is developing a Medium- and Long-Term Revenue Strategy (MLTRS).
- A web-based macroeconomic database has been developed.
- A Multi-Year Public Investment Program (MYPIP) system has been developed.
- Bangladesh National Parliament is developing a system-CMIS (Committee Management Information System) to facilitate the activities of the parliamentary standing committees.

In 2023-24, a total of BDT 2617.87 billion (EUR 21.81 billion) has been allocated to 44 ministries for gender equality issues and the development of women, which was 2296.77 billion (EUR 19.14 billion). This amount is 34.37% of the budget and 5.23% of the country's GDP. A total of 33.5% of the allocation of the gender equality budget has been proposed for increasing opportunities for women to have easy access to public service, 8.1% for ensuring women's participation in the labour market and involving women in income-generating activities, and

58.4% for empowering women and increasing their social dignity. Global Gender GAP report 2022 considered 146 countries for its report. Bangladesh scored 0.714, which is the highest in South Asia and 71st globally. In 2023-24 total climate relevant allocation of the 25 ministries/divisions is BDT 370.51 billion (EUR 3.08 billion). This year the budget highlights the financing requirements of 34 climate relevant projects including Delta Plan 2100.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4 Transparency and Oversight of the Budget

The level of disclosure of budget information has improved in recent years and budgets and budget execution reports are publicly available. Bangladesh has made significant improvements in the area of fiscal transparency. Notably, in the social protection system, there were improvements with respect to the publishing of the approved budget of the sector in detail by programmes/schemes over the past five years. MoF/FD publishes annual budgetary information on social protection under the heading of the "Social Safety Net Programmes" disaggregated by programmes and schemes (available online).

GoB has a relatively good track record of publishing budget documents and annual financial statements. Nevertheless, a deterioration in rating (30/100) in the Open Budget Survey 2021 was reported, due to a failure to publish online in a timely manner the Year End Report. This was mainly due to challenges during the pandemic (lockdown, restricted movements, etc.). The use of manual process in consolidation of data in some reporting made things even more difficult during the challenging period of Covid-19.

As per PEFA 2021 assessment, in terms of budget preparation, the score remains the same as for PEFA 2015. The budget calendar allows sufficient time for the GoB agencies to prepare budgets, and the Budget Call Circular (BCC) includes caps that are subsequently approved by the cabinet. However, the legislature still has less than a month to review the budget. The budget documentation pillar of PEFA 2021 fulfils all the basic elements and some additional elements.

Bangladesh has scored 24 out of 100 in the Corruption Perceptions Index (CPI) 2023 of Transparency International, which was 25 in 2022. Bangladesh acceded to the United Nation Convention against Corruption (UNCAC) on 27 February 2007. The first cycle of review of Bangladesh was completed in October 2011. Second cycle of review is ongoing. Last year in 2023, Transparency International Bangladesh (TIB) conducted research to review the progress of the implementation of provisions in some areas of UNCAC Chapter III (Preventive measure and IV Asset recovery). The major findings are:

- Bangladesh encounters substantial challenges in enforcing its commendable anti-corruption policies, political pressure and administrative obstacles infiltrate the anti-corruption bodies, affecting their independence.
- Legal framework is not sufficient for private sector corruption and foreign bribery.
- Persistent challenges exist in public sector employment, political financing and money laundering control along with inadequate whistle-blower protection and civic space limitations.

The country is making continuous efforts to improve its practices in preventing and combating corruption, including digitization of cash assistance systems (G2P), procurement (eGP), introduction and strengthening of Grievance Redress System and capacity building for all government agencies.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to reduce poverty and inequality in Bangladesh.

The Specific(s) Objective(s) (Outcomes) of this action is:

SO1. Enhanced effectiveness of social protection systems and provision through adoption of digital technologies ¹¹

SO2. Nationally appropriate, comprehensive and shock responsive social protection system and measures implemented along the life cycle, ensuring decent work and social protection for all, with a focus on socioeconomically disadvantaged individuals.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

(Induced outputs)

IO1. Contributing to Outcome 1: – Governance and digital institutions of the social protection system are strengthened.

IO2. Contributing to Outcome 2 - The effectiveness of social assistance to mothers and children is increased.¹²

IO3. Contributing to Outcome 2 - Appropriate and permanent social protection mechanisms for workers in the RMG/export-oriented sector are established and improved.

(Direct outputs)

DO1. Additional fiscal space created.

DO2. Improved capacities of relevant Government stakeholders to deliver and monitor NSSS reforms.

DO3. Improved sector policy dialogue, aligned to the NSSS and its Action Plan(s).

The outcomes and outputs of Team Europe Initiative on Decent Work this Action is contributing to are:

Outcome 2: Workers in Bangladesh are able to rely on consistent, cross-sectoral, rule-based workplace safety and protection, in line with international labour standards.

Output 2.1: Strengthened and appropriate social protection mechanisms for workers in line with international standards, including setting up sustainable insurance schemes for unemployment and workplace injury (building on the Employment Injury Insurance Scheme pilot).

3.2 Indicative Activities

Activities related to Outputs IO1-IO3 and DO1-DO3:

a) Budget support

- Transfer of up to a maximum of EUR 38 000 000 to the State Budget of Bangladesh from FY24/25 to FY25/26.
- Sustained and results-based policy dialogue with the Government to advance the effectiveness, accountability and financial sustainability of the social protection sector.
- Regular follow-up of EU budget support eligibility criteria.
- Donor coordination with Member States, like-minded development partners and civil society organisations (representing rights of different rights-holder groups) to ensure accountability and effective and complementary cooperation in the implementation of the NSSS.

b) Complementary support

Complementary support for the action is provided through indirect management with one or several entrusted entities.

A total of EUR 6 000 000 is allocated under this action to provide technical assistance to institutions responsible for delivering NSSS reforms at central and local levels. The detailed scope and content of activities will be assessed

¹¹ Substantial modification of C(2021)9310: SO2 updated to reflect the Action intervention logic.

¹² Pregnant/breastfeeding women and children under 5 years old, including children with disabilities.

during programme implementation in close coordination with the GoB and development partners, taking into account context development, gaps and needs. Areas of support include inter alia:

- Advice and expertise in budget support and social protection sector on (i) development policy; (ii) institutional reform, organisational development and change management; (iii) budget planning, programme costing and expenditure, including gender-responsive budgeting; (iv) targeting, management and delivery of assistance (including adaptive social protection models); (v) MIS and ICT-based integration; (vi) gender equality, women's empowerment, disability inclusion, and human rights based approach; (vi) social insurance and contributory reforms.
- Support to programme management and monitoring of progress against performance indicators, policy advisory and inputs for sector policy dialogue.
- The main stakeholders include Cabinet Division, MoF/FD, MoLE/DoL/DIFE, MoWCA/DWA, MoDMR. Continuity and complementarity with activities supported by other development partners is systematically considered.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment)

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes, this action (G1) significantly contributes to gender equality. The NSSS prioritizes gender equality by supporting social assistance schemes targeting women in fragile situations and fostering policies to facilitate women's entry into the labour market. Despite advancements, gender equality indices remain low, with women less active in the labour force and more likely to be unemployed. Against the backdrop of existing power and dependency relations, a lack of social protection hits women particularly hard. The action links to the country's gender-responsive policies (e.g. the 2011 Women Development Policy) and with key findings and recommendations of the EU Delegation's gender analysis. The action will promote equal access for women and men to social protection by focusing on the Mother and Child Benefit Programme and the unemployment benefit programme in the export-oriented sectors like RMG, where workers are mainly women. Moreover, the support to further develop a workers' database will facilitate inclusive targeting and promote women workers' maternity rights. Finally, as co-chair of the Local Consultative Group on governance and social protection, the EU will engage in multi-stakeholders' policy dialogue to identify and tackle the gender and social norms perpetuating unequal access to social protection schemes by women and girls.

Human Rights

Social protection is a human right that tackles poverty, reduces inequalities, promotes human development, and boosts economic growth. This action will help Bangladesh build a nationally appropriate social protection system, aligning with the NSSS and leaving no one behind. It will also promote the Central Grievance Redress System, enabling citizens to file grievances and claim their rights regarding social protection benefits.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0.

With its focus on ensuring social protection for all and on improving governance reforms, the action will contribute to improve targeting of persons with disabilities in relevant programmes, in line with the NSSS.

Reduction of inequalities

As per the Inequality Marker, this action is labelled as I-2.

In Bangladesh, the Palma ratio increased from 2.9 in 2016 to 3.2 in 2022, with the richest 10% now holding 41% of total income. Factors such as inadequate income, an education system which is not able to prepare young people for an economy rapidly changing, limited industrial diversification, weak governance, and corruption fuel this inequality. The RMG sector employs over 4 million workers, many lacking social protection. Political ties and lack of enforcement hinder workers' rights. The situation is particularly dire in the informal sector and for women. The NSSS addresses inequality by focusing on socially excluded groups and improving targeting to ensure benefits reach the poorest and most vulnerable households. However, the social protection budget includes programmes that do not target the poor. The selection and enrolment of beneficiaries are frequently influenced by personal and political affiliations, leading to a lack of inclusivity and transparency in the distribution of benefits. Moreover, the delivery of benefits is often untimely, not fully accessible, and fails to reach groups and communities impacted by multiple layers of vulnerability, such as women in rural areas, persons with disabilities and minority groups. This action aims to build upon past achievements by continuing to invest in digital and governance reforms. These reforms will improve targeting, enhance efficient systems for benefit delivery, and adapt social protection measures to mitigate the impact of natural disasters on livelihoods. Finally, efforts will be made to strengthen the social protection framework for workers in the formal and export-oriented sector. Together, these activities will contribute to reduce the inequality gap and address the needs of people living in the most vulnerable and marginalized situations.

Democracy

Social protection plays a crucial role in reducing inequalities and as such promotes the democratic principles of social justice and equality. This action enhances the management process of social protection programmes, promoting oversight, monitoring, and evaluation to prevent corruption and inefficiency. The EU will ensure inclusive participation of rights-holders through regular monitoring, outreach visits, and meetings with CSOs. Additionally, it supports democratic governance by aiding the GoB in building a nationally appropriate social protection system in line with the NSSS, benefiting all Bangladeshis.

Conflict sensitivity, peace and resilience

Social protection strengthens socio-economic systems and people's resilience in times of crisis. The NSSS pursues the objective of strengthening resilience towards shocks by ensuring availability of adequate and scalable mechanisms to provide rapid responses. The action will improve the responsiveness of the MCBP, the implementation of the unemployment benefit scheme for workers in the export-oriented sector and broaden the contributory portfolio with the goal to protect people in the face of shocks and promote social cohesion.

Disaster Risk Reduction

The consequences of climate change-induced and other natural disasters affecting people in vulnerable situations will be addressed by building the adaptive capacities of the social protection system. For this, the Action will work across the humanitarian/development nexus and build on the lessons learnt of ECHO programmes to incorporate elements of shock responsiveness into early years schemes and into the social protection system.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood	Impact	Mitigating measures
External environment	Weakened macro-economic situation and squeezed fiscal space for financing social spending	M	H	Intervention design will lever on IMF conditions; synergies will be sought with the EU programme on domestic revenue mobilization, budget oversight and with the e-governance programme. The intervention will promote the expansion of

				contributory schemes to relieve pressure on the National Revenue budget. Risk monitoring feeds into policy dialogue.
External environment	Close ties between the business community and the government; lack of enforcement power of government directives.	M	M	The intervention will strengthen government capacities and institutions to better fulfil their mandate. Use the GSP+ framework as leverage to promote decent work and social protection.
External environment	People in poverty are disproportionately vulnerable to external shocks (climate, pandemic)	M	M	Utilize successful pilots as a foundation to integrate shock-responsive elements into the design of relevant pro-poor interventions. Advocate for the incorporation of a more adaptive social protection system into the next National Social Security Strategy (NSSS). Ensure that targeting criteria for beneficiaries and areas are inclusive, transparent, and fair.
Planning, processes and systems	Coordination and collective action between Ministries/ Division is limited. Resistance to promote interoperability of IT systems between Line Ministries, motivated by personal and political interests and corrupt practices.	M	M	Technical assistance in key area of NSSS Action Plan(s). Sustained policy engagement with MoLE, and MoWCA Collaborate closely with Ministries who champion social protection reforms to enhance the digital architecture of the social protection system. By demonstrating practical achievements LMs will buy-in and change attitude towards cooperation.
Planning, processes and systems	Low participation and support at the sub-national levels	M	M	Technical assistance through agencies able to reach the sub-national level.
Planning, processes and systems	Data privacy and data security risks in connection with digital applications such as the workers' database influences negatively the willingness of stakeholders to share data	M	M	Technical assistance and GoB capacity building on standards for digitization in social protection, developed at international level; IT security measures to ensure data protection of personalised data.
Planning, processes and systems	Social protection budget classification remains unchanged, including interventions not targeting the poor	M	M	Risk monitoring feeds into policy dialogue. Targeting criteria for beneficiaries and areas should be inclusive, transparent and fair.

Planning, processes and systems	Corruption and weak budget controls affect implementation	M	M	Risk monitoring feeds into policy dialogue. EU programme on DRM and budget oversight contributes to overall PFM improvement. Single Registry and G2P expansion contribute to address fiduciary risks.
Planning, processes and systems	Capacity and resources to lead on, implement and monitor reforms show gaps	M	M	Key staff of relevant Ministries/Divisions engaged in the reforms at programmatic and coordination/monitoring levels. Capacity building with technical assistance support. CSOs participate in monitoring of the reforms.

Lessons Learnt:

The intervention will consolidate the progress achieved from 2019 to 2024, particularly focusing on strengthening cooperation with Ministries that have spearheaded social protection reforms (Ministry of Finance) and are committed to continuing this trajectory. The EU will strategically gradually withdraw from technical areas like monitoring and evaluation (M&E), where other DPs have consolidated operations and can lead the reforms' process. However, considering the EU's coordination role, regular feedback and collaboration will be ensured.

Building on the good track record, the intervention aims to expand and enhance the digital governance infrastructure and programme applications to generate data-driven evidence and influence policy decisions for a more inclusive, pro-poor, effective, and transparent social protection system. It will engage a diverse range of stakeholders by partnering with agencies providing technical assistance capable of reaching local government levels and workers' representatives. This approach aims to mitigate one of the main weaknesses of the previous programme: the limited capacity to cascade changes made at the national and institutional levels down to the sub-national and community level.

The EU will continue leveraging its position as the chair of DPs coordination meetings and co-chair of the Local Consultative Group Working Group (LCG WG) on Social Protection and Governance to ensure coordinated messaging with the government on priority issues and to present a unified voice.

Recognizing the limited reach of the unemployment benefits programme established during the COVID-19 pandemic, the intervention, under induced output 3, will focus on improving the programme's implementation process, and on building the government's digital workers registry for data verification. It will also incorporate successful implementation structures from other programme, such as the Employment Injury Scheme (EIS) pilot, to ensure workers' accessibility and sustainability of the unemployment social assistance programme.

3.5 The Intervention Logic

Rising inequality demands that the GoB enhances the efficiency and effectiveness of its social protection system. This means prioritizing the poor, and particularly marginalised and thus more vulnerable, through an efficient use of resources and leveraging advanced digital infrastructure for informed decision-making, digital data verification, timely and accessible disbursements, and thorough monitoring. Given Bangladesh's vulnerability to natural disasters, social protection programmes should be flexible and responsive, incorporating anticipatory shock-responsive approaches. With limited resources, the GoB must accelerate contributory reforms for working-age people to alleviate budget pressure and cover the "missing middle". This action supports these efforts through transfers to the Government, policy dialogue, and complementary services (inputs), aiming to reduce poverty and inequality (impact).

Since the inception of the current intervention, the EU budget support operation helped the Government to advance a number of reforms, in the areas of digital governance institutions (Single Registry MIS, G2P platform), MCBP and social protection for workers. The proposed Action aims to institutionalize or scale-up these reforms through the following activities:

(i) Further develop the Single Registry MIS by linking it at least with all major cash transfer programmes, building interoperability with other MISs to cross-check the socio-economic data of the beneficiaries, and through the development of a double-dipping policy which clearly identifies programmes which are mutually exclusive and those allowing different combination of benefits

(ii) Strengthen financial management of the social protection programmes through the regular publication of social protection programmes budget utilization reports.

(iii) Improve the MIS for the Mother and Child Benefit Programme, ensuring inter alia accurate, registration enrolment, data/case management, reporting and monitoring, grievance redressal and integration with other platforms (the IT systems in the health sector and of birth and death registration).

(iv) Include anticipatory and shock responsive elements in the MCBP design.

(v). Improve the implementation of the social protection programme for unemployed and distressed workers, also by enhancing workers' access to the programme.

(vi) Launch the Labour Management Information System and make it inter-operable with other existing labour databases.

(vii) Design a framework to facilitate the transition of the EIS pilot into a national injury insurance programme.

(viii) Approval of a social insurance strategy and/or inclusion in the post-2026 NSSS of a clear social insurance framework, including specifications for each branch of social insurance.

IF all the above activities are undertaken, under the assumptions that coordination among key Line Ministries is regular and action-oriented; policy decisions are followed-up and adopted by the government; and funding is ensured for further operation, maintenance and development of the supported digital infrastructures, THEN they will contribute to the following induced outputs:

- Strengthened governance and digital institutions. These institutions, namely Single Registry MIS and G2P platform will improve the efficiency, transparency, and accountability of social protection targeting and benefits' delivery, facilitate coordination among different programmes, and enhance decision-making and policy formulation by providing accurate and timely data, contributing to democratic governance.
- Increased effectiveness of social assistance to mothers and children. This output will ensure timely disbursement of benefits to mother and children to fulfil their nutrition needs and mainstream disaster risk reduction considerations, aiming to deepen the resilience of vulnerable communities in disaster-prone areas, before the shock hits.
- Improved social protection for workers in the formal sector, in particular in the RMG/export-oriented industries. This output will promote social cohesion through income security and gender equality by fostering protective measures in sectors where female employment is high.

The budget support intervention will also promote the following direct outputs:

- Additional fiscal space created.

- Improved capacities of relevant Government stakeholders to deliver and monitor NSSS reforms.
- Improved sector policy dialogue, aligned to the NSSS and its Action Plan(s).

If the above outputs are delivered, then the outcomes and impact referred to in section 3.1 will be realized. This is because comprehensive data analysis, leveraged by digital technologies, will ensure better management of the social protection system, enabling more effective spending and reaching the right beneficiaries. Improvements at the programme level will ensure timely, nutrition-sensitive, and responsive social protection measures for young children and their mothers. Additionally, these enhancements will provide accessible and expanded protection for the working-age population. All these efforts, underpinned by a clear government vision on social security, will ultimately lead to a reduction in poverty and inequality.

While the policy dialogue at the technical level will monitor progress in implementing reforms (including those for macroeconomic stability, public financial management, budget transparency, and oversight), the policy dialogue at the higher level will promote the reduction of inequalities by leveraging the digital transformation of the social protection system. This aligns with the Digital Convergence Initiative under the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030) and with one of the Global Gateway priority areas (digitalisation). The EU's added value in this dialogue lies in its credibility as a trusted partner supporting recent reforms and in the convergence of the development partners' actions towards the EU's objectives, fostered through the leadership and coordination role entrusted to the EU in this sector.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the *Logical Framework Matrix* refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
Indicative Impact of the policy	To reduce poverty and inequality in Bangladesh	1. Proportion of population below the international poverty line (GERF 1.23 SDG 1.1.1) **, disaggregated by sex ¹³	1. 5.01% (2022) [disaggregation not available]	1. <5.01% (2026) M & F %: TBC (2026)	1. Poverty and inequality platform, World Bank, https://pip.worldbank.org/country-profiles/BGD
		2. Proportion of population living below the national poverty line disaggregated by sex	2. 18.7% Upper Poverty Line (2022) M: 19.1 %; F: 14.1% (2022) 5.6% Lower Poverty Line (2022) M: 5.69%; F: 5.64% (2022)	2. <18.7% and 5.6% (2026) M & F %: TBC (2026)	2. Household Income Expenditure Survey
		3. National Gini index	3. 0.499 Income Inequality and 0.334 Consumption inequality (2022)	3. <0.499 and 0.334 (2026)	3. World Bank Open Data portal, https://datacatalog.worldbank.org/
		4. Percentage reduction in poverty headcount at national level resulting from social assistance or social insurance transfers	4. 5.5% (2024)	4. TBC (2026)	4. World Bank, ASPIRE Database, https://www.worldbank.org/en/data/datatopics/aspire
Expected Outcomes of the policy	1. Enhanced effectiveness of social protection systems and provisions through adoption of digital technologies (MIP SO3 C)*	1.1 Percentage of individuals with processable data records registered in the national registry for social benefits (disaggregated by sex) (MIP SO3 C1)*	1.1. 18% (2024) M & F %: TBC (2024)	1.1 50% (2026) M & F %: TBC (2026)	1.1.Single Registry MIS data
		1.2 Number of people directly benefiting from EU supported interventions that aim to reduce social and economic inequality (GERF 2.39)**	1.2. 30,057,724 (2024) M & F no.: TBC (2024)	1.2. TBC (2026)	1.2.Single Registry MIS data

¹³ Due to the limitations of data, sex disaggregation of the relevant indicators will be ensured to the possible extent.

	2. Nationally appropriate, comprehensive and shock responsive social protection system and measures implemented along the life cycle, ensuring decent work and social protection for all, with a focus on socioeconomically disadvantaged individuals (MIP SO3 B)*	2.1. Social protection expenditure excluding pension as a % of GDP (disaggregated by categories)	2.1 1.92% of GDP (FY 23/24) (disaggregation TBC)	2.1 2% of GDP (FY 25/26) (disaggregation TBC)	2.1 GoB budget data Single Registry MIS data ILO, World Social Protection Data Dashboards, https://www.social-protection.org/gimi/WSPD/B.action?id=4 EIS pilot website
		2.2. Coverage by social protection floors/systems - Proportion of population covered by at least one social protection benefit (using ILO methodology), disaggregated by sex.	2.2 22.5% (2021) [disaggregation not available]	2.2 >22.5% (2026) % M & F: (TBC)	2.2. ILO estimates based on country data compiled through the ILO Social Security Inquiry (SSI), Global SDG Indicators Database, https://unstats.un.org/sdgs/indicators/database/
		2.3. Coverage by social protection floors/systems - Proportion of children/households receiving child/family cash benefit (using ILO methodology), disaggregated by sex	2.3 45.9% (2021) [disaggregation not available]	2.3 > 45.9% (2026) % M & F: (TBC)	2.3 ILO estimates based on country data compiled through the ILO Social Security Inquiry (SSI), Global SDG Indicators Database, https://unstats.un.org/sdgs/indicators/database/
		2.4. Coverage by social protection floors/systems - Proportion of unemployed receiving benefits (using ILO methodology), disaggregated by sex	2.4 0% (2022) [disaggregation not available]	2.4 >0% (2026) % M & F: (TBC)	2.4 ILO estimates based on country data compiled through the ILO Social Security Inquiry (SSI), Global SDG Indicators Database, https://unstats.un.org/sdgs/indicators/database/
		2.5 Coverage by social protection floors/systems - Proportion of workers covered in case of employment injury (using ILO methodology), disaggregated by sex	2.5 12.5% (2019) [disaggregation not available]	2.5 >12.5% (2026) % M & F: (TBC)	2.5 ILO estimates based on country data compiled through the ILO Social Security Inquiry (SSI), Global SDG Indicators Database, https://unstats.un.org/sdgs/indicators/database/

		2.6 Extent to which a mechanism is in place for rapid resource mobilisation/release of contingency funds to scale up provision at time of shock	2.6 Low extent – pilot projects funded by Development Partners (2024)	2.6 Medium extent - institutional arrangements in place (2026)	2.6 Baseline and endline studies to be conducted and budgeted by the EU-funded intervention
Induced Outputs	IO1. Governance and digital institutions of the social protection system are strengthened	IO1.1 Status of the social protection budget classification	IO1.1 Social protection budget categorisation not in line with life-cycle approach (2023)	IO1.1 Social protection budget is aligned with life-cycle approach (2026)	IO1.1. Finance Division documents on budget
		IO1.2 Status of the Single Registry (SR) MIS	IO1.2 17 lifecycle social protection programmes are integrated with the Single Registry. Inclusion of data on beneficiaries and interoperability are yet to be completed (2023)	IO1.2 Data on beneficiaries of major social protection cash transfer programmes ¹⁴ are included in the Single Registry MIS. The SR MIS is inter-operable with a wide range of IT systems and contributes to inclusive targeting (2026)	IO1.2 Single Registry MIS data/reports
		IO1.3 Coverage of digital payments through G2P	IO1.3 88% of cash transfers' beneficiaries are paid through G2P (2023)	IO1.3 100% of cash transfers' beneficiaries are paid through G2P (2026)	IO1.3 G2P platform data
	IO2. The effectiveness of social assistance to mothers and children is increased.	IO2.1 MCBP annual budget (under recurrent costs)	IO2.1 16,227,500,000 BDT ¹⁵ (FY 24/25)	IO2.1 20% increase compared to previous fiscal year (FY25/26)	IO2.1 FD documents on budget
		IO2.2 MCBP coverage	IO2.2 1.254 million (FY 23/24)	IO2.2 20% increase compared to previous fiscal year (FY 25/26)	IO2.2 FD documents on budget and MCBP MIS report
		IO2.3 Percentage of the allocated MCBP budget spent within the fiscal year for the stipulated number of beneficiaries.	IO2.3 TBC (2024)	IO2.3 90% (2026)	IO2.3 FD budget expenditure reports; MCBP MIS reports

¹⁴ To be defined in an annex

¹⁵ Equivalent to approx. 129,119,654 EUR as per exchange rate 1 EUR = 126 BDT (InforEuro, July 2024).

		IO2.4 Percentage of the applicants' ANCs verified through interoperability with health and family planning IT systems.	IO 2.4 <5% in 2 MCBP locations (TBC, 2024)	IO 2.4 At least 50% in 12 MCBP locations ¹⁶ (2026)	IO2.4 MCBP MIS reports
		IO2.5 Level of integration of shock-responsive elements in the MCBP design	IO 2.5. No shock-responsive elements included in the MCBP design (2023)	IO 2.5.MCBP design includes some elements of shock-responsiveness (2026)	IO2.5 MCBP Implementation Guidelines
	IO3 Appropriate and permanent social protection mechanisms for workers in the RMG/export-oriented sector are established and improved	IO3.1 Status of the National Social Insurance Scheme NSIS (MIP SO3 B3)*	IO3.1 NSIS is under discussion (2024)	IO3.1 NSIS approved by the Cabinet (2026)	IO3.1 NSIS approval decision
		IO3.2 Status of the Labour Management Information System (LMIS)	IO3.2 LMIS under construction; and interim workers' database established (2024)	IO3.2 LMIS is officially launched and support the delivery of social protection benefits (2026)	IO3.2 LMIS progress reports and screenshots
		IO3.3 Status of the SPPUDW	IO3.3 (i) No implementation unit within DoL; (ii) complex programme's business process, and (iii) low coverage - 10,338 beneficiaries from Oct 2020 to June 2023 (2024)	IO3.3 (i) Implementation unit established; (ii) simplified business process and (iii) coverage increased by 20% compared to the previous fiscal year (FY 25/26)	IO3.3 GoB directive establishing programme's implementation unit; programme's guidelines and MIS data on number of beneficiaries

¹⁶ Locations to be defined in annex.

		IO3.4 Status of the Employment Injury Scheme (EIS) for the RMG/export-oriented sector	IO3.4 EIS pilot is operational (14 number of death cases and 11 number partial/total permanent disability cases paid till Jan 2024) and being expanded to other sectors beyond RMG (2024)	IO3.4 A framework for the National Employment Injury Insurance Programme is approved (2026)	IO3.4 Legal framework for the National Employment Injury Insurance Programme
Direct Outputs	DO1. Additional fiscal space created	DO1.1 Disbursement level of the budget support	DO1.1 EUR 174 million (2023)	DO1.1 EUR 242.5 + 38 million (2026)	DO1.1 GoB budget
	DO2. Improved capacities of relevant Government stakeholders to deliver and monitor NSSS reforms	DO2.1 Status of Government's capacity to deliver and monitor NSSS performance	DO2.1 Moderate tools and resources for NSSS implementation, coordination and monitoring/reporting (2023)	DO2.1 Strong and inter-operable digital tools available for NSSS implementation, coordination and monitoring/reporting (2026)	DO2.1 Single Registry MIS reports; M&E dashboard reports; Cabinet Division progress reports on the implementation of the NSSS Action Plan 2; CODI reports
	DO3. Improved sector policy dialogue, aligned to the NSSS and its Action Plan(s)	DO3.1 Status of the Local Consultative Group Working Group on Governance and Social Protection DO3.2 Extent of inclusion in the post-2026 NSSS of issues promoted by DPs	DO3.1 LCG WG on Governance and Social Protection meets on average once every 4 months (2024) DO3.2 Dialogue not started (2024)	DO3.1 LCG WG on Governance and Social Protection meets on average once every 3 months (2026) DO3.2 High extent – 80% of DPs recommendations are included in the draft post-2026 NSSS (2026)	DO3.1. LCG WG on Governance and Social Protection meeting minutes DO3.2 List of proposed issues vs list of issues included in the post-2026 NSSS

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude an addendum to the ongoing financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

4.3.1 Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 38 000 000 and for complementary support is EUR 6 000 000. This amount is based on the following rationale.

The EU aims to consolidate progress achieved in key technical areas, including governance reforms through digital institutions, improved social assistance for mothers and children, effective implementation of the unemployment social assistance scheme, launch of the Labour Management Information System, institutionalization of the EIS pilot and definition of an overall social security framework.

The allocated budget is viewed as the minimum necessary to gain traction and leverage with the GoB. To maximize impact, collaboration with other budget support stakeholders, like the Asian Development Bank (ADB) and the World Bank (WB) will be sought. The ADB has a USD 600 million loan budget support initiative on social resilience, running from January 2023 to April 2026. The World Bank, in 2024, launched the investment project *Bangladesh Enhancing Investments and Benefits for Early Years* (BEIBEY) to support the Mother and Child Benefit Programme. Furthermore, the variable tranche targets will be aligned with IMF loan conditions related to social sectors and social protection, and where feasible, to conditions for accessing the GSP+ trade scheme.

Furthermore, the intervention will highlight the Public Financial Management (PFM) aspects of the social protection system and programmes, creating a reinforcing mechanism with the new PFM program being designed by the EU Delegation under AAP 2025. The budget support modality remains crucial for sustained policy dialogue with key Line Ministries such as the Cabinet Division (the main coordinator of social protection reforms) and the FD, as well as for maintaining a central role in the dialogue with Development Partners and exercising coordination. Additionally, complementary measures will seek partnerships with agencies that have demonstrated expertise in specific areas (e.g., GIZ and ILO in the social security sector) and have established long-lasting relationships of trust with government counterparts. This approach is expected to enhance the likelihood of achieving the desired outcomes.

Since 2019, the GoB, led by the FD, has spearheaded several institutional reforms, including the implementation of the Single Registry MIS, digital coverage expansion, and programme harmonization. Additionally, with the support of the ILO and GIZ, the Ministry of Labour and Employment has launched the first social insurance scheme pilot, funded in part by international brands. These achievements were directly promoted and/or influenced by the EU funded budget support operation. Despite these accomplishments, challenges remain. These include: effective management, inclusive targeting, inter-ministerial coordination and collaboration, IT system interoperability, accountability mechanisms, and extending protection to working-age population. To address these concerns, the design of variable targets is crucial, aiming to balance ambition with feasibility. In the current top-up phase, more weight will be placed on the programme level

reforms to get more traction in these two technical areas: the Mother and Child Benefit Programme (MCBP), and social security for workers, to drive reforms with equal intensity across all results.

4.3.2 Criteria for Disbursement of Budget Support

a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the National Social Security Strategy (NSSF) and its Action Plans and continued credibility and relevance thereof or of the subsequent policy.
- 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 reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on the following policy priorities:

- Improvement of the governance and digital institutions of the social protection system.
- Enhanced effectiveness of the Mother and Child Benefit Programme (MCBP) through interoperability and inclusion of shock-responsive elements.
- Strengthening of appropriate and permanent social protection mechanisms for workers in the RMG/export-oriented sector.

c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

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

4.3.3 Budget Support Details

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.

The following disbursement calendar and profile proposed for the action is indicative. The actual disbursement calendar and profile will be set out in the financing agreement and may remain subject to change.

Country fiscal year (FY) ¹⁷	Year 7 (FY 2025/2026)				Year 8 (FY 2026/2027)				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fixed tranche		2.00				3.00			5.00
Variable tranche		13.00				20.00			33.00
Total		15.00				23.00			38.00

4.4 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁸.

4.4.1 Direct Management (Procurement)

Fall-back option under 4.4.3.

4.4.2 Indirect Management with one or several entrusted entities

Part of this action may be implemented in indirect management with one or more entrusted entities, which will be selected by the Commission's services evaluating technical capability and global/regional expertise in the following areas:

1. Development of integrated governance and digital infrastructure of the social protection system.
2. Support for reforms of the early years' programmes, including strengthening their Management Information Systems, Monitoring and Evaluation framework and Grievance Redress System, and for adaptive social protection.
3. Design and implementation of programmes and schemes for working-age people (contributory and non-contributory). This includes expertise in defining schemes' institutional set-up, governance and implementation structures, coverage, contribution (if social insurance) and benefits. Moreover, it encompasses gender equality expertise and knowledge of inclusive social protection schemes.
4. Design and implementation of policy reforms, employment and labour market policies, costing and financing of policies, development of law; and ability to liaise and collaborate with a wide network of stakeholders, including government, private sector, workers and workers' representatives, CSOs.

Implementation by this entity/these entities entails technical assistance and expertise to support achieving specific objectives (SO) 1 and 2 (detailed in Section 3.1). This implementation modality will likely be used to launch a comprehensive technical assistance initiative, adopting a strong Team Europe approach. It will in principle aim to support the EU in continuing promoting social protection reforms through a new post-2026 budget support operation.

¹⁷ Fiscal Year (FY): 1 July year (n) to 30 June year (n+1)

¹⁸ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.4.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If any part of the action described in 4.4.2 cannot be carried out due to exceptional circumstances, the direct management modality (procurement) may be used instead for that related part. The technical assistance will be selected through applicable procurement procedures. The procurement will contribute to achieving specific objectives (SO) 1 and 2 (detailed in Section 3.1), including to ensure the EU maintains its presence in the social protection arena and within key line ministries, supporting the preparation of the post-2026 budget support operation in social protection.

Should the preliminary conditions not be met to implement the Social Protection Sector Reform Performance Contract as described under section 4.3, alternative implementation modalities may be used to achieve the specific objectives (SO) 1 and 2 (detailed in Section 3.1).

These modalities are as follows:

- Part of the action may be implemented in indirect management with one or more entrusted entities selected by the Commission's services, based on their technical capability and global/regional expertise in promoting inclusive and lifecycle social protection systems.
- Part of the action may be implemented in direct management through grants to Civil Society Organisations.

Grants: (direct management)

(a) Purpose of the grant(s)

The grant(s) will contribute to achieving specific objectives 1 and 2.

(b) Type of applicants targeted

In order to be eligible for a grant, the applicant(s) must:

- be a specific type of organisation such as: non-governmental organisation, international (inter-governmental) organisation, or other types of organisations active in areas of relevance to this Action.

4.5. Scope of geographical eligibility for procurement and grants

NA

4.6. Indicative Budget

Indicative Budget components¹⁹	EU contribution (amount in EUR)
Budget support - cf. section 4.3	38 000 000
Indirect management with an entrusted entity- cf. section 4.4	6 000 000
Evaluation (including annual review) – cf. section 5.2 Audit – cf. section 5.3	0 ²⁰
Totals	44 000 000

¹⁹ N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

²⁰ An action under the title 'Support to National Social Security Strategy reforms in Bangladesh' (2018/40701) is already ongoing on the basis of Commission implementing decision C(2018)5793 as amended by Commission implementing decisions C(2020)7146 and C(2021)9310. This action (no NDICI funds) includes 400,000 EUR for audit and evaluation.

4.7 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 Finance Division of the Ministry of Finance. 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 to coordinate, support, follow-up and monitor programme implementation. 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 (under complementary measures) will support and facilitate the activities of the PIC. Moreover, technical follow-up with the respective Line Ministries will be carried out by the EUD on a regular basis. The Head of Cooperation will conduct high-level dialogues on an ad-hoc basis. Additionally, the Local Consultative Group Working Group (LCG WG) on Governance and Social Protection, of which the EU is a co-chair, offers an optimal high-level platform to discuss priority areas of social protection reforms with the Government. Finally, the EU will strive to include CSOs' perspectives by regularly inviting them to coordination groups with other Development Partners. As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 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 logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

Indicators, when feasible, shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account inequality reduction. The Distributional Impact Assessment tool (DIA) will be applied, as a data source whenever other sources (national, regional, local data) are not available to monitor whether expected outputs have, to a large extent, benefited socio-economically disadvantaged groups, households and individuals. The DIA can also be performed at the start of the implementation phase to a) locate where the most vulnerable live and target them geographically; b) identify main drivers of inequalities (e.g. reasons for not accessing some services) c) unveil intersectionalities (e.g. bottom 40 income who are women, children etc.).

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).

Roles and responsibilities for data collection, analysis and monitoring:

Under the NSSS, the Single Registry MIS is proposed to provide information to the CMC. In FY 2022/23, the Single Registry MIS has reached a good level of development and it is now equipped with a dashboard capable to provide analysis both on beneficiaries (number reached, gender disaggregation, geographical distribution) and budget utilization (per month, per lifecycle, per thematic cluster) to different layers of the

government, including Cabinet Division. Moreover, Cabinet Division, with the support of UNDP has developed a M&E dashboard, an online platform where the LMs are demanded to provide updates on their targets, in line with their respective plans as embedded in the NSSS Action Plan 2. Cabinet Division will also monitor the performance of the overall social protection system through regular assessments, using the M&E framework and the Core Diagnostic Instrument tool.

The Programme Implementation Committee (PIC) will convene meetings at least once per year 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 Programme Steering Committee (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. Moreover, technical assistance will be used to assess at regular intervals the impact of the intervention on inequality reduction, selecting as target groups individuals receiving benefits from MCBP and the working age social protection programmes.

Under the Team Europe Initiative on Decent Work (TEI DW), social protection is a key component within the "Enabling environment for jobs and labour rights" pillar. Alongside the EUD social protection budget support programme, the Netherlands and Germany have also funded interventions in social protection under the TEI umbrella, primarily linked to the Employment Injury Insurance scheme. Coordination among TEI programmes occurs through monthly meetings for social protection development partners and bi-monthly TEI DW working group meetings to optimize synergies and prevent overlap. Additionally, the EUD, supported by an M&E expert via the "Support for European Development Policy and Team Europe" facility, is in the process of revising the TEI joint intervention logic and establishing a coherent result monitoring and reporting system for the totality of TEI programming.

For complementary support: reports shall be laid out in such a way as to allow monitoring of the means envisaged. The final report, narrative and financial, will cover the entire period of the action implementation. The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the action as follows: M&E capacities to monitor and report on sector performance will be strengthened.

5.2 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), taking into account in particular the EU's engagement at strategic level in the sector with the Government and the promotion of a system-oriented approach, as called for in the 2012 Communication on Social Protection in EU Development Cooperation.

The evaluation plan (or component in the foreseen evaluation) should assess the distributional impact of activities undertaken on the socio-economically disadvantaged individuals, households or groups. This can be done through the Distributional Impact Assessment tool (DIA). The DIA analysis looks at the effective targeting of beneficiaries of development interventions, identifying if more than 40 per cent of beneficiaries are at the bottom two quintiles of the income or wealth distribution. It also allows to evaluate whether effective targeting has been done towards women, children and youth or other disadvantaged groups (e.g. ethnic minorities) or at territorial level. Expertise on inequality reduction will be ensured in the evaluation teams.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner(s) at least three months in advance of the dates foreseen for the evaluation mission. The implementing partner(s) 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 team should include expertise on HRBA, gender-responsiveness and disability inclusion in the area of social protection and social inclusion.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination²¹. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations 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. Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

²¹ See best [practice of evaluation dissemination](#)