Rethinking Social Protection in South Asia: Toward Progressive Universalism

Rene Leon Solano, Jumana Alaref, Mark Dorfman, Zaineb Majoka, Mostafa Amir Sabbih, Elizabeth Mata Lorenzo
In memory of our Elizabeth (Eli) Mata Lorenzo, who embodied the true meaning of selfless and unconditional love, friendship, kindness, compassion, and professionalism.
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In recent years, South Asia has been beset with an unprecedented combination of negative shocks. In Sri Lanka, an economic crisis on the heels of COVID-19 pushed approximately 3 million people into poverty. In Pakistan, the devastating 2022 floods - a direct result of the country's vulnerability to climate change - left between 8.4 million and 9.1 million more people in poverty. These impacts have been further amplified by the global fuel and food crises in the wake of Russia’s invasion of Ukraine. And they hit hard those who are already the most vulnerable – women, youth and children.

These challenges are compounded by the need to create jobs for South Asia’s rapidly growing working age population, at a time when new technologies impact the world of work perhaps like never before. Indeed, in the past two decades, the region created 300 million fewer jobs than new entrants into the labor force. Rising geopolitical risks and the fragmentation of global trade could make the task to provide decent livelihoods to all South Asians even more difficult.

Yet, South Asia is also a region of vast opportunities. Its young population could be a source of dynamism at a time when aging societies may struggle to keep up with the pace of global change. And the region has shown a knack for competing in digital services exports, which represent a growing share of the world’s trade.

Adaptive social protection systems are a key element of development strategies that aim to capitalize on the opportunities brought about by accelerating technological changes, whilst protecting the poor and vulnerable from the growing variety, frequency and intensity of negative shocks. Properly designed, they can encourage citizens to take risk and help societies adjust smoothly to structural shifts. This way, they can foment political support for development paths that harness market competition to boost productivity and yet leave no one behind.
Our new report *Rethinking Social Protection in South Asia: Toward Progressive Universalism* takes stock of the region’s delivery of social protection over the past decades. The report acknowledges progress, but argues that this is insufficient to confront the challenges of today and tomorrow. Too many public resources are spent on poorly targeted social benefits like energy subsidies or generous public sector pensions, leaving too little for basic social assistance. Coverage rates are low, benefits limited, and the capacity to address emerging needs of training, reskilling or old age care remains largely underdeveloped.

To remedy this situation, we propose a move towards progressive universalism as the guiding principle of adaptive social protection systems in South Asia. Progressive, because the region’s fiscal constraints demand clear trade-offs to be made in favor of those groups – like women, youth and children – who have traditionally been left behind and are thus most vulnerable to remaining trapped in poverty. Universalism, because the ultimate objective should be to provide a package of needs-based social services that span an entire lifetime from childhood, to working life to old age.

To inform the achievement of progressive universalism, we put forward a 4-pillar framework with a set of recommendations that are fiscally sensitive, and which seek to promote equity, build resilience and increase opportunity for all, while strengthening social protection systems and financing. We provide a menu of options to engage in progressive universalism, whose path will depend on a country’s “starting point” and specific needs and priorities.

The vision for social protection in South Asia put forward by our publication places people, especially those who are poor and vulnerable, at the center of countries’ development process. By doing so, governments across the region can capitalize on what could be one of South Asia’s most important economic asset: its young, entrepreneurial and increasingly better educated population.

Martin Raiser
South Asia Regional Vice President
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# Abbreviations and acronyms

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BISP</td>
<td>Benazir Income Support Program (Pakistan)</td>
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<td>CCT</td>
<td>Conditional cash transfer</td>
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<tr>
<td>EGPP</td>
<td>Employment Generation Program for the Poorest (Bangladesh)</td>
</tr>
<tr>
<td>EOBI</td>
<td>Employees Old Age Benefit Insurance (Pakistan)</td>
</tr>
<tr>
<td>ETF</td>
<td>Employees’ Trust Fund (Sri Lanka)</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal year</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>G2P</td>
<td>Government to public</td>
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<tr>
<td>MGNREGS</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Scheme (India)</td>
</tr>
<tr>
<td>MRPS</td>
<td>Maldives Retirement Pension Scheme</td>
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<tr>
<td>NEET</td>
<td>Not in education, employment, or training</td>
</tr>
<tr>
<td>NPS</td>
<td>National Pension System (India)</td>
</tr>
<tr>
<td>NSER</td>
<td>National Socio-Economic Registry (Pakistan)</td>
</tr>
<tr>
<td>OABP</td>
<td>Old Age Basic Pension (Maldives)</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PPP</td>
<td>Purchasing power parity</td>
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<tr>
<td>SSN</td>
<td>Social safety net</td>
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<tr>
<td>UCT</td>
<td>Unconditional cash transfer</td>
</tr>
<tr>
<td>USP</td>
<td>Universal social protection</td>
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<td>VSS</td>
<td>Voluntary savings schemes</td>
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Overview

In the last two decades, most countries in South Asia witnessed meaningful economic growth, contributing to substantial reductions in poverty. Among the high achievers are India, with average real per capita gross domestic product (GDP) growth between 2000 and 2018 of 5.2 percent, and Bangladesh and Bhutan, which averaged 5.7 and 4.6 percent, respectively, during the same period and reached lower-middle-income status. Economic growth led to important poverty reduction. Poverty rates, measured using two international poverty lines—the 2017 purchasing power parity (PPP) US$2.15 per person per day extreme poverty line and the US$3.65 per person per day lower-middle-income poverty line—have decreased significantly over the past 20 years across South Asian countries, with the exception of Afghanistan. Notably, all countries in the region managed to reduce extreme poverty by half (figure O.1). In India alone, more than 120 million people have been lifted out of extreme poverty in recent years.

Figure O.1. Poverty headcount at international poverty lines, South Asia, 2000–18


Note: Headcount ratios are based on the 2017 PPP US$2.15 and US$3.65 per person per day poverty lines.
However, a large share of South Asian households remains poor as gauged by the lower-middle-income poverty line (US$3.65), and many more are a shock-away from poverty. Poverty reduction has been significantly slower relative to the 2017 PPP US$3.65 poverty line than to the extreme poverty line (US$2.15). Moreover, households with consumption per person between 2017 PPP US$2.15 and US$3.65 a day account for approximately a third of the poor. A large percentage of households is also vulnerable to poverty (figure O.2).

**Figure O.2.** Changes in population distribution, by economic status, South Asia, 2000–18

<table>
<thead>
<tr>
<th></th>
<th>Non poor (15$ or higher)</th>
<th>Non poor (6.85$ - 15$)</th>
<th>Poor (3.65$ - 6.85)</th>
<th>Moderate poor (2.15$ - 3.65)</th>
<th>Extreme poor (&lt;2.15$)</th>
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<td>27.6</td>
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<td>39.8</td>
<td>2.6</td>
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<td>41.7</td>
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<tr>
<td>2019</td>
<td>38.1</td>
<td>38.1</td>
<td>38.1</td>
<td>2.6</td>
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<tr>
<td>2012</td>
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<td>17.1</td>
<td>17.1</td>
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<tr>
<td>2017</td>
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<tr>
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<td>2016</td>
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<td>3.9</td>
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<tr>
<td>2017</td>
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<td>9.6</td>
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<tr>
<td>2019</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>2.6</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Source:** World Bank elaboration based on data of PIP (Poverty and Inequality Platform) (dashboard), World Bank, Washington, DC, [https://pip.worldbank.org/home](https://pip.worldbank.org/home).

**Poverty prevalence exhibits large spatial disparities.** For example, in 2019, the extreme poverty rate in India’s poorest state was more than three times the median state’s poverty rate, and, in six of the poorest states in the country, the extreme poverty rate was more than twice the median state’s poverty rate. Similarly, Punjab Province in Pakistan is home to almost half of the country’s poor. The poverty belt is concentrated in southern Punjab, where the poverty rate (39 percent) is almost twice as high as the provincial average (21 percent). In Maldives, 93 percent of the poor were living in the atolls in 2019 (World Bank 2023a). The poverty rates in the atolls averaged around 19.2 percent (with a high of 24.0 percent on South Huvahdhu Atoll), compared with 8.8 percent in Malé.

**Rural residents and children are more likely to be poor.** In 2019, 87.2 percent of the extreme poor in South Asia were living in rural areas. Among countries where recent data are available, the urban-rural gaps in extreme poverty are largest in Bangladesh, where 16 percent of the rural population was extremely poor versus 5.8 percent...
of the urban population, and smallest in Bhutan and Sri Lanka. However, these gaps are substantially larger if one considers the US$3.65-a-day poverty line, particularly in Bangladesh and Pakistan (figure O.3, panel b). For example, the rural-urban poverty differential is a staggering 26.7 percent and 26.8 percent in Bangladesh and Pakistan, respectively. Meanwhile, in 2019, children constituted 34 percent of the population in South Asia and, in most South Asian countries, faced higher poverty levels (at US$3.65) than, for instance, the working-age population and the elderly (figure O.3, panel a).\(^5\) In Bangladesh, 17 percent of children were extremely poor, and 58.5 percent of all children in the country were living below the US$3.65 poverty line, a significantly higher share than the corresponding shares of the elderly and working-age population. The same pattern applies in Pakistan, but with larger children-elderly and children-working-age population poverty differentials.

**Figure O.3.** Poverty rates, 2017 PPP US$3.65-a-day international poverty line

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>Children</td>
<td>58.5</td>
<td>51.2</td>
<td>48.1</td>
</tr>
<tr>
<td>Elderly</td>
<td>10.5</td>
<td>12.1</td>
<td>8.7</td>
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<tr>
<td>WAP</td>
<td>13.3</td>
<td>12.2</td>
<td>10.4</td>
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</table>

| Overall    | 49.2 | 32.6 | 33.8 |

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Overall</td>
<td>51.6</td>
<td>46.4</td>
<td>49.6</td>
</tr>
<tr>
<td>Urban</td>
<td>32.2</td>
<td>37.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Rural</td>
<td>58.9</td>
<td>13.5</td>
<td>12.7</td>
</tr>
</tbody>
</table>


Note: Children are ages 0–14. The working-age population is 15–64. The elderly are ages 65 or more. The date is the latest year on which data are available: Bangladesh (2016), Bhutan (2017), India (2021imputed), and Pakistan (2018). The choice of countries is based on the availability of poverty statistics based on the US$3.65-a-day poverty line after 2016. Maldives is not included in the figure because moderate poverty (based on US$3.65 per day) is below 1 percent. Panel b includes data on the most recent year after 2015. Thus, Nepal is not included because the latest official poverty estimates refer to 2010. In 2010, 49 percent of children were poor (US$3.65 per day), as were 34 percent of the working-age population and the elderly. In Nepal, the definition of urban and rural areas has changed since 2010; however, based on the definition in the 2010 household survey, poverty in rural areas was double that in urban areas based on a poverty line of US$3.65 a day. International poverty data are not available for Afghanistan. Nonetheless, in 2019, more than half of all children were living below the official poverty line, 51 percent, while 43 and 44 percent of the working-age population and elderly, respectively, were living below the official poverty line. The gap between urban and rural poverty is small: official poverty rates were 45.5 percent in urban areas and 47.6 percent in urban areas.
High, stubborn levels of poverty mostly arise because of the limited creation of quality jobs. Between 2000 and 2020, around 386 million South Asians entered the working-age population, whereas only 81 million jobs were added to the economies. Only Sri Lanka managed (until 2016) to create more jobs than labor market entrants. The quality of jobs in South Asia is affected by economic growth, which is mostly driven by the non-tradable sector. Most of the economic growth that South Asia witnessed in the decade prior to COVID-19 was driven by domestic demand. Export-led growth—which leads to higher-quality and more well-paying jobs—remained weak. The quality of jobs is also affected by the dominance of household enterprises and micro-enterprises in the private sector, which have high survival rates, but tend to have lower productivity than larger firms and limited capacity to grow (figure O.4).

Figure O.4. Household enterprises and microenterprises: share of jobs, entities, and revenue

The limited availability of quality jobs coincides with overall low levels of labor force participation, especially among women and youth. Labor markets in South Asia offer limited opportunities for the working-age population, especially youth and women, to realize its full potential and contribute to the region’s growth and development. The average labor force participation rate in South Asia is 51 percent, much lower than the average in low-income countries, at 64 percent (figure O.5, panel a). The labor force participation rate is 24 percent among women and 81 percent among men. While the female labor force participation rate is slightly higher in South Asia than in the Middle East and North Africa (18 percent), the lowest in the world, the female-male labor force participation differential in South Asia is 57 percentage points, versus 52 percentage points in the Middle East and North Africa. Many young people in South Asia are also neither participating in the labor market, nor building skills to participate later on. The share of youth who were NEET (Not in Employment, Education or Training) among all youth in South Asia is above 33 percent, which is higher than the corresponding share among lower-middle-income countries, at 28 percent (figure O.5, panel b). Among young women, 47 percent were NEET (versus 43 percent in lower-middle-income countries), compared with only 14 percent among young men.
**Figure O.5.** Labor force participation and youth not in education, employment, or training

### a. Labor force participation rates

<table>
<thead>
<tr>
<th>Country</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
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#### Source for panel a:

### b. Youth NEET rates

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<th>30%</th>
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<tr>
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<td>Lower-middle income countries</td>
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</table>

#### Source for panel b:

**South Asia has low employment ratios and high levels in the underuse of human capital, especially among the poor and vulnerable.** In many countries in South Asia, less than 50 percent of the working-age population is employed. Low employment rates tend to be concentrated among the most vulnerable workers, for example, those in the lowest wealth quintiles and education levels (figure O.6). The prevalence of underemployment (the share of employed workers who work at less than minimum wage) is significant in many countries, reaching 33 percent in Bangladesh, 32 percent in Maldives, 18 percent in Nepal, 14 percent in Bhutan, 13 percent in Pakistan, and 10 percent in India. Workers with lower levels of education and those in the poorest wealth quintiles are also more likely to suffer underemployment. Overall, unemployment rates are low in most countries in South Asia, ranging from 1.5 percent in Bhutan to 9.6 percent in Nepal. However, both young and more well-educated workers in the region show unemployment rates that are higher than the national averages.
Indeed, low levels of human capital in the labor force remain a persistent challenge. Driven by inequities in health and education that start earlier in life, many workers enter the labor market completely unskilled and with no formal education, a share estimated at 28 percent in Bangladesh, 61 percent in Bhutan, 33 percent in Nepal, and 43 percent in Pakistan (figure O.7, panel a). As a result, a substantial share of the workforce in South Asia is employed in elementary jobs that require little education (figure O.7, panel b). Evidence shows that returns to education are high in South Asia, especially among women and in both the formal and informal sectors. Building human capital can therefore potentially improve the productivity and economic well-being of workers. While in the labor market, few workers receive any training that can improve their human capital and allow them to move to better jobs. Women face more limited skilling and employability prospects relative to men because women are less likely to receive vocational training.


**Figure O.7.** The working-age population, by educational attainment and occupation

### a. By educational attainment

![Chart showing the working-age population by educational attainment for various countries.](chart)

### b. By occupational composition

![Chart showing the working-age population by occupational composition for various countries.](chart)


**Most workers remain locked in informal and low-productivity jobs that do not allow them to escape vulnerability and improve economic mobility.** The share of those employed in the formal sector is small in most South Asian countries. In Nepal, around 38 percent of workers are in informal wage employment, compared with 32 percent in Pakistan, 29 percent in Bangladesh, and 27 percent in Sri Lanka (figure O.8). Informal wage employment in the private sector in many countries in the region is tilted toward low-skill...
industries, such as construction, agriculture, and manufacturing. Productivity in these sectors is also low. For example, in Bangladesh, average annual productivity growth in the manufacturing sector was only 1.6 percent between 2003 and 2010 and 2.2 percent since 2010. In both periods, this was more than 50 percent below the average rate of productivity growth in the overall economy. There is also a higher share of workers engaged either in self-employment, or as unpaid family workers, reaching 73 percent in Bhutan, 58 percent in Bangladesh, 57 percent in Pakistan, 54 percent in India, 46 percent in Nepal, and 44 percent in Sri Lanka. These types of jobs do not offer workers regular income and other protections that could allow them slowly to build their savings base and escape poverty and vulnerability. This also makes these workers more vulnerable to shocks because they lack access to protection.

**Figure O.8.** Composition of employment, by employment type


Note: Informal workers are defined as wage workers who do not have a written contract with their employer. In Bhutan, individuals employed in government and armed forces were not queried about written contracts and were therefore categorized under formal wage public employment. In Sri Lanka, data regarding unpaid family workers and variables distinguishing public and private employees are unavailable.

**Women and youth are more vulnerable to these low-productivity, low-quality jobs.** Women are far more likely than men to engage in unpaid labor, and, if paid, their wages are considerably lower than those of men with otherwise similar characteristics. In Bangladesh, Bhutan, and Nepal, on average, 62 percent of unpaid labor is performed by women. Youth are more likely than adults to hold an informal job or to be self-employed or in unpaid family work.
This sheds light on important barriers that women and youth face in the labor market. Women experience social norms that likely result in inequalities that influence labor market outcomes, such as mobility restrictions, unequal household work, limited asset ownership, and low financial inclusion. Many of these gender inequalities are exacerbated by systemic structures that prevent women from accessing the labor market and improving their employability, such as workplace harassment, unsafe transportation, and costly childcare. Youth also face barriers associated with the lack of demand-specific skills and work experience that can help them transition more quickly from school to work.

Recent crises and global and country-specific trends have had compounding effects on South Asian economies, pushing many more people into poverty. Higher food and energy prices have underpinned increases in inflation across South Asian economies, including in Afghanistan (43 percent, year-on-year in July 2022), Pakistan (27.3 percent, year-on-year in August 2022), and Sri Lanka (peaked at 69.8 percent, year-on-year in September 2022) (World Bank 2022c). Growing inflationary pressures, fueled by Russia’s invasion of Ukraine and coupled with COVID-19, are estimated to have led to at least 35 million more extreme poor in South Asia, the highest among all regions (figure O.9). These poverty impacts have been exacerbated by country-specific shocks. For example, the economic crisis in Sri Lanka is estimated to have led to a doubling of the country’s poverty rate between 2021 and 2022, from 13.1 to 25.6 percent (gauged by the poverty line of US$3.65 per capita, 2017 PPP). Similarly, in Afghanistan, the 2021 economic crisis triggered by the sudden stop of international grants increased poverty substantially in the country. By mid-2022, two-thirds of households were reporting that they could not even cover their most basic food and nonfood expenses, and, by mid-2023, one in two Afghans was poor (World Bank and Afghanistan Futures 2023).

Figure O.9. Estimated additional number of the poor, millions

Source: Mahler et al. 2022.

Note: The figure illustrates the additional poor associated with COVID-19 and inflation, which has been fueled by Russia’s invasion of Ukraine, by region, baseline, and pessimistic scenarios (in millions and using the US$1.90-a-day poverty line). AEs = advanced economies. AFE = East Africa. AFW = West Africa. EAP = East Asia and the Pacific. ECA = Eastern Europe and Central Asia. EU = European Union. LAC = Latin America and the Caribbean. MNA = Middle East and North Africa. SAR = South Asia. SSA = Sub-Saharan Africa.
COVID-19 also had devastating effects on already vulnerable groups, particularly children, youth, women, and informal workers. For example, the share of households in Bangladesh reporting smaller food portions for children rose by an alarming 100 percent between 2019 and 2020, putting an entire generation at risk of experiencing one form of malnutrition or another (Schady et al. 2023). In addition, South Asian students could lose up to 14.4 percent of their future earnings because of education shocks induced by COVID-19 (Schady et al. 2023). Equally important are the impacts of COVID-19 on labor markets, especially among youth and women. Between 2020 and 2021, South Asian countries reported that between 33 and 68 percent of their economically active workers had to stop working because of the pandemic; Nepal and Sri Lanka were the most affected countries in the region.7 Women were particularly disadvantaged given the impact of COVID-19 on industries employing a large share of women. The share of youth who were NEET increased sharply in South Asian countries, including in Pakistan, where an additional 1.6 million youth became idle (Schady et al. 2023). COVID-19 hit informal sector workers hard regardless of industry, location, or education. In India, more than 44 percent of informal workers had lost a job by April 2020 (Bussolo, Sharma, and Timmer 2020). In addition, many informal workers in the middle of the income distribution experienced a large drop in earnings. The poorest three quintiles of the population in the informal economy lost 9, 13, and 16 percent of their incomes in Bangladesh, India, and Pakistan, respectively (Bussolo, Sharma, and Timmer 2020).

These impacts are compounded by South Asia's high vulnerability to climate change, which further increases the incidence of natural hazards and disasters, with devastating human, economic and poverty impacts. South Asia is the region most susceptible to the risks of climate change in the world. Many countries in the region are thus experiencing an increase in climate-related events such as floods, droughts, heat waves, agricultural damage, and loss of water quality. Besides claiming many lives, these climate-related events have had important economic and poverty consequences. For example, South Asia lost more than US$400 million in 2019 alone because of the impacts of extreme weather conditions associated with climate change. Preliminary estimates suggest that the 2022 flooding in Pakistan led to an increase in national poverty of 3.7 to 4.0 percentage points, pushing between 8.4 million and 9.1 million people into poverty (World Bank 2021a). Similarly, multidimensional poverty was expected to increase by 5.9 percentage points, meaning that an additional 1.9 million Pakistani households would fall into nonmonetary poverty.

While social protection is a relatively strong feature of social contracts in South Asia, the region is not well prepared to respond to the wide range and ever-increasing needs of the poor and vulnerable.8 Many large social protection programs in South Asia are anchored on national legislation and provide significant support and services to the region’s residents, especially the poor and vulnerable. They are thus an important part of the social contract in South Asia. However, many challenges remain to enable social protection in the region to contribute comprehensively to the social contract. For example, at the strategy and policy level, many countries in South Asia lack an overarching social protection framework or strategy that includes links across relevant government agencies, including those involved in disaster risk management. At the institutional/program level, there are many social protection programs implemented by many ministries without much coordination. Considerable administrative effort and resources are therefore spent on managing multiple small programs that have overlapping objectives and target groups (O’Keefe et al. 2024). At the administrative/delivery level, while there has been significant progress to date, many countries in South Asia are still far from having robust and resilient social protection systems that can provide adequate and integrated support to help people, especially the poor and vulnerable, cope effectively with life-cycle risks and a plethora of shocks.
This, in a context where overall social protection expenditure in South Asia is largely insufficient (figure O.10). The average social protection expenditure in South Asia is 2.9 percent of GDP. This includes expenditure on social assistance, public service pensions, and explicit energy subsidies. Expenditure on labor market programs in South Asia is negligible and is therefore not included in figure O.10. Based on this expenditure calculation, Pakistan spends the most on social protection (4.8 percent of GDP), followed by Nepal (3.5 percent), Maldives (2.8 percent), and Sri Lanka (2.7 percent). Afghanistan and Bangladesh spend the least on social protection, at 2 percent of GDP. Pakistan’s relatively high social protection expenditure is driven by significant spending on explicit energy subsidies, while that of Nepal and Maldives can be explained by greater spending on social assistance. Spending on public sector pensions is highest in Pakistan, at 2 percent of GDP. As a share of total social protection spending, spending on public sector spending is highest in Sri Lanka, at almost 50 percent.

**Figure O.10. Total social protection expenditure, % of GDP**

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**Note:** Social assistance expenditure excludes health-fee waivers. Civil service pensions include old-age, invalid, and survivor benefits for general government and military pensioners. Social assistance data-years vary, as follows: Afghanistan 2020, Bangladesh 2019, India 2016, Maldives 2019, Nepal 2019, Pakistan 2019, and Sri Lanka 2019.
South Asia has one of the lowest social assistance expenditure relative to GDP in the world (figure O.11). The countries of South Asia spend on average approximately 1.14 percent of GDP on social assistance, compared with the world’s highest regional expenditure of 2 percent in Europe and Central Asia and other regional averages ranging from 1.8 percent in Latin America and the Caribbean to 0.8 percent in West Africa. Within South Asia, Nepal is the highest spender, at 2.1 percent, followed by Maldives at 1.6 percent. The lowest spenders in the region are Pakistan and Sri Lanka, at 0.3 and 0.6 percent, respectively.

**Figure O.11. Social assistance expenditure, % of GDP**


Social assistance expenditure in South Asia is driven by high expenditures on social pensions (figure O.12). The low level of spending on social assistance in South Asia is skewed toward social pensions, which represent 36.3 percent of total social assistance spending in the region. In Maldives and Afghanistan, social pensions represent 88.6 and 73.4 percent of total social assistance expenditure, respectively, while in Nepal and Bangladesh, social pensions constitute 39.5 and 34.2 percent of total social assistance expenditure, respectively.
As a share of total social assistance expenditure, South Asia spends the least on conditional cash transfers (CCTs) and public works programs (figure O.12).\textsuperscript{12} CCTs represent only 4.5 percent of total social assistance spending in South Asia, the lowest social assistance expenditure category in the region. Bangladesh and Maldives spend the most on CCTs as a share of total social assistance expenditure, at 15.5 and 11.4 percent, respectively. Public works programs represent 6.6 percent of total social assistance spending in the region, the second lowest social assistance expenditure category. Bangladesh and India spend the most in public works programs as a percentage of total social assistance spending at 20.6 percent and 17.1 percent, respectively.

Social assistance coverage in South Asia is considerably higher for the elderly than for children and the working-age population, even though the elderly represents the smallest share of the region’s population (figure O.13). For example, 78 percent of the elderly receive social pensions in Nepal, while only 23 percent of children and 0.3 percent of the working-age population benefit from social assistance. This is particularly striking when considering that the elderly represents 6 percent of Nepal’s population, while children and the working-age population represent 29 and 65 percent of the population, respectively. The same can be said of Maldives and, to a lesser extent, Bangladesh and India. Sri Lanka is an exception in the region since social assistance coverage for children (31 percent) is double that for the elderly, which is in line with the country’s age composition. Although the working-age population in all countries is more than 60 percent of the population, most countries other than India (13 percent social assistance coverage of the working-age population) and Afghanistan (6 percent social assistance coverage of the working-age population) do not have any significant safety net programs targeting the working-age population.
**Figure O.13. Social assistance program coverage, by age-group**

![Social assistance program coverage, by age-group](image)


**Note:** Coverage measures the share of the eligible population (children, working-age people, and the elderly) receiving benefits. All data are for 2019, except for India’s social pension coverage (2020). The elderly are those ages 65 or more. Children are individuals ages less than 15. Working-age adults are ages 15–64.

**A large share of South Asia’s poor are not covered by any social assistance** (figure O.14). On average, excluding India, approximately 27.9 percent of the bottom 40 percent of the welfare distribution (the bottom 40) in the region is covered by social assistance, which is higher than the average in low-income countries (17 percent), but significantly lower than the global average (57 percent) and that of lower-middle-income countries (61 percent). In Bangladesh, 51 percent of the bottom 40 benefit from social assistance, the highest social assistance coverage of the poor in South Asia. Significantly fewer people in the bottom 40 benefit from social assistance in Maldives, Nepal, and Sri Lanka, at slightly below 40 percent. On the other end of the spectrum, 92 and 82 percent of Afghans and Pakistanis in the bottom 40, respectively, remain uncovered by social assistance. Afghanistan’s social assistance coverage of the bottom 40 is one of the lowest among fragile, conflict-affected countries (World Bank 2015). Bhutan has the lowest coverage of the bottom 40 of any country in South Asia, at only 3 percent. Low coverage of the poor in Afghanistan and Bhutan can be partly attributed to social assistance not being explicitly poverty targeted, but in the case of Afghanistan also partially due to the over-reliance of off-budget assistance.
**Figure O.14. Social assistance coverage, by wealth quintile**

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Wealth Quintile</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhutan</td>
<td>2012</td>
<td>Q1 and Q2 (average)</td>
<td>3%</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>2019</td>
<td>Q5 (richest)</td>
<td>8%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2018</td>
<td>Q1 and Q2 (average)</td>
<td>18%</td>
</tr>
<tr>
<td>India</td>
<td>2011</td>
<td>Q5 (richest)</td>
<td>95%</td>
</tr>
<tr>
<td>Maldives</td>
<td>2019</td>
<td>World (Q1-Q2)</td>
<td>38%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2019</td>
<td>Low income (Q1-Q2)</td>
<td>38%</td>
</tr>
<tr>
<td>Nepal</td>
<td>2019</td>
<td>Lower middle income (Q1-Q2)</td>
<td>39%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2016</td>
<td>Low income (Q1-Q2)</td>
<td>51%</td>
</tr>
</tbody>
</table>


**Note:** Coverage is defined as the share of the population who benefits from social assistance programs, either directly or indirectly. Coverage by quintile = (number of individuals in the quintile who live in a household in which at least one member receives a social assistance transfer or benefit) / (number of individuals in the quintile). Q1 represents the poorest quintile; Q2 represents the second-poorest quintile.

**Many people in the richest quintile receive social assistance benefits in South Asia** (figure O.14). Excluding India, which has social assistance programs with large overall population coverage, South Asian countries with the highest social assistance coverage of the richest quintile are Nepal and Bangladesh at roughly 27 and 23 respectively. High coverage of people in the richest quintile undermines program effectiveness and efficiency. Pakistan is the country in South Asia with the lowest social assistance coverage of the richest quintile, followed by Bhutan.

**The poor in South Asia who receive social assistance are not adequately covered.** There is a significant heterogeneity between countries in the level adequacy of social assistance transfers as a share of the total welfare of beneficiaries among the poorest quintile (figure O.15). On average, adequacy of benefits in South Asia is 9.2 percent, slightly higher than in lower-middle-income countries (8.2 percent), but significantly lower than in upper-middle-income countries (13.2 percent) and what global evidence says is needed to ensure resilience (20 percent) (Beazley and Farhart 2016; Daidone et al. 2015; World Bank 2022a). The least adequate benefits are in Afghanistan and Pakistan, at 1.42 and 6.1 percent, respectively, while, in Maldives and pre-crisis Sri Lanka, they are the highest, at 17 and 15.7 percent, respectively.
Figure O.15. Social assistance benefit adequacy, South Asia

With some exceptions, in South Asia, benefit levels across social assistance programs tend to decrease in real terms over time, as they usually remain fixed for long periods or are rarely indexed against inflation (O’Keefe et al. 2024). For example, Sri Lanka’s Samurdhi benefit amounts remained constant over the years and decreased significantly as a result of the country’s high levels of inflation following the country’s recent economic crisis (World Bank 2022c). The adequacy of Nepal’s child grant benefit, which is already the lowest among social assistance programs in the country, is cut almost in half if inflation is considered (World Bank 2021c). A limited number of programs in the region index benefits to inflation, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in India, or have committed to doing so, such as the Benazir Income Support Program (BISP) in Pakistan (Khan 2019).

Spending on explicit energy subsidies is the second-largest social protection expenditure category in South Asia and is higher than social assistance spending in many countries in the region. South Asia’s explicit energy subsidy spending as a share of GDP is 0.93 percent. This includes subsidies for oil, residential natural gas and LPG (Liquified Petroleum Gas), as well as residential electricity (figure O.16). In 2019, Pakistan spent the most on explicit energy subsidies in South Asia, at 2.5 percent of GDP, followed by Maldives, Sri Lanka, and Bangladesh at 1.2, 0.8, and 0.7 percent, respectively. The substantial spending on explicit energy subsidies is driven by high explicit residential electricity subsidies, especially in Pakistan (1.8 percent) and Maldives (1.1 percent). Spending on explicit energy subsidies as a share of GDP is greater than spending on social assistance in Pakistan, Sri Lanka and Bangladesh.
Figure O.16. Explicit energy subsidy expenditure, South Asia, % of GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Oil subsidy</th>
<th>Natural gas + LPG subsidy-Residential</th>
<th>Electricity subsidy-Residential</th>
<th>Social assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
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<td></td>
<td></td>
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<tr>
<td>India</td>
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<tr>
<td>Maldives</td>
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<td>Nepal</td>
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<tr>
<td>Pakistan</td>
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<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


Energy subsidies are, however, highly regressive, benefit only a small share of the poor, and are an inefficient means of delivering targeted support to poor and vulnerable households (figure O.17). For instance, in Pakistan, in 2019, the richest quintile received more domestic electricity-subsidy benefits (32.1 percent) than the poorest two quintiles combined (24.2 percent). Similarly, in 2019, the richest quintile in Sri Lanka captured a larger share of the electricity-subsidy benefits than the poorest quintile, at 20.5 and 17.8 percent, respectively. A recent fiscal analysis demonstrates that, to deliver only SL Rs 400 of subsidy benefits to a Sri Lankan household in the poorest 20 percent of the welfare distribution, total fiscal expenditures would have to be about 5.7 times larger, at SL Rs 2,273. This implies that eliminating subsidy expenditures can create fiscal space for more well targeted transfers.

Figure O.17. The benefit distribution of electricity subsidies, by income quintile

Sources: World Bank 2023b, 2023c.
Spending on public sector pensions also represent a sizable social protection expenditure in South Asia but cover a small and more well-off part of the labor force (Figure O.18). Civil service pension spending as a share of GDP stands at 0.83 percent in South Asia and ranges between 0.4 percent in Bhutan and 2.0 percent in Pakistan. It is driven primarily by the generosity of public sector pension schemes. Individual replacement rates in Bangladesh, Pakistan, and Sri Lanka are considerably higher than those for contributory private pensions. The magnitude of the expenditure is large, particularly given the extremely small share of the population that is covered by public sector pensions.

**Figure O.18. Civil service pension expenditure and coverage**

Sources: World Bank elaboration; Jain and Palacios 2022; World Population Prospects (database), Population Division, Department of Economic and Social Affairs, United Nations, New York, [https://population.un.org/wpp/](https://population.un.org/wpp/).

Note: Civil service pensions include old-age, invalid, and survivor benefits for general government and military pensioners. Pension coverage is defined as the number of contributors, divided by the working-age population (ages 15–64).

On average, South Asia spends a negligible share of its budget on labor market programs and services to help improve worker employability and connect workers to productive employment. Labor market programs broadly include skills training, economic inclusion, entrepreneurship, job-search, and employment support programs. Figure O.19 presents labor market spending as a share of total social protection expenditure in countries on which data are available. With the exception of Bhutan and, to some extent, Bangladesh, the countries in South Asia spend less than 5 percent of their social protection budget on labor market programs.

**Figure O.19. Labor market program expenditure, % of total social protection expenditure**

Sources: ADB 2019; World Bank 2021a, 2021c.
Some of the largest and most impactful economic inclusion programs worldwide have been implemented in South Asia, but challenges remain. Economic inclusion programs provide livelihood support, skills development, and social empowerment interventions. Although economic inclusion programs in South Asia make up 15 percent of all programs worldwide, 66 percent of program beneficiaries are in South Asia, reflecting the scale these programs have achieved, particularly in Bangladesh and India. In India, the Bihar Rural Livelihood Project accounts for 51 percent of total economic inclusion programs’ coverage. In Bangladesh, BRAC’s long-running Ultra-Poor Graduation Program has reached over 2 million households, accepting approximately 100,000 woman heads of household into the program each year. Both programs have been evaluated and they demonstrated sizable economic impacts that continue years after the intervention. However, economic inclusion programs in the region focus mostly on ultra-poor households in rural areas, and do not address at the moment the emerging needs of urban informal workers and microentrepreneurs. In addition, implementation has been mostly led by nongovernmental organizations and has not been scaled up, reflecting weak implementation capacity.

Delivery systems in South Asia face important challenges, hindering the effective and efficient delivery of social protection (figure O.20). In terms of the assessment stage, program communication and outreach are limited in South Asia. With regards specifically to intake and registration, dynamic inclusion is uncommon: people cannot always access assistance if they are in need. This, coupled with undeveloped social registries as well as purely categorical targeted-based social assistance in a few South Asian countries, often leads to low coverage of the poor and high coverage of well-off individuals. In terms of the enroll stage, since communication and outreach is generally weak in South Asian countries, potential beneficiaries usually apply to specific programs separately, which can lead to inefficiencies. Notification efforts are also limited, and enrollment status is often assumed by applicants depending on whether they receive payments. In terms of the provide stage, much progress has been made in digitalization. However, in a few countries, adoption of digital payments has been limited by a plethora of challenges, such as lack of trust and awareness of electronic payments, low digital literacy and financial education, and a poor network of financial access points. Finally, in terms of the manage stage, beneficiary operations-management systems are virtually nonexistent. Grievance registration and resolution are not tracked systematically, despite multiple channels to register complaints. The integrated appeal and grievance mechanism for BISP in Pakistan stands as the exception.

**Figure O.20. Core elements of social assistance delivery systems**

Source: Adapted from Lindert et al. 2020.

Note: Colors reflect degree of challenges, with green indicating no or minor challenges, blue to yellow/red indicating significant challenges, and purple indicating major challenges.
South Asian countries are also on average inadequately equipped to deliver adaptive social protection in the aftermath of shocks (Figure O.21). Beyond ensuring increased inclusion of potential beneficiaries as well as enhanced governance of service delivery, social registries are a key feature of adaptive social protection. Except for in Pakistan, most social registries in South Asia are at nascent or emergent stages. Many countries in the region operate a multitude of social information systems with limited interoperability, dynamism and portability, which prevents the swift provision of adequate support to shock-affected beneficiaries. Besides, all countries in the region face concerns around data accuracy, quality, security, and updating. The COVID-19 government response showed that South Asian countries that invested in delivery systems, including particularly a social registry and a dedicated payment platform, were able to respond rapidly and efficiently. Thus, while India and Pakistan—with significant advances in biometric identification, financial inclusion, and mobile phone penetration—responded within weeks after the lockdowns started, Afghanistan (for instance) faced enormous technological and institutional challenges (Sherburne-Benz, Paternostro, and Majoka 2020).

Figure O.21. How adaptive are South Asia’s social protection systems?

Source: Adapted from Johnson and Walker 2022.

Note: Delivery systems refers to eligibility, enrollment, and grievance redress mechanisms.

All of this is in the context of South Asia’s demographic transition, which requires a renewed focus on youth and the working-age population. By 2050, South Asia is estimated to be home to the largest cohort of the working-age population (1.5 billion people) in the world (Sherburne-Benz, Paternostro, and Majoka 2020). Except for Afghanistan (with relatively high fertility) and Sri Lanka and Maldives (both rapidly aging), countries in the region have seen important increases in the working-age population. Between 2000 and 2020, the region’s working-age population increased by 19.9 million per year, largely driven by Bangladesh, India, and Pakistan. The number of workers grew faster than the number of elderly and children, as reflected by the decreasing dependency ratio (figure O.22). With a high proportion of youth among the working-age population, human capital is South Asia’s largest asset. In 2020, the share of youth (ages 15–24) in the total population in the region was 18 to 22 percent, except in Sri Lanka and Maldives, where the shares were 15 and 14 percent, respectively. In Afghanistan, the share of young people is among the highest in the world: nearly two-thirds of the population is ages less than 25, and half are ages less than 15.
South Asia is also the most rapidly urbanizing region of the world, which presents important opportunities and challenges in labor markets. Urbanization is often associated with economic growth and structural transformation, as people move out of agriculture and more into industry and services. Nonetheless, most people in urban areas in South Asia still work in the informal sector, where jobs are precarious and lack protections. Nonagricultural household enterprises are also one of the largest sources of employment in urban areas, but their productivity is low and growth limited. Informal settlements have become domains of economic activity in urban areas, where home-based work accounts for a significant share of urban employment, especially among women. These conditions restrict women to low-productivity jobs that have no income growth potential and often expose the women to hazardous work conditions. A shortage of jobs in urban areas likely leads workers to become discouraged and exit the labor market, as is evident by the low ratios of urban employment to population, a high urban unemployment rate, and low urban female labor force participation rates. Congestion constraints because of inadequate infrastructure and limited basic services in urban areas might also be among the key reasons for the barriers in labor markets.

International migration for temporary employment has played a key role in poverty reduction and in relieving the pressure on domestic labor markets, but the demand for workers is uncertain and dwindling. Migration from South Asia is male dominated, low skilled, and concentrated in a few sectors and destinations. A strong regional concentration of labor migration increases the vulnerability of migrants to economic shocks in some of the destination countries, for example, in the Gulf Cooperation Council, particularly in relation to oil-price volatility and nationalizations. The demand for migrants from South Asia has also become volatile due to other shocks, such as the COVID-19 pandemic. During the pandemic, many migrant workers were either stranded in destination countries or repatriated, which then presented an immediate challenge of helping...
returning migrants reintegrate into the domestic labor markets by strengthening skills-development and job-matching programs. Recent macroeconomic shocks such as that in Sri Lanka have led to a record-high increase in the number of Sri Lankans migrating for foreign employment across both high- and low-skill occupations. This highlights the importance of developing migration policies for higher development impact.

**Technology and automation in South Asia are unlikely to destroy a large number of jobs, but instead can open up doors to the global market.** Technology is quickly changing the world of work. In South Asia, nonetheless, automation and digitalization are unlikely to destroy large numbers of jobs, given the dominance of micro-firms and the low price of labor compared to capital. However, low-skilled workers are likely to endure the most adjustment costs, as the automatability of their jobs is higher compared to high-skilled workers. In addition, the region faces an important opportunity to make use of emerging types of gig work. India, Bangladesh, and Pakistan are currently the top three countries in terms of the supply of workers engaging in online freelancing. In addition, digital platforms have the potential to help small and informal firms tap into the e-commerce sector, gain better market access, and eventually grow and possibly formalize.

**These key megatrends, coupled with a higher frequency of shocks South Asia is facing, offer an opportunity to rethink the role of social protection in the region.** Individuals face multiple life-cycle risks, oftentimes at once, and many of these risks are intertwined and build on each other. Recent crises, such as COVID-19, have demonstrated that, while the poor and vulnerable are most at risk, anyone can be affected by a shock at any stage in life. Examples are the economic crisis in Sri Lanka and the pre-Taliban conflict and violence in Afghanistan, and the 2022 Pakistan floods. No single program can sufficiently or adequately address the risks or shocks that individuals in South Asia face throughout their lives or equip people to be prepared for and take full advantage of megatrends. A renewed approach to social protection in South Asia is thus needed to appropriately protect people in the region.

**South Asian governments should therefore consider adopting universal social protection (USP) as an ultimate strategic objective.** Successful USP provides equitable access to social protection for all whenever it might be needed throughout the life cycle. USP refers to the availability of a needs-based package of services spanning social assistance, social insurance, and labor markets for any citizen in South Asia, irrespective of level of income, at any point in her or his life. USP thus seeks to support all people in managing risks and cope with shocks, build their human capital, increase their productivity and access economic opportunities. It relies on the availability of adequate social protection systems and financing. This means, for example, robust social protection strategies and policies, sufficient public resources to invest in comprehensive and integrated programs, and strong service delivery mechanisms and government capacity. The importance of USP is widely recognized, as evidenced by its inclusion in the United Nations 2030 Agenda for Sustainable Development and the launching of the Global Partnership for USP under the co-leadership of the International Labour Organization and the World Bank. USP is promoted in recent World Bank strategic documents, including the 2022 Social Protection and Jobs Compass (Packard et al. 2019; World Bank 2022a). This publication seeks to apply the USP framework in those documents to the South Asian context.

**Given the long-term nature of USP, governments in South Asia should, in the short-term, consider engaging in progressive universalism.** This is a phased approach that starts with the poor and continues with the economically vulnerable or people who are one shock away from poverty. A large majority of people in South Asia is working in the informal sector. Therefore, the progressive universalism of social protection in South Asia is intrinsically linked to the specific needs of informal workers. As governments in the region advance in implementing the phased approach, it will be critical for them to focus particularly on disadvantaged demographic groups that have been left behind by social protection systems, namely, children, youth, and women (figure O.23).
Progressive universalism is country-specific and must rely, at least in the beginning, on a country’s existing social protection architecture. The level of development of social protection architecture across South Asian countries varies significantly, so the pathway, priorities and specific entry points or low-hanging fruit to engage in progressive universalism will vary greatly from one country to another. In addition, in the short to medium term, countries in South Asia will need to first leverage and strengthen their existing social protection architecture. However, countries will need to develop and implement new and innovative social protection approaches along the progressive universalism path to ensure that unaddressed or inadequately addressed risks are covered for all, whenever this is needed, and people can effectively manage shocks. Progressive universalism does not mean that South Asian countries neglect the needs of individuals who are more well off in the short to medium term. Instead, progressive universalism calls for South Asian governments to prioritize the poor and vulnerable in allocating limited public resources.

This publication proposes a set of recommendations to guide governments in South Asia in their efforts to engage in progressive universalism. The recommendations, organized in a four-pillar Framework, seek to promote equity, build resilience and increase opportunity for all, while strengthening social protection systems and financing (figure O.24). The first three pillars focus on the what, or interventions targeted to intended beneficiaries, while the fourth pillar puts an emphasis on the how, or measures that will enable the effective and efficient delivery of said interventions. The first pillar on equity seeks to ensure the poor and vulnerable have a basic minimum level of consumption, thus preventing negative coping mechanisms that can impact inter alia their human capital development. Its recommendations are related to social assistance. The second pillar on resilience aims at enabling people to cope with shocks, to prevent them from falling into or falling deeper into poverty. Its recommendations are primarily linked to social insurance. The third pillar on opportunity promotes increased access to income-generating opportunities for all. It includes recommendations on improving the functioning of labor markets. The fourth pillar focuses on social protection systems and financing, and its recommendations put an emphasis on having sound strategic, financing and delivery mechanisms.
Figure O.24. Framework and recommendations: engagement in progressive universalism

**Equity**
- Increase coverage and adequacy of benefits of social assistance programs.
- Make social pension schemes targeted to the poor and vulnerable.
- Promote cash plus programs that provide comprehensive support to the poor.
- Invest further in conditional cash transfer programs for improved human development outcomes.
- Expand social care services for improved children’s physical and cognitive development and overall human capital.

**Resilience**
- Promote Voluntary Saving Schemes (VSS) and increased access to financial and non-financial services for non-poor informal workers, gig workers and the self-employed.
- Improve coverage, equity and sustainability of contributory pension systems.
- Establish integrated public-private sector pension schemes that reduce disincentives to public-private sector labor mobility.
- Adopt more shock-responsive SP approaches that help poor and vulnerable prepare for and cope with shocks.

**Opportunity**
- Scale up economic inclusion programs for the poor and vulnerable.
- Strengthen work-based skills training to improve employability & productivity of workers, especially those working informally.
- Develop skills training and employment programs to prepare workers for new emerging types of work, including in technology and the green economy.
- Invest in skills training and employment programs for occupations demanded globally to improve migrants’ access to better jobs and facilitate the re-insertion of migrant returnees in the local economy.
- Strengthen job matching and intermediation services to improve the employability of job seekers, especially youth & women.
- Improve labor protections to address informal workers’ vulnerabilities.
- Address barriers to entry and growth for small and micro-enterprises to create more and better jobs for the vulnerable.
- Tackle female-specific barriers to accessing quality jobs related to social norms, childcare, safety and mobility.

**Social Protection Systems and Financing**
- Develop, finalize and/or update comprehensive and integrated SP strategies/frameworks.
- Strengthen the main building blocks of delivery systems, including outreach and communications, social registries, data protection legislation and beneficiary-operations-management systems.
- Enhance SP interoperability with other databases, including those of Disaster Risk Management.
- Promote increased access to quality data for improved monitoring and inform broader policy and program decisions.
- Expand the digitalization of SP delivery for improved governance, efficiency and effectiveness of service delivery.
- Promote increased efficiency gains in the delivery of social protection through system strengthening.
- Expand overall public financing for SP through subsidy reform and improved domestic revenue mobilization.


This set of recommendations recognizes the difficult macro-fiscal situation many countries in South Asia face. The recommendations place a particular emphasis on the promotion of efficiency gains and the development or scale-up of targeted interventions and innovative social protection solutions that encourage self-reliance. For example, key recommendations across the four-pillar framework include expanding the coverage of existing poverty-targeted programs through improved and more efficient delivery mechanisms and making existing programs poverty-targeted. In addition, the publication proposes countries in South Asia to move away from universal inefficient subsidies and, instead, reinvest some of these savings in targeted social protection programs. It also proposes the development of innovative programs, such as voluntary savings schemes (VSS), which rely on beneficiary contributions to manage life-cycle risks and cope with future risks. All the while advocating for the prioritization of social protection in budgeting decisions and the improvement of domestic revenue mobilization.
The publication is structured as follows: First, it describes some of South Asia’s main development outcomes and risks, including those related to economic growth, poverty, inequality, human development, diverse shocks, and megatrends. In this context, the publication introduces the concept of social protection, briefly describing its legal, institutional, and financing context in South Asia, and explores the role of social protection in the region’s social contract (chapter 1). The publication then describes and analyses, in detail, social assistance (chapter 2), social insurance (old-age pension, chapter 3) and labor markets (chapter 4) in South Asia, as well as the region’s social protection delivery systems (chapter 5). The publication ends by proposing a way forward for social protection in the region, framed around the four-pillar framework that, it is hoped, will guide countries in South Asia to engage in progressive universalism and ultimately achieve USP.
Notes

1 The only notable exception to the general trend of declining poverty in the region is Afghanistan, where the national poverty rate increased markedly in the 2010s, from 38 percent in 2012 to 55 percent in 2017 (IDA 2021).

2 Based on the US$1.90 line (Samaranayake 2021).


5 The extreme poor are the population segment living below the US$2.15-a-day poverty line. Children are defined as ages 0–17. See PIP (Poverty and Inequality Platform) (dashboard), World Bank, Washington, DC, https://pip.worldbank.org/home.


8 Social protection is defined as a set of policies and programs that assists individuals in managing risks and volatility, protects them from poverty and inequality, and helps them access economic opportunity. Social protection includes interventions across social assistance, social insurance, and labor markets. Social contracts may be defined as “dynamic agreements between state and society on their mutual roles and responsibilities” (OECD 2009, 17). Individuals in any given country give up some of their liberties to comply with society’s rules, regulations, and norms. In exchange, they gain civil liberties and the right to be safeguarded.

9 Bhutan’s social assistance expenditures and, hence, its aggregate social protection expenditures are excluded from the related analysis here because of a lack of reliable data. Much of the country’s social assistance is delivered through Kidu and is therefore difficult to quantify. The traditional Kidu is a system of grants offered by the king to people living in hardship. Kidu offers scholarships, health benefits, land grants, disaster relief, amnesty, and so on to socioeconomically vulnerable individuals, such as the landless, the disabled, the elderly, and children. Kidu is not part of the formal social protection policy and system. It is managed through the Office of the Gyalpoi Zimpon (Office for People’s Welfare and Well-Being). Bhutan’s pension and energy subsidy expenditures are, however, included among aggregate social protection expenditures.
Social assistance and social safety net (SSN) programs are noncontributory transfers in cash or in kind that are usually targeted on the poor and vulnerable. The cost of explicit energy subsidies is the difference between the retail price and the cost of the energy supply. For a nontradable product (such as electricity), the supply cost is the domestic production cost, inclusive of any costs to deliver the energy to the consumer, such as distribution costs and margins. Explicit subsidies also include direct support to producers, such as accelerated depreciation, but this support is relatively small. Other subsidy expenditures, including subsidies for food and fertilizer, are not included in this calculation because of the lack of regionwide data. See Climate Change: Fossil Fuel Subsidies (dashboard), International Monetary Fund, Washington, DC, https://www.imf.org/en/Topics/climate-change/energy%20subsidies#:~:text=Explicit%20subsidies%20occur%20when%20the,as%20distribution%20costs%20and%20margins.

Social pensions are noncontributory interventions that help the elderly cope with chronic poverty, destitution, and vulnerability.

Regional expenditure data on CCTs is incomplete because of data source limitations and ASPIRE program classifications. The expenditure data thus exclude important CCTs in South Asia, such as India’s Pradhan Mantri Matru Vandana Yojana and Janani Suraksha Yojana maternal and child health programs, Pakistan's Benazir Income Support Program (BISP) Waseela-e-Taleem education CCT and Nashonuma health and nutrition CCT, and Nepal’s Safe Motherhood Program. For ASPIRE, see ASPIRE (Atlas of Social Protection Indicators of Resilience and Equity) (dashboard), World Bank, Washington, DC, https://www.worldbank.org/en/data/datatopics/aspire.

Coverage is defined as the percentage of the population participating in social assistance programs. For social assistance coverage of the poor, coverage is calculated as follows: number of individuals in the bottom 40 who live in a household where at least one member receives a transfer, divided by the number of individuals in the bottom 40.

If India were included, the average social assistance coverage in South Asia would go up to 36 percent, but this would be primarily a result of the country’s quasi-universal public distribution system.

Adequacy of benefits is the total transfer amount received by all beneficiaries in a quintile as a share of the total welfare of beneficiaries in that quintile. It is calculated as follows: amount of transfers received by a quintile/total income or consumption of beneficiaries in that quintile.

The government of Sri Lanka did increase benefit levels across social assistance programs to address recent shocks, including COVID-19 and the country’s economic crisis.

Delivery systems comprise nine core elements under the following four broad stages: (a) assess: communication and outreach, intake and registration, assessment of needs and conditions; (b) enroll: eligibility and enrollment decisions, determination of benefit and service package, notification, and onboarding; (c) provide: provision of benefits and services; and (d) manage: beneficiary compliance, updating and grievances, exit decisions, notifications, and case outcomes (Lindert et al. 2020).

Social registries are databases with information about possible beneficiaries of social programs.

One exception is Pakistan, where the outreach, registration, and application processes have been integrated so that clients no longer need to apply separately for different programs. Instead, they can apply for multiple programs using a shared process, often using a common application form.
An adaptive social protection system, which is key to improved future resilience and preparedness, relies on a dynamic delivery system, including an established and regularly updated social registry or information system and an established digital payment system.


Informal settlements are residential areas where the inhabitants do not have security of tenure over the land or housing.
References


Chapter 1. Development trajectories and risks

This chapter describes the overall context of the South Asia region, including past and recent trends and the risks to South Asia’s progress across economic and social indicators. First, the chapter summarizes the region’s past economic performance and outlook and describes the associated trends in poverty and inequality. Second, the chapter identifies key outcomes in health and education to shed light on overall human capital accumulation. Third, the chapter explores important demographic trends that are shaping South Asia’s overall development trajectory. Fourth, the chapter examines the region’s vulnerability to a wide range of shocks that, if not addressed, will have an impact on stability, progress, and development outcomes. The chapter concludes by introducing the concept of social protection, briefly describing its legal, institutional, and financing context in South Asia, and exploring its role in the region’s social contract.

1.1. Growth, poverty, and inequality

1.1.1. Economic growth

In the last two decades, despite a recent downward trend, most countries in South Asia witnessed meaningful economic growth. Among the high achievers are Bangladesh and Bhutan, with average 5.7 and 4.6 percent real per capita growth in gross domestic product (GDP), respectively, between 2000 and 2018 and reached lower-middle-income status, as well as India and Sri Lanka, with average growth at 5.2 and 4.6 percent, respectively, during the same period. In contrast, Maldives and Pakistan, with short spells of more rapid growth regularly followed by crises, have struggled to sustain economic growth. On average, their real per capita GDP growth rate was only 2.5 and 2.3 percent, respectively, during the same period, substantially below the performance of other countries in the region. Average per capita economic growth in South Asia declined from 3.9 percent in 2017 to 3.6 percent and 3.2 percent in 2018 and 2019, respectively.1
1.1.2. Poverty and vulnerability

**Economic growth translated into substantial reductions in extreme poverty albeit with a recent slowdown.**

Poverty rates, as gauged using two international poverty lines—2017 purchasing power parity (PPP) US$2.15 per person per day extreme poverty line and the US$3.65 per person per day lower-middle-income poverty line—have decreased significantly across South Asia over the past 20 years, with the exception of in Afghanistan (Figure 1.2, panels a and b). All countries in the region reduced extreme poverty by half. India has lifted more than 120 million people out of poverty in recent years. However, poverty reduction has stalled for many South Asian countries. For instance, Bangladesh saw a deceleration in the poverty reduction rate in 2010–16, a period of rapid economic growth (World Bank 2019a). And in Pakistan, the share of the extreme poor decreased from 33.3 to 5.2 percent between 2001 and 2015 and remained around 5 percent in 2018.

**Figure 1.2.** Poverty headcount at international poverty lines, South Asia, 2000–18

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Note: For Afghanistan, data are available beginning in 2003.
c. Changes in population distribution by economic class in South Asia, 2000–2018


Note: Headcount ratios are based on the 2017 PPP US$2.15 and US$3.65 per person per day poverty lines.

However, many South Asian households remain poor at the lower-middle-income poverty line, and more are a shock-away from poverty. Poverty reduction has been significantly slower gauged by the US$3.65 line than by the extreme poverty line (figure 1.2, panel c). Moreover, households with consumption per person between US$2.15 and US$3.65 a day account for roughly a third of the poor.

Many people in South Asia are a shock away from falling into poverty. In Nepal, a third of all households faced at least one shock between 2016 and 2018, losing an average of 6.5 percent of their assets (World Bank 2021e). In urban Bangladesh, one in two households are at risk of falling into poverty with the slightest shock (World Bank 2019a). In Maldives, about 40 percent of the people are vulnerable to falling into poverty if they suffer a 50 percent income shock (such as the loss of a main income earner’s income) (Walker, Varadan, and Dorfman 2019). The recent economic crisis in Sri Lanka is estimated to have doubled moderate poverty between 2021 and 2022 and increased vulnerability. (World Bank 2022g). Similarly, in Afghanistan, in 2019–20, close to a third of the country was living above the poverty line, but below 1.5 times the poverty line, making them vulnerable to economic shocks that could push them into poverty. The 2021 economic crisis triggered by the sudden termination of international grants increased poverty substantially. By mid-2022, two-thirds of households in the country reported that they could not cover their most basic food and nonfood expenses, and, by mid-2023, one Afghan in two was poor (World Bank and Afghanistan Futures 2023).
Across the region, rural areas and children are more likely to be poor. In 2019, 87.2 percent of the extreme poor in South Asia were living in rural areas. The urban-rural gap was smallest in Bhutan and Sri Lanka and largest in Bangladesh, where 16 percent of the rural population was extremely poor versus 5.8 percent of the urban population. These gaps are substantially larger if the US$3.65 per day poverty line is considered, particularly in Pakistan and Bangladesh (figure 1.3, panel b). Meanwhile, in 2019, children constituted 34 percent of the population in South Asia. In Bangladesh, 17 percent of children were extremely poor, and 58.5 percent of all children in the country were living below the US$3.65 poverty line, a significantly higher share than the corresponding shares of the elderly and working-age population. The same pattern applies in Pakistan, but with larger children-elderly and children-working-age population poverty differentials (figure 1.3, panel a).

**Figure 1.3. Poverty rates: two international poverty lines, by age-group and location**

![Figure 1.3](image)

**Source:** World Bank calculations based data of Poverty and Equity Briefs (Data Catalog), World Bank, Washington, DC, [https://datacatalog.worldbank.org/search/dataset/0064942/Poverty---Equity-Briefs](https://datacatalog.worldbank.org/search/dataset/0064942/Poverty---Equity-Briefs).

**Note:** Children are ages 0–14. The working-age population is ages 15–64. The elderly are ages 65 or more. The data are from the most recent available year: Bangladesh (2016), Bhutan (2017), India (2019 imputed), and Pakistan (2018). The choice of countries is based on the availability of poverty statistics based on the poverty line of US$3.65 per day after 2016. Maldives is not included in the figure, as moderate poverty (based on US$3.65 per day) was below 1 percent. Nepal is not included because the latest official estimates on poverty are from 2010. In Nepal, the definition of urban and rural areas has changed since 2010; however, using the definition in the 2010 household survey, poverty in rural areas was double that in urban areas based on a poverty line of US$3.65 per day. International poverty data are not available for Afghanistan. Nonetheless, in 2019, more than half of the children were living below the official poverty line, 51 percent, while 43 and 44 percent of the working-age population and the elderly, respectively, were living below the official poverty line. The gap between urban and rural poverty is small, with official poverty at 45.5 percent in urban areas and 47.6 percent in urban areas.
Within countries, poverty prevalence also exhibits large spatial disparities. For example, in 2019, the extreme poverty rate in India’s poorest state was more than three times the median state’s poverty rate, and in six of the poorest states, the extreme poverty rate was more than twice the median state’s poverty rate. Punjab Province in Pakistan is home to almost half the country’s poor. A poverty belt concentrated in southern Punjab, where the poverty rate (39 percent) is almost twice as high as the province average (21 percent). Meanwhile, 93 percent of the poor in Maldives were living on the atolls in 2019 (World Bank 2023a). The poverty rates in the atolls averaged 19.2 percent (with a high of 24.0 percent on South Huvadhu Atoll) compared with 8.8 percent in Malé.

In addition to monetary poverty, a high share of the population continues to live in multidimensional poverty, facing deprivations in health, education, and living standards. Although the incidence of multidimensional poverty has fallen, South Asia is still home to 520 million multidimensionally poor. Multidimensional poverty remains quite high across much of the region, ranging from around 16 percent in India to 56 percent in Afghanistan. This is particularly concerning by comparison with countries in East Asia at similar levels of development (such as the Lao People’s Democratic Republic and the Philippines). In contrast, as gauged by national poverty lines, less than 3 percent of the population in Maldives and pre-crisis Sri Lanka were living in multidimensional poverty before the pandemic (figure 1.4).

**Figure 1.4.** Share of population living in multidimensional poverty, %

![Bar chart depicting the share of population living in multidimensional poverty across countries.](chart.png)


*Note:* The data-years are Afghanistan (2016); Bangladesh and Nepal (2019); India (2019–21); Maldives, Lao PDR, and Philippines (2017); and Pakistan (2018).

### 1.1.3. Inequality

South Asia has made some progress in shared prosperity over the past years (Figure 1.5, panel a). Shared Prosperity Premium is measured by comparing the annualized growth rate in per capita consumption of the total population and the poorest 40 percent of the welfare distribution (the bottom 40). The bottom 40 enjoyed higher consumption growth than the total population in pre-crisis Sri Lanka and Pakistan, while the opposite is true in Bangladesh, Bhutan and India. However, India’s bottom 40 enjoyed the highest average per capita consumption growth than any other bottom 40 in the South Asia region.
South Asia’s inequality levels are lower than those in comparison countries (figure 1.5, panel b). Gini indexes in the region range from 28.5 in Bhutan to 37.7 in pre-crisis Sri Lanka, lower than those of comparison countries. However, inequality levels might be underestimated because household surveys tend to miss many households at the upper end of the consumption distribution.

**Figure 1.5. Inequality and shared prosperity, South Asia**

*a. Growth: bottom 40 vs. total population*

<table>
<thead>
<tr>
<th>Country</th>
<th>Annualized Consumption Growth per capita from Household Survey</th>
<th>Annualized Consumption Growth per capita of the bottom 40 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>0.65</td>
<td>1.74</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1.25</td>
<td>1.34</td>
</tr>
<tr>
<td>India</td>
<td>3.93</td>
<td>3.34</td>
</tr>
<tr>
<td>Bhutan</td>
<td>1.67</td>
<td>1.63</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1.54</td>
<td>1.35</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.79</td>
<td>2.98</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>1.91</td>
<td>3.07</td>
</tr>
</tbody>
</table>

*b. Gini*

<table>
<thead>
<tr>
<th>Country</th>
<th>Gini Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>37.7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>29.6</td>
</tr>
<tr>
<td>Nepal</td>
<td>30.0</td>
</tr>
<tr>
<td>Maldives</td>
<td>29.3</td>
</tr>
<tr>
<td>India</td>
<td>32.8</td>
</tr>
<tr>
<td>Bhutan</td>
<td>28.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>33.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>40.7</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>38.8</td>
</tr>
</tbody>
</table>


**Note:** The data are based on the latest data-years shown in the figure. All South Asian countries and Lao PDR calculate inequality based on consumption and Philippines calculates inequality based on income.
1.2. Human capital

South Asia has made important progress in education and health in recent decades, but significant human capital deficits persist. Despite important improvements in health, nutrition, and education over the last couple of decades, stunting, child mortality, and poor learning outcomes continue to seriously challenge human capital formation in South Asia. Given that human capital is the largest component of global wealth, such shortfalls among children in the region today will have adverse implications for the productivity of future generations of workers and thus overall economic growth (Lange, Wodon, and Carey 2018).9

The average South Asian child is expected to realize less than half of their potential as a future worker. The World Bank human capital index combines three components related to survival, learning, and health into a measure of future productivity.10 The index is “a summary measure of the amount of human capital that a child born today can expect to acquire by age 18, given the risks of poor health and poor education that prevail in the country where she or he lives.”11 The average child born in 2020 in South Asia was expected to reach 48 percent of their potential, which is the second lowest rate across world regions and falls significantly behind the global average of 58 percent. The human capital index score ranged from about 0.40 in Pakistan and Afghanistan to 0.60 in pre-crisis Sri Lanka (figure 1.6).

Figure 1.6. 2020 human capital index, South Asia and other regions


Note: SSA = Sub-Saharan Africa; SAR = South Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; NA = North America.
One of the main factors hindering human capital accumulation in South Asia is the region’s high levels of malnutrition and, specifically, stunting among children. The latest data show that, of 149.2 million stunted children worldwide, about one-third, or 53.8 million, are located in South Asia (FAO, IFAD, et al. 2021). This translates into a regional stunting prevalence of approximately 32 percent, which is close to the world’s highest rate, found in Sub-Saharan Africa, at 32.4 percent (Gentilini 2022). The prevalence of stunting among children under five is lowest in Maldives and pre-crisis Sri Lanka, at 15 and 17 percent respectively. The stunting rates even in these two countries are alarmingly high given their income levels. The prevalence of stunting among children under five is highest in Afghanistan and Pakistan, at 38 percent (figure 1.7). Stunted children are at greater risk of death and illness. Their cognitive and physical growth is harmed, thus reducing their intellectual capacity and school performance as well as future labor productivity. It is no surprise, then, that Nepal’s economy is estimated to lose up to 3 percent annually in GDP because of the effects of malnutrition on economic development (World Bank 2017).

**Figure 1.7. Stunting prevalence, South Asia**

![Stunting prevalence, South Asia](image)


Although stunting affects children across the income distribution, it is significantly more prevalent among the poorest (figure 1.8). Comparing the 4 South Asian countries on which data are available on stunting across income distribution with the 50 countries on which a similar analysis is possible yields a sobering revelation. The gap in South Asia between children in the richest quintile and children in the poorest quintile ranges from 23 to 35 percentage points. This is compared with an average gap of 19 percentage points in the 50 countries.
Chapter 1. Development trajectories and risks

**Figure 1.8.** Stunting prevalence in selected South Asia countries, by wealth quintile

![Figure 1.8](image)

**Source:** Data (dashboard), DHS Program (Demographic and Health Surveys), ICF International, Rockville, MD, [http://www.dhsprogram.com/Data/](http://www.dhsprogram.com/Data/).


**Malnutrition can partly explain the region’s high mortality rates among infants and children under 5, which are particularly high among poorer children.** In 2019, South Asia’s deaths per 1,000 live births were 33 and 40 among infants and children ages under 5, respectively—the second-highest rates in the world after Africa. As with stunting, Afghanistan and Pakistan have by far the highest rates of mortality for infants and children ages under 5 in the region, while Maldives and pre-crisis Sri Lanka have the lowest (figure 1.9). Among children ages under 5, mortality rates across South Asian countries are generally twice as high among children in the poorest quintile of the income distribution as among children in the highest quintile (figure 1.10). Many of these deaths are directly attributable to malnutrition and are therefore preventable.¹²

**Figure 1.9.** Infant and child mortality rates, 2019

![Figure 1.9](image)

**Source:** Data of WDI (World Development Indicators) (Data Catalog), World Bank, Washington, DC, [https://datacatalog.worldbank.org/search/dataset/0037712](https://datacatalog.worldbank.org/search/dataset/0037712).

**Note:** The infant mortality rate (IMR) and child mortality rate (CMR) are expressed in deaths per 1,000 live births. Child mortality is equivalent to under-5 mortality.
Women of reproductive age in South Asia also face serious nutritional challenges, significantly undermining their human capital potential and that of their children. Indeed, 48.2 percent of women of reproductive age in South Asia have anemia and a high prevalence of iodine deficiency (FAO et al. 2019). This is critical for overall human capital accumulation because 25 percent of the child stunting in the developing world is associated with poor growth in the womb, such as preterm birth and low birthweight (Danaei et al. 2016).

South Asian countries have made important progress in access to education, but many access challenges remain. Gross enrollment ratios across levels of education have increased in South Asia, with many countries in the region close to achieving universal primary school enrollment. However, in many countries, primary school completion rates are relatively low and reveal important gender disparities. For example, in Pakistan, primary-school completion rates were 78 percent among boys, but only 67 percent among girls. Enrollment at the upper-secondary level is also low and declining. For example, in Maldives, net enrollment in upper-secondary school is 45 percent, or less than half the enrollment at the lower-secondary level. In addition, only 26 percent of South Asia's children and youth are on track to finish secondary school (GBC and the Education Commission 2021). While this rate is projected to nearly double by 2030 (to 46 percent), this still implies that roughly 200 million primary and secondary school–age children will not be on track to complete secondary education. Bhutan is expected to have the best performance in the region, with 81 percent of its young people expected to complete secondary school by 2030 (up from 47 percent today).

These challenges could partly explain some of the region’s relatively weak predicted education outcomes and shed light on South Asia’s limited quality of education and learning. Children in pre-crisis Sri Lanka and Nepal who start school at age 4 are expected to attain the most years of schooling in South Asia at 13.2 and 12.3, respectively, while their Pakistani and Afghan counterparts are expected to attain the least in the region at 9.4 and 8.9 years, respectively. There is also an important learning crisis in the region, as evidenced by South Asia’s low number of learning-adjusted years of schooling, a measure that factors in what children actually learn while at school. For example, while pre-crisis Sri Lanka and Nepal have the highest expected learning-adjusted years of schooling at 8.5 and 7.2 respectively, their learning gap, or the number of years of schooling lost because of poor-quality education and learning, is the highest in the region, at 4.7 and 5.1, respectively (World Bank 2020). Pakistan and Afghanistan have the fewest learning-adjusted years of schooling in South Asia, at 5.1 each (figure 1.11).
Chapter 1. Development trajectories and risks

Figure 1.11. Key school performance indicators, South Asia


The large number of children who are considered learning poor is yet another indicator of the region’s poor quality of education and learning. Indeed, 89 million children in South Asia are unable to read and understand a short age-appropriate text by age 10, thus giving them the label of as learning poor (World Bank 2020) (figure 1.12). Afghanistan and Pakistan face the highest learning poverty incidence in the region at: 93 and 75 percent, respectively. These results highlight the challenges in access to quality education in the region. At the other end of the spectrum, in Sri Lanka in 2015, only 14.8 percent of children ages 10 were considered learning poor (World Bank 2022h).

Figure 1.12. Learning poverty, by region

These challenges to human capital accumulation are accompanied by low human capital use (see chapter 4). The latter problem comprises low labor force participation, driven by low female labor force participation rates and the high rates of individuals who are NEET, especially among youth and women. Many people actively participating in the labor market are unemployed, underemployed, or locked in informal jobs. At the individual and household levels, underuse of human capital translates into low productivity, loss of earnings, and low household resilience to shocks. At the national level, it translates into forgone economic growth and fiscal imbalances.

1.3. Demographic transitions

Many countries in South Asia are undergoing a demographic transition, fueled by improvements in life expectancy and declining fertility rates. In South Asia, a child born today can expect to live 22 years longer compared with a child born in 1970, the most rapid rise in life expectancy globally, mainly because of progress in addressing mortality among infants and among children ages under 5. And South Asia’s fertility rates are now close to replacement (2.3 children born per woman today compared with 5.8 in 1970) in all countries with the exception of Afghanistan and Pakistan.

By 2050, it is estimated that South Asia will be home to the largest cohort of people of working age (1.5 billion people) in the world. Except for Afghanistan (with relatively high fertility) and Maldives and Sri Lanka (both rapidly aging), countries in the region have exhibited important increases in the size of the working-age population (ages 15–64). Between 2000 and 2020, the region’s working-age population increased by 19.9 million per year, largely driven by Bangladesh, India, and Pakistan. This implies that the number of workers is growing more quickly than the number of the elderly and children as reflected in the decreasing total dependency ratio (figure 1.13).

Figure 1.13. Population distribution, South Asia, 2000–60


Note: The total dependency ratio = the ratio of the population ages 0–14 and 65+ per 100 population ages 15–64. The old-age dependency ratio = the ratio of the population ages 65+ per 100 population ages 15–64. The 2025–60 estimates assume low birthrates.
With a high proportion of youth among the working-age population, human capital is South Asia’s largest asset. In 2020, the share of youth (ages 15–24) in the total population in the region was 18 to 22 percent, except in Maldives and Sri Lanka, where the shares were 14 and 15 percent, respectively. In Afghanistan, the share of young people is among the highest in the world: nearly two-thirds of the population is below the age of 25, and half are below age 15.

To reap the demographic dividend, countries must create an adequate number of quality jobs today for the millions of youths who join the labor force yearly. Demographic trends suggest that between 1 and 1.2 million young South Asians will continue to join the labor force every month up to 2030. This represents roughly 40 percent of all new entrants to global labor markets (Nayar et al. 2012). But the current pace of job creation in South Asia is insufficient. Out of those who enter the labor market every year, only 20 percent obtain jobs. Furthermore, most available jobs are in one- to two-person firms (self-employment or household enterprises) that have the potential to grow, but lack access to capital, have limited management capacity, and are predominantly in low-productivity, informal sectors. Investing in youth, who are more prone to adopt technologies and innovations, is thus critical to the region’s development process. It will help to increase productivity, economic growth, and the effectiveness and efficiency of social spending in light of possible future rising demand for social services and pensions.

Countries in South Asia must also prepare for an older population. The window of opportunity to tap into South Asia’s large youth bulge will close in the next three decades, as the proportion of individuals above retirement age will start growing fast in 2050, leading to a rapid rise in the old-age dependency ratio (figure 1.14). Demographic projections suggest that, by 2060, in all countries, except Afghanistan and Pakistan, 20 percent of the population will be over the age of 65. An aging population requires the provision of comprehensive protection (including health care and social care needs), along with lifelong learning programs to support reskilling because individuals are likely to work longer. To add to the challenge, such programs ought to be affordable and financially sustainable, given the fiscal challenges afflicting countries in the region, particularly Maldives and Sri Lanka.

Figure 1.14. The old-age dependency ratio, South Asia, 2000–60


Note: The old-age dependency ratio = the ratio of the population ages 65+ per 100 population 15–64. The 2025–60 estimates assume low birthrates.
1.4. Fragility

1.4.1. Health and COVID-19

**COVID-19 significantly harmed South Asian economies.** Many countries experienced their first contraction in decades. Although Sri Lanka’s economy was already showing signs of weakness, it contracted by 3.5 percent in 2020, the worst performance on record. Similarly, in India, the contraction in GDP per capita in 2020 was 7.5 percent. COVID-19 also had a devastating impact on the Maldives economy, which contracted by 32 percent, making Maldives the most affected country in South Asia (World Bank 2021d). This was driven primarily by the lack of economic diversification and heavy reliance on tourism, which caused serious losses in Maldivian household wages and earnings.

**The economic contractions because of the COVID-19 crisis exacerbated poverty in South Asia.** Initial projections estimated that half the COVID-related new poor would be in South Asia (Castañeda Aguilar et al. 2022). At least 115 million and 49 million people were expected to be pushed below the US$3.20 and US$1.90 poverty lines, respectively (figure 1.15). In Bangladesh, simulations show that COVID-19 may have added 8 to 12 percentage points to the 2020 poverty rate beyond what it would have been otherwise. And in Sri Lanka, the COVID-19 crisis increased poverty from 11.3 percent in 2019 to 12.7 percent in 2020 (gauged using the international poverty line of US$3.65), a change that translated into over 300,000 new poor people (World Bank 2022g).

**Figure 1.15. COVID-19–induced poverty, South Asia, 2020**


Note: COVID-19 scenarios are based on global growth contractions during 2020 of 5 percent (baseline) and 8 percent (downside).
**COVID-related poverty increases are mainly attributable to declining labor income.** South Asian countries reported that, in 2020–21, between 33 and 68 percent of economically active workers had to stop working because of the pandemic. Nepal and Sri Lanka were the most affected in the region (figure 1.16). Except for Afghanistan and Maldives, most of these job losses occurred in urban areas. Beyond job losses, over half the economically active working-age population in Sri Lanka (58 percent), an estimated 37 percent in Maldives and between 54–61 percent in Nepal experienced some sort of labor market harm related to the pandemic, most notably losses in earnings.

*Figure 1.16. Share of workers who stopped working because of COVID, 2020–21*

South Asian countries reported that, in 2020–21, between 33 and 68 percent of economically active workers had to stop working because of the pandemic. Nepal and Sri Lanka were the most affected in the region (figure 1.16). Except for Afghanistan and Maldives, most of these job losses occurred in urban areas. Beyond job losses, over half the economically active working-age population in Sri Lanka (58 percent), an estimated 37 percent in Maldives and between 54–61 percent in Nepal experienced some sort of labor market harm related to the pandemic, most notably losses in earnings.

*Figure 1.16. Share of workers who stopped working because of COVID, 2020–21*


**Note:** The respective data period are as follows: Afghanistan and Bangladesh (August–November 2020), Bhutan (September–October 2020), Maldives (December 2020–February 2021), Nepal (August–November 2020), Pakistan (December 2020–April 2021), Sri Lanka (September–December 2020), and India (October 2020–April 2021).

**The pandemic also led to increases in inequality.** World Bank estimates show that COVID-19 widened the income gap between the poorest 90 percent of the population and the richest 10 percent by 13.2 percentage points in India and 7.7 percentage points in Pakistan.

**These effects prompted households to make difficult decisions with profound human capital implications.** A World Bank report that assessed the impact of the pandemic on individuals 24 years or younger found that these individuals were deprived during the pandemic of health and education inputs that are necessary for forming human capital (Schady et al. 2023). Children ages under 5, the age range at which human capital deficits are most consequential to future productivity, were affected by the pandemic in multiple ways, from missing essential vaccinations, to experiencing reduced food rations and delaying the start of or withdrawing from preprimary education. Relative to 2019, the share of Bangladeshi households reporting smaller food portions for children...
increased by an alarming 100 percent in 2020, putting an entire generation at risk of experiencing one form of malnutrition or another. The report also found that toddlers in rural Bangladesh in 2022—that is, those born during the pandemic—show marked deficits in cognitive and motor skills compared with toddlers in 2019. And, while preschools closed across the globe during the pandemic, enrollment levels were low after they reopened in comparison with pre-pandemic levels. Rates were lower by 10 to 15 percentage points in some countries, including Pakistan.

**South Asia’s children of school age also faced important challenges during the pandemic, which will translate into unrealized future human productivity and stunted economic growth.** Whether from prolonged school closures or distant learning, children of school age worldwide experienced significant learning loss during the pandemic, and South Asia’s children are no exception. Schady et al. (2023) find that one month of school closures led, on average, to one month of learning loss, with greater learning losses among younger and poorer children. In Bangladesh, students with mothers who had limited education lost more than twice as much learning as students with a highly educated mother. Even after the pandemic, school enrollment across all education levels decreased. In Pakistan, primary-school enrollment declined by 6.7 percentage points overall, and lower-secondary enrollment declined by 4.6 percentage points. South Asian students could lose up to 14.4 percent of their future earnings because of the education shocks induced by COVID-19.

**Among adolescents and young adults, the pandemic was manifested in lost opportunities to accumulate more human capital or begin human capital use** (Schady et al. 2023). Because of school closures and fewer available jobs for labor market entrants, the school-to-work transition was challenging, and those who were fortunate to find productive jobs had to accept sharply cut wages. The share of youth who were NEET increased sharply in some countries during the pandemic, including in Pakistan, where 1.6 million additional youth are idle. Delayed transition into the labor market, lower wages, and inactivity are all factors that directly contribute to youth economic vulnerability.

**South Asian women were adversely affected by the pandemic.** A World Bank labor market survey in 2022 found that not only were women more likely to have lost their jobs during the pandemic, but they also faced greater difficulty in returning to a job during the early stages of the recovery (World Bank 2022c). The survey found that, with the exception of Bhutan and Pakistan, job-loss rates were higher among women workers than among men workers in South Asia. The largest gap was in Nepal, where 40 percent of women respondents reported they had lost their jobs during the pandemic relative to 27 percent of men respondents. Among those who lost their jobs during the pandemic, job recovery occurred at a much higher rate among men than women across all countries in South Asia, with the widest gaps of 22, 20 and 10 percentage points in Pakistan, Afghanistan, and India, respectively. In a region where female labor market outcomes are already weak, this may have long-term implications in reinforcing existing inequalities in labor market outcomes across the region.

**In addition, the pandemic increased the vulnerability of women and girls to gender-based violence and exploitation.** Even before the pandemic, over 37 percent of women in South Asia had experienced violence by their partners (Boniol et al. 2019). Given the reprioritization of health systems away from sexual and reproductive health services, women now have even more limited access to family planning and ante- and postnatal care. In addition, most of South Asia’s workforce in the health and social sector are women, who are thus more exposed to the risk of infection.
1.4.2. Natural hazards, disasters, and climate change

**South Asia is highly vulnerable to a wide range of natural hazards and disasters, which cause important economic losses.** The number of natural disasters per year has doubled since the 1980s, and the cost per event has almost quadrupled (figure 1.17). Between 2010 and 2017 alone, disasters caused by natural hazards across the region resulted in damage valued at approximately US$150 billion (Fallesen et al. 2019). India suffered the greatest economic losses, with floods affecting more than 30 million people a year, half of whom are in one of India’s poorest states (Bihar), leading to an average loss equivalent to approximately 0.62 percent of GDP (World Bank 2018).

**Figure 1.17.** Natural disasters per year and cost per event, South Asia, 1980–2021

![Graph showing natural disasters per year and cost per event, South Asia, 1980–2021](image)


Note: Data on the cost per event are deflated using the regional GDP deflator.

**South Asia is increasingly prone to climate change, which further increases the incidence of natural hazards and disasters.** South Asia is experiencing an increase in climate-related impacts such as floods, droughts, heat waves, agricultural damage, and loss of water quality. South Asia is the region most susceptible to the risks of climate change (map 1.1). Afghanistan and India were among the top 10 list of countries most affected worldwide by climate change in 2019, according to the global climate risk index. Maldives and Sri Lanka had been among the top 10 in previous years. Bangladesh, Nepal, and Pakistan all made the top 10 among the countries most affected worldwide in 2000–19. In the past decade, nearly 700 million people—half of South Asia’s population—were affected by one or more climate-related disasters (Fallesen et al. 2019).

**High vulnerability to climate change has had important economic consequences.** South Asia lost more than US$400 million in 2019 alone because of the impacts of extreme weather conditions associated with climate change. Although likely to be grossly underreported, the GDP losses as a result of climate change during 2000–19 were at least 0.39 percent in Nepal, 0.41 percent in Bangladesh, and 0.52 percent in Pakistan (Eckstein, Künzel, and Schäfer 2021). The 2022 flood in Pakistan is expected to have led to a decline in GDP of about 2.2 percent in fiscal year (FY) 2022 (World Bank 2022f). In Maldives, climate change could cause annual economic losses of more than 12 percent of GDP by 2100 (World Bank 2021a).
High vulnerability to climate change has also claimed the lives of many people and will continue to take a significant human toll across South Asia. In Nepal, more than 30,000 people die prematurely each year from air pollution, while, in Bangladesh, 32 percent of all deaths are linked to environmental degradation, particularly outdoor and household air pollution, lead exposure (among adults), and inadequate water, sanitation, and hygiene standards (World Bank 2019c, 2022a). Similarly, air pollution shortens the average Pakistani’s life expectancy by 4.3 years, with important implications for future productivity and economic growth (World Bank 2022f). Premature deaths as a result of climate change are expected to increase in the next years. For example, in Nepal, projections indicate that heat-related mortality will increase to around 53 deaths per 100,000 annually by the 2080s, compared with 4 per 100,000 between 1961 and 1990 (World Bank 2022d).

The poor are often disproportionately affected by climate change-related shocks and disasters (Hallegatte et al. 2020). First, poor people are generally more prone to live in riskier areas (exposure bias). They settle in risky areas for a number of reasons, including lack of information about the nature or level of risk but also increased economic opportunities and availability of services (agriculture and coastal zones, for example). Within these risky areas, local land and housing markets (or the availability of land) often push poor people to settle in riskier, but more affordable areas, further increasing the likelihood of being negatively affected by climate-change shocks and disasters. For instance, after Cyclone Aila in 2009, a survey of 12 villages on the southwest coast of Bangladesh showed that poor households were 11 percentage points more likely than nonpoor households to be affected (Akter and Mallick 2013; Hallegatte et al. 2020). Second, if affected, the poor tend to lose a larger share of their wealth (vulnerability bias). For example, in Mumbai, India, the combined income, asset, and repair losses associated with the 2005 floods represented 85 percent of the average annual income of the poorest (Hallegatte et al. 2020; Patankar and Patwardhan 2016).

Climate change-related shocks and disasters are a leading cause of impoverishment. Preliminary estimates suggest that the 2022 flooding in Pakistan led to an increase in national poverty of 3.7 to 4.0 percentage points, pushing between 8.4 million and 9.1 million people into poverty (World Bank 2021a). Similarly, multidimensional poverty was expected to increase by 5.9 percentage points, meaning that an additional 1.9 million households would fall into nonmonetary poverty. In Nepal, the 2015 earthquake is estimated to have pushed an additional 2.5 to 3.5 percent into poverty (NPC 2015). Cyclone Aila increased the poverty rate in Bangladesh by 22 percentage points in 2010 (Akter and Mallick 2013; Hallegatte et al. 2020).

Agriculture, the primary source of income for most South Asians, is highly vulnerable to climate change-shocks and disasters and thus a main pathway through which lives are harmed. Climate change is thought to be the biggest long-term and unmitigated external risk to water security in Pakistan, and it is a key reason why staple crop yields and livestock production are projected to decrease by up to 20 and 30 percent, respectively (World Bank 2019d). In Afghanistan, climate change is shifting the timing of water flows and crop seasons, increasing the frequency and intensity of droughts, and raising the exposure of agricultural workers to shocks (IDA 2021). And in Nepal, a one standard deviation monsoon-rainfall shock leads to losses in farm incomes of more than 10 percent and a 3.3 percent drop in food consumption among households in the most intensive paddy areas (Jacoby and Walker 2019).

Climate change-related shocks and disasters exacerbate food and nutrition insecurity in South Asia, particularly among the rural population depending on subsistence agriculture. For instance, during the monga season in northwest Bangladesh, food consumption regularly drops by 10 percent among the poorest 20 percent of households (O’Keefe et al. 2024). In Afghanistan, about 13.5 million people were estimated to be severely food insecure in 2017–18 after the worst drought in a decade hit the country, while the United Nations recently included Afghanistan in a list of 10 countries at highest risk of famine (IDA 2021). Natural disasters can also affect the poor by raising food prices, especially in isolated rural communities. This occurred after the unprecedented 2010 floods in Pakistan, which destroyed 2.1 million hectares of agricultural land, sending the price of wheat more than 50 percent above the preflood level (Cheema et al. 2015; Hallegatte et al. 2020).

The human capital losses arising from climate change-related shocks and disasters are also often immense. In Pakistan, school outcomes among school-age children living near the fault line of the 2005 earthquake were severely affected, although schools were only closed for an average of 14 weeks. While enrollment had recovered by 2009, children living less than 10 kilometers from the fault line had already lost the equivalent of about 1.5 years of schooling (Andrabi, Daniels, and Das 2020; Azevedo et al. 2020). In 2022, according to a phone survey of 4,000 families with children in the aftermath of Pakistan’s tragic floods, more than half of the interviewees reported that the floods harmed their children’s education: 28 percent reported that their children’s school was disrupted or damaged, and 35 percent reported that their children’s school was completely damaged (Barón et al. 2022).

Climate change has led and is expected to contribute to increased force migration and displacement. About 2.5 percent (4.1 million people) of Bangladesh’s population is estimated to have been displaced as a result of climate disasters in 2019. By 2050, 13.3 million internal climate migrants and around 27 percent of all South Asian climate migrants are projected to come from Bangladesh because of climate-induced impacts on agricultural production, water scarcity, and sea levels, with higher anticipated impacts on women. In Afghanistan, an estimated 300,000 people were displaced by the 2017–18 drought, and the prolonged dry spell of 2021 is expected to generate similar, if not more serious, outcomes because of a forecasted associated decline in agricultural outputs (OCHA 2022).
Changing weather patterns will directly affect over 800 million people, and climate change could push 62 million South Asians below the extreme poverty line by 2050 (Fallesen et al. 2019). Climate change will push between 5.7 million and 9.0 million additional people into poverty in Pakistan, and Bangladesh will have roughly 13.3 million internal climate change migrants by 2050. Furthermore, an estimated 148 million Indians reside in severe climate hotspots, where consumption may decline by 8 percent or more because of projected temperature increases (World Bank 2018).

Despite the well-documented vulnerability to climate change-related shocks and disasters, governments in South Asia are poorly prepared to assist populations following shocks. (table 1.1). Based on the World Risk Index, which takes into account both exposure and vulnerability to disasters, South Asia’s three most populous countries, i.e., India, Bangladesh, and Pakistan, fell within the highest disaster risk ranking in 2022, that is, within the top 10 of the index, with India occupying the second rank globally. In terms of exposure, given the proportion of the populations of these three countries relative to South Asia’s overall population, 90 percent of South Asia is at high risk of disaster. With the exception of Bhutan and Maldives and, to a lesser extent, Sri Lanka, all South Asian countries are highly vulnerable to disaster. Afghanistan exhibits the greatest vulnerability to disaster in South Asia and is ranked seventh globally.

Table 1.1. World Risk Index, South Asia, 2022

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Exposure</th>
<th>Vulnerability</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2</td>
<td>35.99</td>
<td>49.47</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>9</td>
<td>16.57</td>
<td>46.97</td>
</tr>
<tr>
<td>Pakistan</td>
<td>10</td>
<td>13.11</td>
<td>54.58</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>76</td>
<td>1.60</td>
<td>21.99</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>98</td>
<td>0.25</td>
<td>65.65</td>
</tr>
<tr>
<td>Nepal</td>
<td>131</td>
<td>0.25</td>
<td>27.54</td>
</tr>
<tr>
<td>Bhutan</td>
<td>176</td>
<td>0.10</td>
<td>11.91</td>
</tr>
<tr>
<td>Maldives</td>
<td>179</td>
<td>0.11</td>
<td>9.42</td>
</tr>
</tbody>
</table>

Source: Bündnis Entwicklung Hilft and IFHV 2022.

Note: The darker the shade, the higher the risk. Darker pink corresponds to the highest risk. Vulnerability measurements are based on susceptibility, which depends on socio-economic development, social disparities and deprivations, and the weakening of the population through violence, disasters, and diseases; lack of coping capacities related to social shocks, political stability, health care, infrastructure, and material security; and lack of adaptive capacities related to developments in education and research, reduction of disparities, investments, and disaster preparedness.

1.4.3. The expansion in global and country-specific crises

The global fuel and food crisis, exacerbated by Russia’s invasion of Ukraine, has added considerable pressure to South Asian economies. Higher food and energy prices drove increases in inflation in Pakistan, which rose to an 11-year high (27.3 percent, year-on-year, in August 2022) in FY 2022. In Afghanistan, increasing global energy and food prices (about half of the country’s imports) and the impact of the drought on agriculture continued to drive inflation in 2022. In July 2022, year-on-year inflation for basic household goods was 43.4 percent, a slight decline
from 50 percent in June 2022 (World Bank 2024). In Sri Lanka, headline inflation, measured with the Colombo consumer price index (2013 = 100), reached an unprecedented 69.8 percent (year-on-year) in September 2022 (World Bank 2023b). This was largely due to high food (94.9 percent) and transport (150.4 percent) inflation. Core inflation (computed excluding food and energy prices) was 46.6 percent (year-on-year) in August 2022.

Deteriorating economic conditions have pushed millions into acute food insecurity (World Bank 2021a). South Asia has the highest share of food in the consumption basket among all regions (figure 1.18, panel b). Rising food prices (figure 1.18, panel c) are thus expected to push millions of additional people into acute food insecurity in the near term (figure 1.18, panel a), affecting the poor and vulnerable disproportionately because of the high share of food in the consumption of poor households. A sharp increase in the cost of basic needs is one of the key mechanisms through which household welfare is diminished, particularly among the poor. In Sri Lanka, relative to 2021, the median poor household in 2022 experienced an increase in the cost of the consumption bundle of 66.4 percent, compared with 56.2 percent for the median nonpoor household (World Bank 2022g).

**Figure 1.18. Food insecurity, the consumption basket, and inflation**

![Figure 1.18](image-url)


**Note:** AEs = advanced economies. AFE = East Africa. AFW = West Africa. CPI = consumer price index. EAP = East Asia and Pacific. ECA = Eastern Europe and Central Asia. EU = European Union. LAC = Latin America and the Caribbean. MNA = Middle East and North Africa. SAR = South Asia. SSA = Sub-Saharan Africa.

All of which has led to important increases in poverty. It is estimated that the combined effects of the COVID-19 crisis and growing inflationary pressures, which have been fueled by Russia’s invasion of Ukraine, will lead to at least an additional 35 million extreme poor in South Asia, the largest increase among all regions (figure 1.19).
These global and regional shocks have compounded country-specific crises, including Sri Lanka’s unprecedented macroeconomic crisis (World Bank 2022g). Even before the COVID-19 pandemic, the country was facing a mounting public debt due to years of fiscal indiscipline, including unsustainable commercial borrowing and inefficient, and at times regressive, revenue collection. Debt service became increasingly challenging as foreign reserves depleted, prompting monetary tightening and decreased public spending on essential services. The COVID-19 pandemic, Russia’s invasion of Ukraine, and their ramifications for the international supply chain and food security pushed Sri Lanka’s inflation to unprecedented rates and sent the country into economic collapse and political instability. It is estimated that the poverty rate in Sri Lanka between 2021 and 2022 increased to its highest level since 2009, from 13.1 to 25.6 percent (US$3.65 per capita, 2017 PPP), eroding hard-won welfare gains up to 2019 (figure 1.20, panel a). The crisis not only increased the prevalence of poverty, but sent the poor deeper into poverty. The poverty gap widened to 27.4 percent in 2022 from 18.9 percent in 2019. Moreover, while losses in the real value of consumption were widespread in 2022, these were more pronounced in the lower part of the consumption distribution relative to a pre-COVID baseline of 2019 and relative to a more recent baseline of 2021 (figure 1.20, panel b).
The crisis in Sri Lanka also harmed livelihoods and productive potential (World Bank 2022g). It was estimated that more than half a million people would lose their jobs in 2022 as a result of the decline in the industry and services sectors (11 and 8 percent, respectively). At the same time, because of high inflation and low earnings, those who continued to earn a living were estimated to see their earnings decline by over 15 percent. The first half of 2022 also saw a decline of remittances from Sri Lankan workers abroad by 30 percent.

These global and regional shocks have also exacerbated other country-specific crises in the region, including that of Afghanistan. The rapid deterioration of the security situation prior to the Taliban insurgency and the political events of August 2021, when the Taliban gained control of the country, exacerbated the economic crisis in Afghanistan. The cessation of grant inflows, the loss of access to overseas central bank assets, and the breakdown in international banking relationships led economic output to decline by one-third over the last months of 2021 (World Bank 2022i).

Deteriorating economic conditions drove sharp declines in employment and household income. Per capita income between the last four months of 2020 and the same period in 2021 declined 34 percent (World Bank 2022i). Between October and December 2021, close to 90 percent of employed household heads interviewed for the World Bank’s Afghanistan Welfare Monitoring Survey reported a decline in their labor earnings in the last 30 days, with the self-employed or those in casual work reporting the largest declines (World Bank and Afghanistan Futures 2023). Disruption to public sector spending in particular led to a rapid slowing of the urban services and construction economy, which employed around 2.5 million Afghans and accounted for 77 percent of urban employment. A rapid survey of 100 private sector firms during October–November 2021 also confirmed major harm to private sector activity. The surveyed firms had laid off an average of nearly two-thirds of their staffs (World Bank 2022i).

The political and economic crisis has had adverse repercussions on food security. The share of households reporting that they faced an inability to cover basic food and nonfood needs reached 70 percent in March 2022, compared with about 35 percent in May 2021. Households in urban and rural areas also reported a significant decline in both the quality and quantity of food consumed (World Bank 2022e).

1.5. Introduction to social protection and the social contract in South Asia

Social protection is key to addressing poverty and vulnerability. Social protection is the set of policies and programs that assists individuals in managing risks and volatility, protects them from poverty and inequality, and helps them access economic opportunity. Social protection includes interventions across social assistance, social insurance, and labor markets. Social assistance or social safety net (SSN) programs are noncontributory interventions that help individuals and households cope with chronic poverty, destitution, and vulnerability. These include unconditional cash transfers (UCTs), conditional cash transfers (CCTs), social pensions, public works, fee waivers and targeted subsidies, school feeding, and transfers in kind. Social insurance consists of contributory interventions designed to help individuals manage changes in income associated with old age, sickness, disability, or natural disaster. It includes contributory old-age, survivor, and disability pensions, sick leave, maternity and paternity benefits, and health insurance. Labor market programs may be contributory or noncontributory. They are designed to help protect individuals against loss of income from unemployment.
(passive labor market policies) or help individuals acquire skills and connect them to labor markets (active labor market policies). These include unemployment insurance, training, intermediation services, and wage subsidies (World Bank 2022b).

**Social protection is an essential feature of social contracts, which are implicit agreements on roles and responsibilities between people and their governments.** Social contracts can be defined as “dynamic agreements between state and society on their mutual roles and responsibilities” (OECD 2009, 17). Individuals give up some of their liberties to comply with society’s rules, regulations, and norms. In exchange, they gain protection for their civil liberties and the safeguarding of their free choice. A social contract therefore rests on principles, such as equal protection among all workers, universality in the provision of services, and support for progressivity in a broad tax base (Bussolo et al. 2018). Lagarde (2019) argues that spending on social assistance and social insurance is a core component of a social contract.

**Social protection is a human right.** Human-rights based social protection is enshrined in the Universal Declaration of Human Rights (United Nations 1948), article 25, which states as follows:

> Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age, or other lack of livelihood in circumstances beyond his control.

> Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

This means that governments have an obligation under international human rights law to guarantee a minimum level of social protection for all. These views are also reflected in the United Nations Common Agenda, which advocates for a social contract anchored on human rights whereby no one is left behind (SAARC 2004).

**Human rights–based social protection relies on key preconditions that are essential to guaranteeing universal social protection (USP) as part of social contracts.** There are a few core aspects of the human rights approach to social protection, including that social protection programs must (1) be allocated sufficient resources to ensure adequate protection; (2) be enshrined and defined in national legal frameworks and supported by national strategies, frameworks, and plans of action; (3) be comprehensive, coherent, and coordinated as part of a broader development strategy; (4) respect the principles of equality and nondiscrimination; (5) ensure that the implementation of conditionalities or co-responsibilities does not undermine the human rights of beneficiaries; and (6) ensure transparency and access to information (Sepúlveda and Nyst 2012).

**With regard to (1), overall social protection expenditure in South Asia is largely insufficient** (figure 1.21). The average social protection expenditure in South Asia is 2.9 percent of GDP. The highest social protection expenditure is in social assistance (1.14 percent of GDP), followed by energy subsidies (0.93 percent of GDP) and public service pensions (0.83 percent of GDP). Expenditure on labor market programs is negligible and therefore not included in figure 1.21. Based on this expenditure calculation, Pakistan spends the most on social protection (4.8 percent of GDP), followed by Nepal (3.5 percent), Maldives (2.8 percent), and Sri Lanka (2.7 percent). Afghanistan and Bangladesh spend the least on social protection, at 2 percent of GDP. Pakistan’s relatively high social protection expenditure is driven by significant spending on explicit energy subsidies, while that of Nepal and Maldives can be explained by greater spending on social assistance. Spending on public sector pensions is highest in Pakistan, at 2 percent of GDP. As a share of total social protection spending, spending on public sector spending is highest in Sri Lanka, at almost 50 percent.
Figure 1.21. Total social protection expenditure, % of GDP


With regards to (2) and (3) and despite some recent progress, most South Asian countries do not yet have a comprehensive and integrated strategy to coordinate and guide social protection design and implementation (table 1.2). Pakistan approved a national social protection strategy in 2013, making it the first country in South Asia to do so. The National Social Security Strategy of Bangladesh was adopted in 2015 (Planning Commission 2015). These social protection strategies and frameworks represent a comprehensive vision of social protection, while establishing priorities in coverage, program type, and delivery mechanisms. Maldives and Nepal launched social protection frameworks in 2023. Sri Lanka has drafted a social protection policy, but this has yet to be approved. Bhutan’s Ministry of Labor and Human Resources has drafted a social protection framework that has not been reviewed by relevant public institutions and approved. Several acts and codes have been approved for social protection programs in India. For example, the social security code was approved in 2020. It is an overarching code for both formal and informal workers. The other acts focus on specific programs or specific groups of people. India does not have a comprehensive or integrated social protection strategy, while Afghanistan has developed a broader framework that includes social protection, though the guidelines have only been partly implemented. Developing comprehensive and integrated social protection strategies will enable South Asian countries to strengthen the overall social contract and adequately protect the poor and vulnerable. Such strategies will help countries in South Asia to consolidate delivery costs, avoid administrative duplication, and respond to diverse risk profiles (Ahmad 2019).
## Table 1.2. Social protection strategies and legislation, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Social protection strategy</th>
<th>Additional policies and legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Name</td>
<td>Status</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>National Social Security Strategy</td>
<td>Comprehensive strategies enacted in 2015</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>National Peace and Development Framework*</td>
<td>Guidelines only partially implemented</td>
</tr>
<tr>
<td></td>
<td>Draft National Social Protection Policy for Workers (2013)</td>
<td>Draft since 2013</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
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<td></td>
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*A social protection strategy was included in the Afghanistan National Development Strategy for 2008–13, but has only been partially implemented (World Bank 2015).*
In the absence of comprehensive and integrated social protection strategies, some South Asian countries tend to rely on sectoral policies that recognize and address the needs of various groups, but in disparate ways. In Nepal, for instance, programs have emerged from annual budget speeches over the years (World Bank 2021b). In Sri Lanka, such new programs have been announced as part of budget proposals. With few exceptions, social programs in these countries have traditionally operated without policy or operational links to each other (World Bank 2021e). Robust social protection strategies alone will not guarantee the provision of human rights-based social protection for all. Countries may have well-developed strategies, but lack the institutional, financial, systemic, and programmatic requirements for effective and efficient service delivery.

Some social protection programs in South Asia are aligned with and promote human rights–based social protection as part of the social contract. For example, India’s National Food Security Act of 2013 covers over 800 million people, a large majority of the country’s population, through the public distribution system. The same is true of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which offers wage employment opportunities in India to anyone who desires the assistance (box 1.1). Social pension programs in Maldives and Nepal are anchored in legislation and receive relatively large government budget allocations. For instance, the Old Age Basic Pension (OABP) benefit program in Maldives was introduced by the Maldives Pensions Act 2009 and supports most Maldivians ages more than 65 with a sizable monthly benefit. Similarly, Nepal’s old-age allowance was introduced in 1995 by Prime Minister Manmohan Adhikari. In 2018, the government approved the Social Security Act in line with the constitutional right to social security for the elderly, single women, persons with disabilities, children, and persons belonging to endangered ethnicities. This established a noncontributory program that covers over 3.5 million individuals. The benefit amount has been revised from time to time. For example, the senior citizen allowance program started with a benefit at NPR 100 per month, but, in 2022, the benefit amount was increased from NPR 3,000 to NPR 4,000 per month.

**Box 1.1. India’s Mahatma Gandhi Rural Employment Guarantee Scheme**

Mahatma Gandhi National Rural Employment Guarantee Act 2005 reflects India’s social contract, as it provides at least 100 days of guaranteed wage employment in every financial year to every household if adult members volunteer to do unskilled manual labor. This right to work initiative is a public works program that provides social insurance to beneficiaries. It is overseen by the Ministry of Rural Development, in coordination with state governments, which are responsible for implementing the program. At the state level, the program is implemented with the assistance of village panchayats (councils).

The program coverage is extensive and inclusive of vulnerable populations. The program provided employment opportunities to 77.3 million people in 2022, among whom women accounted for 56.3 percent of program beneficiaries. Among the beneficiary women, 38 percent were from scheduled caste and tribal households (MoRD 2022). In 2022, the program generated 2249.8 million person-days of work, and approximately 99.81 percent of rural households received wage employment against their demand for work (PIB 2023).

The program relies on self-targeting, providing support to only those who need it. Daily wage rates are stipulated each year to compensate for inflation, depending on the state set minimum wage. For instance, the daily wage rates applicable in FY 2022/23 ranged between Rs 210 (approximately US$2.50) in Bihar and Jarkhand and Rs 333 (approximately US$4.00) in Mizoram. Wages represented 31.3 percent of the annual income of beneficiary households (MoRD 2023). The nonpoor are unlikely to demand such manual unskilled work at these rates.
The program has financed a large number of public works related to sustainable development, thus contributing to overall resilience. As part of the program, all assets created have been geotagged for monitoring and to foster greater transparency. By the end of 2022, the program included 8,783 million works related to natural resource management, costing approximately Rs 423.9 billion. This included water resource conservation, natural resource management, and agriculture-related works. In some states, such as Odisha, the program provided employment opportunities among fisherfolk who had lost livelihoods because of fishing bans.

According to the act, the work opportunity must be available within 15 days of receiving an application to work. Otherwise, the state government is liable for paying unemployment allowances. If the wages are unpaid within 15 days of the completion of the work, a daily wage payment compensation is provided to the program beneficiary, starting on the 16th day of the delay. In addition to this insurance guarantee, the program includes the provision of an active labor market program to develop skills among program beneficiaries.

Financial inclusion has been a key feature of the program. By the end of 2022, all wage payments were made through post offices and bank accounts. Post offices in India allow users to set up savings accounts and receive transfers through their affiliate India Post Payment Bank. The beneficiary Aadhaar number—a 12-digit unique identity number—is used for identification verification. During the first 10 months of 2021, close to 19 million payments were made through the bank accounts. Overall, approximately 99 percent of program beneficiaries are currently receiving direct wage benefit transfers, which has helped avoid payment delays. During FY 2021/22, the share of payments generated within 15 days was 95.5 percent (PIB 2022).

Chapter 1. Development trajectories and risks

Notes


2 The national poverty rate in Afghanistan increased markedly in the second decade of the 2000s, from 38 percent in 2012 to 55 percent in 2017 (IDA 2021).

3 Based on the US$1.90 line (Samaranayake 2021).

4 Children are defined as ages 0–17. See PIP (Poverty and Inequality Platform) (dashboard), World Bank, Washington, DC, https://pip.worldbank.org/home.

5 Estimates are based on the methodology documented in a working paper by Roy and van der Weide (2022), which relies on imputed consumption from the Consumer Pyramid Household Surveys implemented by the Centre for Monitoring the Indian Economy, a private data company. The survey samples are reweighted so they are more representative nationally. The series has been revised to incorporate recent survey years.


7 This paragraph is based on the data and findings of Alkire, Kanagaratnam, and Suppa (2021). The multidimensional poverty index is a weighted non–income-based welfare indicator that measures acute deprivations in health (child mortality and nutrition), education (school attendance and educational attainment), and living standards that an individual may face simultaneously (Alkire, Kanagaratnam, and Suppa 2021).

8 India is one of only four countries to reduce the multidimensional poverty index by half, and it showed the biggest reduction in the number of the multidimensionally poor (over 270 million people from 2005–06 to 2015–16) (Alkire, Kanagaratnam, and Suppa 2021).

9 Human capital consists of the knowledge, skills, and health that people accumulate over their lives, enabling them to realize their potential as productive members of society. Investing in people through nutrition, health care, quality education, jobs and skills helps develop human capital, which is key to economic growth and development, ending extreme poverty, and creating more inclusive societies. See World Bank (2019e); see also “About the Human Capital Project,” World Bank, Washington, DC, https://www.worldbank.org/en/publication/human-capital/brief/about-hcp.

10 Specific indicators used to calculate the human capital index include (a) survival to age 5, (b) expected years of schooling, (c) learning-adjusted years of schooling, (d) adult survival rate to age 60, and (e) stunting rate.


12 In the Asia and Pacific region, between 1 million and 2 million child deaths per year are directly related to severe acute malnutrition (FAO et al. 2019; FAO, UNICEF, et al. 2021).

Learning poverty encompasses children with reading proficiency below the basic level and children who are out of school.

In 2017, South Asia had the lowest gross enrollment rate in preprimary education (23 percent) among all regions, including East Asia and Pacific (81 percent), Latin America and the Caribbean (74 percent), and Africa (30–33 percent) (UNICEF 2019).

Except for Pakistan, all South Asian countries have reduced the infant mortality rate by at least 60 percent in the last three decades. However, most South Asian countries (except for Maldives and Sri Lanka) have neonatal mortality rates above the Sustainable Development Goal target of 3.2.


Between 2000 and 2020, around 387 million South Asians entered the working-age population, whereas only 82 million jobs were added to the economy (Alaref et al. 2022).

The share of people living below the US$3.65 poverty rate increased to an estimated 13.1 percent in 2021.


Following Bussolo, Kotia, and Sharma (2021), the World Bank (2021f) estimated COVID-19’s impact on household wage-income distribution by comparing a simulated COVID-19 shock with a scenario without the pandemic.

Incomplete records and data gaps imply these estimates dramatically underreport the economic losses in the region in 2000–19. Only 23 percent of all events in South Asia were covered (CRED and UNDRR 2020).

The World Bank–led household survey on which the information here and the following sentences is based was conducted by phone to assess changes in basic living conditions in the early days of the interim Taliban administration. The survey covered a representative sample of Afghan households in all regions of the country.

Bhutan’s social assistance expenditures and, hence, its aggregate social protection expenditures are excluded from the related analysis here because of a lack of reliable data. Much of the country’s social assistance is delivered through Kidu and is therefore difficult to quantify. The traditional Kidu is a system
of grants offered by the king to people living in hardship. Kidu offers scholarships, health benefits, land grants, disaster relief, amnesty, and so on to socioeconomically vulnerable individuals, such as the landless, the disabled, the elderly, and children. Kidu is not part of the formal social protection policy and system. It is managed through the Office of the Gyalpoi Zimpon (Office for People’s Welfare and Well Being). Bhutan’s pension and energy subsidy expenditures are, however, included among aggregate social protection expenditures.

29 Other subsidy expenditures, including on food and fertilizer, are not included in this calculation because of a lack of regionwide data.
References


Chapter 1. Development trajectories and risks


https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf.


https://socialprotection.org/sites/default/files/publications_files/PI7586650cf037303809a2104ce42f5d81cc.pdf.


Chapter 2. Social assistance

The chapter begins by providing a general overview of social assistance programs (also known as social safety nets – SSNs) in the region that sheds light on relevant institutional arrangements. It then presents a detailed summary of the financing for social assistance in the region and describes some of the main social assistance programs. This is followed by an assessment of program performance, with a special focus on coverage, beneficiary incidence, adequacy of benefits, and effectiveness and efficiency. The chapter largely focuses on central government-funded programs and pre-COVID-19 trends (that is, until the end of 2019).1

2.1. Overview and institutional arrangements

Most countries in the region have many, sometimes overlapping social assistance programs. India has over 950 centrally sponsored schemes and many more state-sponsored schemes that provide social assistance to the poor and vulnerable (World Bank 2019c).2 Roughly 314 central schemes are compatible with the requirements of the Direct Benefit Transfer system, an initiative undertaken to address duplication using biometric identification and the electronic transfer of benefits directly into bank accounts.3 Eight Direct Benefit Transfer–compatible programs are the main social assistance programs in the country. Bangladesh has 42 social assistance programs, of which 32 were active as of FY 2020 (World Bank 2021a). The majority of these programs are small and have limited coverage, with the exception of eight, which are large and comprise the bulk of the country’s social assistance programs (World Bank 2021a). Nepal has around 22 social assistance programs, some of which overlap in objectives and target groups. Thus, there are 15 scholarship programs, and the designs of the Chief Minister’s Employment Program in Karnali Province and the national Prime Minister’s Employment Program, a public works initiative, are similar. Sri Lanka has 38 different social assistance programs, with significant overlaps and duplication (World Bank 2022b). Although some governments have attempted to consolidate and streamline programs, the region is still far from meeting global good practice.4 The existence of multiple small programs reduces cost-effectiveness because it fosters the duplication of administrative effort and an overlap in targets, thereby reducing the funds available for benefits (O’Keefe et al. 2024).
A few governments in South Asia have adopted more streamlined social assistance programs. The leanest structure is in Afghanistan: the Martyrs and Disabled Pension Program is the only government-run social assistance program. All other social assistance programs are emergency humanitarian initiatives that are financed off budget. Maldives has four main cash benefits. These cater for the needs of single parents, foster parents, individuals with disabilities, and the elderly. The Benazir Income Support Program (BISP) is the main and largest safety net in Pakistan, providing assistance to poor Pakistanis since it was first launched in 2008. The number of social assistance programs in Pakistan increased prior to and during the pandemic to help informal workers, protect the poor against catastrophic economic shocks, and support human development (PASSD 2021). This last objective, related to education and health, is embedded in the BISP.

In most South Asian countries, multiple ministries and government agencies are involved in the management or delivery of social assistance programs. The larger the portfolio, the greater the number of institutional players (table 2.1). For example, in India, 54 ministries are involved in the delivery of 314 Direct Benefit Transfer schemes, ranging from scholarships and fellowships to fertilizer subsidies and cash for foodgrains.

**Table 2.1. National ministries or agencies implementing key social assistance programs**

<table>
<thead>
<tr>
<th>Country</th>
<th>Agency</th>
<th>Programs overseen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Ministry of Martyrs and Disabled</td>
<td>Martyrs and Disabled Pension Program</td>
</tr>
<tr>
<td></td>
<td>Ministry of Rural Rehabilitation and Development</td>
<td>Maintenance and Construction Cash Grant public works program</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Ministry of Disaster Management and Relief</td>
<td>Food for Work, Work for Money, Employment Generation Program for the Poorest, and Vulnerable Group Feeding</td>
</tr>
<tr>
<td></td>
<td>Ministry of Social Welfare</td>
<td>Allowances for (a) the elderly, (b) widows and destitute women, (c) the disabled</td>
</tr>
<tr>
<td></td>
<td>Ministry of Women and Children Affairs</td>
<td>Mother and Child Benefit Program</td>
</tr>
<tr>
<td></td>
<td>Ministry of Local Government, Rural Development and Cooperatives</td>
<td>Income Support Program for the Poorest</td>
</tr>
<tr>
<td>Bhutan*</td>
<td>Ministry of Education, Ministry of Health, Ministry of Agriculture</td>
<td>National School Feeding Program, Center School Program, Accelerating Mother and Child Health Program, Highland Development Program</td>
</tr>
<tr>
<td>India</td>
<td>54 different ministries</td>
<td>314 Direct Benefit Transfer schemes</td>
</tr>
<tr>
<td></td>
<td>Ministry of Food and Public Distribution</td>
<td>Public distribution system</td>
</tr>
<tr>
<td></td>
<td>Ministry of Rural Development</td>
<td>National Social Assistance Program, Mahatma Gandhi National Rural Employment Guarantee Act</td>
</tr>
<tr>
<td></td>
<td>Department of Agriculture, Cooperation, and Farmers Welfare</td>
<td>Pradhan Mantri Kisan Samman Nidhi</td>
</tr>
<tr>
<td>Country</td>
<td>Agency</td>
<td>Programs overseen</td>
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<td>------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Maldives</td>
<td>Maldives National Social Protection Agency</td>
<td>Allowances for (a) disability, (b) single parents, (c) foster parents, (d)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>emergency medical welfare, and (e) food assistance programs</td>
</tr>
<tr>
<td>Maldives</td>
<td>Maldives Pension Administration Office</td>
<td>Old Age Basic Pension</td>
</tr>
<tr>
<td>Nepal</td>
<td>Ministry of Home Affairs: social security allowance benefits</td>
<td>Allowances (senior citizens, single women and widows, full and partial disability,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>endangered ethnicities, and child grant)</td>
</tr>
<tr>
<td>Nepal</td>
<td>Ministry of Education, Science and Technology</td>
<td>School Sector Development Program (15 scholarships) and Midday Meals</td>
</tr>
<tr>
<td>Nepal</td>
<td>Ministry of Labor, Employment and Social Security</td>
<td>Prime Minister’s Employment Program</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Poverty Alleviation and Social Safety Division</td>
<td>Benazir Income Support Program, Zakat, Pakistan Baitul-Mal, and other, smaller</td>
</tr>
<tr>
<td></td>
<td></td>
<td>programs</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Ministry of Women, Child Affairs and Social Empowerment; Department of</td>
<td>Samurdhi</td>
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<td></td>
<td>Samurdhi Development</td>
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<tr>
<td>Sri Lanka</td>
<td>Ministry of Women, Child Affairs and Social Empowerment; National</td>
<td>Elderly allowance</td>
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<tr>
<td></td>
<td>Secretariat for Elders</td>
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<tr>
<td>Sri Lanka</td>
<td>Ministry of Women, Child Affairs and Social Empowerment; National</td>
<td>Disability allowance and chronic kidney disease allowance</td>
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<tr>
<td></td>
<td>Secretariat for the Persons with Disabilities</td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Ministry of Education</td>
<td>School-meals programs (food for education), free school uniforms, free textbook</td>
</tr>
<tr>
<td></td>
<td></td>
<td>programs</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Ministry of Health</td>
<td>Thriposha Fortified Food Program</td>
</tr>
</tbody>
</table>

Sources: Direct Benefit Transfer (dashboard), DBT Mission, New Delhi, https://dbtbharat.gov.in/; NSPA 2022; PASSD 2021; TTC 2021; World Bank elaboration.

* Current social policies and government initiatives are complemented by the king’s continued tradition of granting Kidu to people living in hardship.

Depending on the extent of decentralization, there can also be many other government and nongovernment agencies involved in SSN provision at the subnational levels. Beneficiary identification in Bangladesh, India, and Nepal is often the responsibility of local governments. In Pakistan, social assistance and overall social protection became part of the provincial mandate after 2010, thus increasing the importance of the local, district, and provincial zakat (charity tax) councils (Rana 2020). Local one-stop service centers, such as One-Window BISP, are also becoming more common in the institutional landscape of social assistance delivery in Pakistan. Punjab and Sindh Provinces have launched CCT programs, and provincial governments are developing policies and social protection systems.
**Institutional arrangements include a wide range of diverse government institutions.** Although institutional arrangements differ by country, education ministries often oversee education-promoting social assistance programs, such as school feeding programs, scholarships and stipends, and CCT programs with education-related responsibilities (Bhutan, Bangladesh, India, Sri Lanka, and Nepal). Likewise, national ministries of women and children are normally responsible for programs and social care services focused on women and small children, as in Bangladesh, India (Pradhan Mantri Matru Vandana Yojana), Sri Lanka, and Nepal. Ministries of health often spearhead or are closely involved in CCTs with health-promoting objective as in India and Nepal. A host of other agencies implement the remaining, often smaller programs.

The multiplicity of agencies involved in social assistance calls for institutionalized coordination mechanisms, which only exist in a few South Asian countries (table 2.2). The success of such mechanisms largely depends on the general cohesiveness of the government and the de facto financial and political clout of the agency formally in charge of coordination (Matsuda and Giannozzi 2018). Examples of successful cooperation and coordination may be found in Maldives and, to a lesser extent, Bangladesh and Pakistan. The National Social Protection Agency is an independent agency in Maldives under the Ministry of Gender, Family, and Social Services. It is responsible for coordinating all social protection programs, including those related to social assistance. It has its own budget and reports directly to the president (Walker, Varadan, and Dorfman 2019). In Pakistan, overall coordination is carried out by the Ministry of Poverty Alleviation and Social Safety, which is responsible for the BISP. In Bangladesh, the Cabinet Committee on the Overall Supervision of Social Protection reviews program performance annually and makes decisions on the budget allocations for 15 social protection programs, including the most important social assistance programs. As part of the recent social protection reforms in Sri Lanka, the Welfare Benefits Board is in charge of coordinating the redesign and implementation of the four main poverty-targeted and categorical cash transfer programs in the country. This chapter focuses on pre-reform social assistance programs in Sri Lanka. In India, a Direct Benefit Transfer mission was initially created under the Planning Commission to act as the nodal point for implementing all Direct Benefit Transfer schemes. It was successively transferred to the Department of Expenditure under the Ministry of Finance and then to the Cabinet Secretariat.

**Table 2.2. Institutionalized coordination mechanisms for social assistance**

<table>
<thead>
<tr>
<th>Country</th>
<th>Agency</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Cabinet Committee on the Overall Supervision of Social Protection</td>
<td>Created in 2014. Chaired by the Ministry of Finance, it oversees the local government, rural development and cooperatives, liberation war affairs, social welfare, and women and children affairs ministries.</td>
</tr>
<tr>
<td>Maldives</td>
<td>National Social Protection Agency</td>
<td>Created in 2008. It is an independent agency mapped under the Ministry of Gender, Family, and Social Services.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Poverty Alleviation and Social Safety Division</td>
<td>Created in 2019. It oversees all agencies executing social programs, including the country’s flagship social assistance program, the Benazir Income Support Program.</td>
</tr>
</tbody>
</table>
Chapter 2. Social assistance in South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Agency</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>Welfare Benefits Board</td>
<td>Created in 2002, but dormant for many years. It came into operation in 2016 as an independent body under the Ministry of Finance. Board members are appointed by the Constitution Council. The government issued regulations to introduce and implement cash transfer programs in 2022, overseen by the Board.</td>
</tr>
</tbody>
</table>


2.2. Financing and main programs

South Asia has one of the lowest social assistance expenditure as a percentage of GDP in the world (figure 2.1). Excluding Bhutan, countries in South Asia spend on average approximately 1.14 percent of their GDP on social assistance, compared with the world’s highest regional expenditure of 2 percent in Europe and Central Asia and other regional averages ranging from 1.8 percent in Latin America and the Caribbean to 0.8 percent in West Africa. Within South Asia, Nepal is the highest spender at 2.1 percent, followed by Maldives at 1.6 percent. The lowest spenders in the region are Pakistan and Sri Lanka, at 0.3 and 0.6 percent, respectively.

Figure 2.1. Social assistance expenditure, % of GDP


Social assistance expenditure in South Asia is driven by high expenditures on social pensions (figure 2.2). The relatively low spending on social assistance is skewed toward social pensions, which represent 36.3 percent of total social assistance spending in the region. In Maldives and Afghanistan, social pensions represent 88.6 and 73.4 percent of total social assistance expenditure, respectively, while in Nepal and Bangladesh, social pensions constitute 39.5 and 34.2 percent of total social assistance expenditure, respectively (box 2.1). See chapter 3 for more discussion on social pensions in the context of old-age social protection.

**Figure 2.2. Social assistance spending, by program type, % of total social assistance**

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<tbody>
<tr>
<td>Average for SAR</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Afghanistan (2020)</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Bangladesh (2019)</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td>India (2016)</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Maldives (2019)</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Nepal (2019)</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td>Pakistan (2019)</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Sri Lanka (2019)</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>


**Note:** The data-years vary, as follows: Afghanistan 2020, Bangladesh 2019, India 2016, Maldives 2019, Nepal 2019, Pakistan 2019, and Sri Lanka 2019. Social assistance expenditure excludes health fee waivers. Other social assistance includes mixed and other programs that cannot be classified in other categories.

**Box 2.1. Nepal’s old-age allowance**

In 1995, Nepal became the first country in South Asia to introduce an old-age allowance scheme as a universal program (excluding those covered by civil service pensions at the time) (Shrestha 2022). The fundamental right to old-age protection was later enshrined in the 2015 Constitution of Nepal. Article 41 of the Constitution stipulates that senior citizens shall have the right to special protection and social security supplied by the government. Article 40 provides additional protection to historically excluded groups. Social pensions today constitute one of the largest social assistance programs in Nepal.

Program eligibility criteria and benefits have evolved and have recently become relatively more generous. In FY 2008/09, the government reduced the age threshold for older people from 75 to 70 (UNICEF 2023). The old-age...
allowance age eligibility was amended again, to age 68, in FY 2022/23 (UNICEF 2023). Two groups have a lower age eligibility threshold, however: the elderly in the Dalit social community and the elderly in Karnali Province, who face increased poverty and vulnerability. The scheme overall initially had a low benefit amount, NPR 100 (US$0.75), but this been gradually increased. The benefit reached NPR 4,000 (US$30) per senior per month in FY 2022/23 (UNICEF 2023). The elderly in the Dalit community and in Karnali Province (cutoff: age 60) obtain smaller amounts, NPR 2,600 (US$20), than their peers given their lower age eligibility (UNICEF 2023).

Managed by the Department of National ID and Civil Registration under the Ministry of Home Affairs, the scheme today covers roughly 85 percent of the individuals who are eligible (HelpAge International 2009). The program provides essential protection to senior citizens in a country where fertility rates are dropping and traditional nuclear family roles and dynamics are changing, resulting in a higher risk of impoverishment during old age (HelpAge International 2009).

**UCTs are the second-largest social assistance expenditure in South Asia and are the core of social assistance spending in Pakistan, Nepal and Sri Lanka.** UCTs represent 28.2 percent of social assistance spending in the region. In Pakistan, Sri Lanka and Nepal, UCTs represent 96.2, 52.1 and 43.2 percent of total social assistance expenditure, respectively (box 2.2). Some UCT programs in South Asia indirectly or informally link benefits to improved human capital through behavioral nudges or program rules (Gaarder 2012; Pellerano and Barca 2014). This is the case of Pakistan’s BISP and Bangladesh’s new Mother and Child Benefit Program, which complements cash transfers with behavioral change communication elements on health, nutrition, education, and so on.

**Box 2.2. Pakistan’s Benazir Income Support Program**

In 2008, the government of Pakistan launched the Benazir Income Support Program (BISP) as its main social safety net (SSN) program. BISP was created through the 2010 Benazir Income Support Program Act of XVIII, which strengthened the country’s social protection system by providing financial assistance and other social protection to economically distressed persons and families. The act reaffirmed the state’s responsibility to promote the social and economic well-being of people and provide the basic necessities of life.

BISP was first launched as a UCT program partially to offset the impact of inflation. The program initially covered 1.76 million beneficiaries and disbursed approximately PKR 13 billion (US$184.6 million) in FY 2008/09. The benefit amounted to PKR 1,000 (US$14.20) per month per beneficiary. By June 2022, the program coverage had increased to 7.76 million beneficiaries (a 340 percent rise from 2008 to 2022), and disbursed PKR 168 billion (US$820 million) by making a payment of PKR 7,000 (US$34.69) per beneficiary per quarter. This is equivalent to PKR 2,333 (US$11.69) per month.

BISP is a poverty targeted program. BISP adopted the proxy means testing approach to compute the poverty score of applicants and determine their eligibility to receive program benefits. The proxy means test was derived from 2010–11 data collected through the National Socio-Economic Registry (NSER), Pakistan’s social registry. The data were updated in 2019–20.
The government continuously improved BISP’s design, thus promoting increased program efficiency, transparency, and accountability. These efforts included (a) a regular update of NSER data using electronic data collection and a regular update of the NSER system, (b) improvements in payment systems, (c) enhancements in beneficiary identification using biometric verification, and (d) expansion of NSER to support other social assistance programs and emergency relief.

The government significantly strengthened BISP by digitalizing the payment system. Beneficiary payments are now carried out by the Pakistan Postal Service, BISP debit and smart cards, and mobile money transfers. In 2016, a biometric verification system was introduced. With the system, a beneficiary receives the payment only after biometric authentication, which has contributed to improve the system’s governance and accountability.

In addition to the UCT program, BISP now offers other social assistance through NSER. For example, in FY 2021/22, BISP was used for the implementation of the CCT program (the Waseela-e-Taleem Program), the undergraduate scholarship program, and the Nashonuma health and nutrition program. BISP was also used for the delivery of the fuel subsidy scheme.

BISP proved to be instrumental in channeling relief assistance. The program targeted flood-affected areas in Balochistan, Khyber Pakhtunkhwa, Punjab, and Sindh in August 2022. All affected families could register to receive flood relief assistance using their national ID by either calling a special number or through self-registration at over 600 centers set up near temporary camps. One-time flood relief assistance amounted to PKR 25,000 (US$122) and was provided to 2.8 million families, for a total program expenditure of PKR 70 billion (US$341.6 million). All payments were processed using BISP delivery mechanisms, which also enabled applicants to file any complaints.

Food and in-kind transfers as well as school feeding programs are the third-largest social assistance expenditure in South Asia. Food and in-kind transfers as well as school feeding programs represent 17.5 percent of total social assistance spending in the region. This is driven by India because of the size of the country’s subsidized food distribution program (the public distribution system) (box 2.3). Sri Lanka, Bangladesh and Nepal also spend considerable resources on food and in-kind transfers as well as school feeding programs, at 24.4, 16.9 and 10 percent of total social assistance spending, respectively.

Box 2.3. India’s public distribution system

The National Food Security Act No 20 of 2013, anchored in India’s social contract, guarantees access to adequate quantities and quality of food at affordable prices to enable all to live life with dignity. The act established the targeted public distribution system, which provides beneficiaries a food basket consisting of wheat, rice, and coarse grains. This right to food or My Ration, My Right Initiative, is managed by the Department of Food and Public Distribution under the Ministry of Consumer Affairs to ensure food and public distribution in all districts and union territories through partnerships between the central government and state governments.

The National Food Security Act stipulates that food assistance is to be provided to 75 percent of the rural population and 50 percent of the urban population. The act covered approximately 58 percent of the population
in 2019 (pre-COVID-19), but program coverage has increased to approximately 67 percent of the total population post-pandemic. Based on the 2011–12 census, the act sets program beneficiary quotas in the districts that are then aggregated to identify program coverage in the states. Because calculations are based on a decade-long census, however, planned coverage in a given year may be inadequate. There are two groups of households served under the act: the Antyodaya Anna Yojana beneficiaries (the extreme poor) and priority households (the poor). As of June 30, 2023, around 801 million beneficiaries were receiving assistance through the targeted public distribution system, of which 89.5 million were Antyodaya Anna Yojana beneficiaries and 711.5 million represented priority households (PIB 2023). Currently, approximately 29 percent of Antyodaya Anna Yojana beneficiaries and 19 percent of priority household beneficiaries are women.b

The initiative is designed as a food subsidy program, offering food basket items at a concessionary rate. The monthly entitlement of foodgrains is 35 kilograms per family per month for Antyodaya Anna Yojana households and 5 kilograms per person per month for priority households. This is distributed through authorized fair price shops at Rs 3 (US$0.04), Rs 2 (US$0.03), and Rs 1 (US$0.01) per kilo of rice, wheat, and coarse grains, respectively (DFPD 2022). These prices have not changed in more than two decades.

The Department of Food and Public Distribution has recently taken steps to improve the targeted public distribution system. Some of the improvements undertaken by the department include (a) end-to-end computerization of system operations, (b) digitalization of approximately 200 million ration cards with beneficiary data, (c) links between ration card and Aadhaar—national ID—numbers for beneficiary identification, (d) complete automation of 99.8 percent of authorized fair price shops with electronic point of sale devices for the transparent distribution of subsidized grains, and (e) design and national rollout of portable ration cards under the one nation, one ration card scheme.

The government used the system to deliver COVID-19 support. During the pandemic and in addition to regular program benefits, the system provided free of charge 5 kilograms of foodgrains per person per month for all beneficiaries through the Pradhan Mantri Garin Kalyan Anna Yojana Program. The government announced these benefits in seven phases, from April 2020 to December 2022. Under the program, the government distributed more than 100 million metric tons of foodgrains, worth approximately Rs 3.91 lakh crore (US$49.75 billion) (DFPD 2022).


**Fee waivers, social care and other social assistance represent the fourth-largest social assistance expenditure in South Asia.** Fee waivers, social care and other social assistance represent 6.9 percent of total social assistance spending in the region. Afghanistan and Sri Lanka spend the most in fee waivers, social care and other social assistance as a percentage of total social assistance expenditure, at 18.7 and 9.1 percent, respectively. Sri Lanka’s significant spending on fee waivers, social care and other social assistance includes education and housing assistance targeted to the poor (box 2.4). India and Bangladesh also spend important resources on fee waivers, social care and other social assistance, at 7.7 and 6.8 percent of total social assistance spending, respectively.
Box 2.4. Fee waivers, social care and other social assistance programs in Sri Lanka

Sri Lanka’s fee waivers, social care and other social assistance programs include scholarships and other educational assistance to support households in meeting the costs of education and housing assistance for families with disabled household members. Several educational assistance programs are offered in Sri Lanka. Under the Education for All Initiative, public schools charge a nominal tuition to students, who are also supported in the purchase of school textbooks (reaching 4 million children a year), school uniforms, education materials, and shoes (provided particularly to children at schools in poverty-stricken areas). Scholarship programs are offered to school and university students, and transportation is provided at a concessionary rate for all school children using public transport. Housing assistance programs are offered to families with disabled household members to support the construction or renovation of housing. The assistance is offered in the form of cash released based on the completion of agreed construction activities.

Public works programs are the fifth-largest social assistance expenditure in South Asia and are a core instrument in Afghanistan, Bangladesh, and India. Public works programs represent 6.6 percent of total social assistance spending in the region. Bangladesh and India spend the most on public works programs as a share of total social assistance spending, at 20.6 percent and 17.1 percent, respectively. The spending on public works programs in Bangladesh and India can be largely attributed to the Employment Generation Program for the Poorest (EGPP) (box 2.5) and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), respectively (see chapter 1, section 5). Afghanistan spends 7.9 percent of total assistance spending on public works programs through the Maintenance and Construction Cash Grant Initiative.

Box 2.5. Bangladesh: Employment Generation Program for the Poorest

In 2009, the government of Bangladesh launched the Employment Generation Program for the Poorest (EGPP) as a crisis response program following a series of natural disasters and the aftermath of the 2007-09 global financial crisis. The National Social Security Strategy, the country’s social assistance coordination mechanism, highlighted the role of EGPP as a program to address seasonal or temporary unemployment (Planning Commission 2015). The program is implemented by the Department of Disaster Management under the Ministry of Disaster Management and Relief.

The program was initially designed to provide a total of 80 days of employment, 40 days per lean season. One program is offered March through May; another, October through December. Each worker is expected to work seven hours a day on projects aimed at developing or repairing rural infrastructure as a way to build disaster resilience. Since the program launch, however, the maximum number of workdays has been set at 110 days.

EGPP is a cash for work program that targets the extreme poor in rural areas. It relies on a combination of geographic and poverty targeting. Poverty maps are used to identify the poorest subdistricts (upazilas) in the country, and program funds are allocated proportionally according to poverty level. According to the program
eligibility criteria, participants must (a) be ages 18–60 and able bodied and own less than 0.1 acre of land, (b) earn less than Tk 4,000 (approximately US$57) per month, and (c) not receive other social assistance. There is a quota of one-third on the participation of women workers.

The demand for the program has varied over the years, and the yearly program budget has also fluctuated. For example, in 2019–20, the program had 2.65 million beneficiaries, while in 2021–22, the number of beneficiaries dropped to 1.92 million (MOF 2021, 2023). However, despite the drop in the number of beneficiaries, the revised program budget increased by 27.7 percent in the same period. Program expenditures for a given period vary depending on the number of workers, number of days worked, and applicable wages.

The program offers a flat daily wage that is less than the minimum wage to attract only the neediest. In 2019, the wage rate was Tk 200 (US$2.50) per day, offering equal wages for both men and women. In 2023, the program’s daily wage increased to Tk 400 (US$4.35) (Bangladesh Post 2023). This wage increase reflected the rise in the country’s minimum wage. It is compulsory for workers to save Tk 25 (less than US$0.35) per day to raise worker resilience to future shocks.

EGPP uses digital payments and encourages financial inclusion among workers. In 2022, the Ministry of Disaster Management and Relief signed an agreement with the Post Office and Nagad Limited (Digital Financial Service, operating under the authority of the Post Office) to transfer EGPP wages to Nagad wallets (Daily Sun 2022). This initiative enhanced the financial inclusion of EGPP beneficiaries because Nagad Limited is a one-stop digital banking provider that offers a wide range of financial services.

a. Lean season is defined as the interval between planting and harvest when there are limited job opportunities among landless households.

b. Based on Ministry of Finance budget documents, the budget allocated for 2019–20 was Tk 16.5 billion (US$194 million), and, in 2022–23, the expenditure was Tk 21.1 billion (US$229.7 million) (MOF 2021, 2023).

While South Asian countries spend the least on CCTs as a share of total social assistance spending, CCTs are increasingly being used in the region to achieve better education and health outcomes. CCTs represent only 4.5 percent of total social assistance spending in the region. Bangladesh and Maldives spend the most as a share of total social assistance expenditure, at 15.5 and 11.4 percent, respectively. The conditionalities of these programs in the region vary in complexity and enforcement. For example, Bangladesh’s Income Support Program for the Poorest is conditional on mothers visiting antenatal and community clinics. In Maldives, the single parent and foster parent allowances are conditional on school attendance, vaccination, and regular health checkups among children. While not included in this chapter’s social assistance expenditure data, Bhutan’s Accelerating Mother and Child Health Program is South Asia’s newest CCT program (box 2.6). This CCT was launched at the end of 2023 and will become operational in 2024. Similarly, India’s Pradhan Mantri Matru Vandana Yojana and Janani Suraksha Yojana maternal and child health programs were not included in this chapter due to data source limitations and program classifications, but are notable CCTs in the region.
Box 2.6. Bhutan: Accelerating Mother and Child Health Program

In an effort to address challenges in maternal and child health, the government of Bhutan launched a comprehensive maternal and child health program in October 2023. The program encompasses multiple arms, including fertility and preconception services, medical screening, mental health screening during antenatal and postnatal care, screening for intimate partner violence, oral health screening, lactation management, multiple micronutrient supplementation, maternal exercise, conditional cash incentives for eligible women, and the Accelerating Mother and Child Health Program (or simply “the program” henceforth).

Financed by the Japan Social Development Fund, the program aims to increase the take-up of maternal and child health services (Yuden 2023). By launching the program, the government has prioritized human capital formation during the first 1,000 days of a child’s life (Bhutanese 2022).

The program tackles barriers that have been identified as key constraints to the utilization of maternal and child health services in the country, such as the costs associated with travel for health facility visits and the related losses in income (World Bank 2019a). It accomplishes this by implementing a CCT that assists about 25,833 socioeconomically vulnerable pregnant and lactating women (and their newborns) in all the districts of Bhutan with low take-up of maternal, child, and newborn health services (World Bank 2023a). The hope is that the program will empower women financially by enabling them to become economically active, manage their own personal savings accounts, and support the shared responsibility of the spouse, family, and community in building healthy future generations (Rinzin 2021).

Beneficiaries are eligible to participate in the program from the detection of the pregnancy until the child reaches age 2, subject to compliance with defined conditionalities (World Bank 2019a, 2023a). The conditionalities include antenatal and postnatal checkups, institutional delivery, birth registration, child growth monitoring and promotion, and the immunization of children ages less than 2 (World Bank 2023a). CCTs are provided electronically and deposited in equal instalments into a beneficiary’s bank account following a predefined calendar of health visits (World Bank 2023a).

Implemented by the Ministry of Health, the program has a five-year budget of Nu 1.8 billion and is expected to cover 11,000 births every year (Bhutanese 2022).

Explicit energy subsidies represent a sizable expenditure in South Asia, especially relative to social assistance spending in the region (figure 2.3). South Asia’s explicit energy subsidy spending as a share of GDP is 0.93 percent. This includes subsidies for oil, residential natural gas and LPG (Liquified Petroleum Gas), as well as residential electricity. In 2019, Pakistan spent the most on explicit energy subsidies in South Asia, at 2.5 percent of GDP, followed by Maldives, Sri Lanka, and Bangladesh at 1.2, 0.8, and 0.7 percent, respectively. The substantial spending on explicit energy subsidies is driven by high explicit residential electricity subsidies, especially in Pakistan (1.8 percent) and Maldives (1.1 percent). Spending on explicit energy subsidies as a share of GDP is greater than spending on social assistance in Pakistan, Sri Lanka and Bangladesh.
Chapter 2. Social assistance in South Asia

**Figure 2.3.** Explicit energy subsidies and social assistance spending, % of GDP

![](image)


**Note:** Social assistance data-years vary, as follows: Afghanistan 2020, Bangladesh 2019, India 2016, Maldives 2019, Nepal 2019, Pakistan 2019, and Sri Lanka 199.

However, energy subsidies are highly regressive, benefit only a small share of the poor, and are an inefficient means of delivering targeted support to poor and vulnerable households (figure 2.4). For example, in Pakistan, in 2019, the richest quintile received more domestic electricity-subsidy benefits (32.1 percent) than the poorest two quintiles combined (24.2 percent). Similarly, in 2019, the richest quintile in Sri Lanka captured a larger percentage of the electricity-subsidy benefits than the poorest quintile, at 20.5 and 17.8 percent, respectively. A recent fiscal analysis demonstrates that to deliver only SL Rs 400 of subsidy benefits to a household in the poorest 20 percent, total fiscal expenditures would have to be about 5.7 times larger, at SL Rs 2,273. This implies that eliminating subsidy expenditures can create fiscal space for better-targeted transfers.

**Figure 2.4.** The benefit distribution of electricity subsidies, by income quintile

![](image)

**Sources:** World Bank 2023b, 2023c.
While not included in the above estimates, subnational spending on social assistance can be considerable in some countries. For example, India has over 1,000 state-sponsored schemes that provide social assistance to a significant number of poor and vulnerable and have sizable budgets. Beneficiaries of state-sponsored social pension programs represent 26 percent of the total number of National Social Assistance Program beneficiaries, the country’s federal social pension scheme. In Nepal, some provinces and local governments have started allocating spending in discretionary budgets to social assistance, often as top-ups or additions to existing programs. A few provincial governments have thus initiated the Prime Minister’s Employment Program (a public works program) and other programs to support new mothers, promote girls’ education and discourage early marriage. In Pakistan, some provinces implement separate social assistance programs. For instance, in Punjab Province, the Punjab Social Protection Authority is implementing social assistance programs that provide monthly payments to elderly women (Ba-Himmat Buzurg), widows and orphans (Sarparast), and transgender persons (Musawat) (Gul 2021).

Social assistance spending in South Asia substantially increased in response to the pandemic, but higher expenditure has been mostly temporary. By December 2021, South Asian countries altogether spent roughly US$22 billion on social assistance on account of COVID-19, ranging as a share of GDP between 0.3 percent (in Bhutan) and 3.0 percent (in Sri Lanka) (figure 2.5). India alone committed US$13 billion under the integrated Pradhan Mantri Garib Kalyan Yojana and Pradhan Mantri Garib Kalyan Ann Yojana programs.

**Figure 2.5. Social assistance spending on COVID relief, % of GDP, 2020–21**

<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>3.0%</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>2.8%</td>
</tr>
<tr>
<td>Maldives</td>
<td>2.2%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1.6%</td>
</tr>
<tr>
<td>India</td>
<td>0.5%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.5%</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.5%</td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

**Sources:** Gentilini et al. 2022.

**Note:** The amounts correspond to the commitments or planned spending of the federal governments on COVID-19 relief measured as shares of FY 2020 GDP. The actual expenditure incurred or accounted for during the year may differ.

Most of this assistance involved cash transfers through existing and emergency social assistance programs (table 2.3). Cash transfers had accounted for 78 percent of all COVID-19 assistance by February 2022. Pakistan scaled up cash transfer coverage relative to pre-pandemic levels by 285 percent, mainly by relying on BISP. For example, the Ehsaas Emergency Cash Program covered 5 million Kafalat beneficiaries (households receiving UCTs under BISP) and 11.9 million new, temporary beneficiaries who had been either uncovered or ineligible...
before the pandemic (Markhof and Arif 2020). Likewise, India responded to the pandemic through the Pradhan Mantri Garib Kalyan Yojana, an integrated cash transfer package that relied on five major social assistance programs. Sri Lanka vertically and horizontally expanded five major social assistance programs. The temporary Income Support Allowance Program was newly introduced in Maldives and provided monthly income support to vulnerable workers who faced income losses. The allowance was paid out for 10 months (April–December 2020) among the unemployed, individuals lacking paid leave, people whose salaries had been reduced, and self-employed or freelance workers whose earnings had been affected by the pandemic.

Table 2.3. Main social safety nets for COVID-19 response, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>New?</th>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>National Plan for the Distribution of Baked Bread</td>
<td>Yes</td>
<td>In-kind transfer</td>
<td>National program. Stopped at 40 days because of widespread corruption.</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>Relief Effort for Afghan Communities and Households</td>
<td>Yes</td>
<td>UCT, in-kind transfer</td>
<td>Combination of cash and in-kind transfers</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Front line health workers bonus</td>
<td>Yes</td>
<td>UCT</td>
<td>One-off payment during the COVID-19</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Cash transfers for textile workers</td>
<td>Yes</td>
<td>UCT</td>
<td>Tk 3,000 a month, for three months</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Assistance for poor families</td>
<td>Yes</td>
<td>UCT</td>
<td>One-off payment (Tk 2,500)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Destitute women allowance</td>
<td>No</td>
<td>UCT</td>
<td>400,000 new beneficiaries, Tk 500</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Old-age allowance</td>
<td>No</td>
<td>Social pension, UCT</td>
<td>801,000 new beneficiaries, Tk 500</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Take-home-ration, nested in school feeding program</td>
<td>Yes</td>
<td>In-kind transfer</td>
<td>Fortified meals and basic hygiene items, for children</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Food distribution program</td>
<td>Yes</td>
<td>In-kind transfer</td>
<td>Food distribution</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Druk Gyalpo’s Relief, Kidu (DGRK 2020)</td>
<td>No</td>
<td>UCT</td>
<td>Temporary income and credit support to people in hardship situations and households relying on livelihoods affected by the pandemic</td>
</tr>
<tr>
<td>India</td>
<td>Pradhan Mantri Garib Kalyan Yojana</td>
<td>Nested within existing programs</td>
<td>UCT</td>
<td>One-off payment (Rs 1000): old-age, widowed, and disabled NSAP beneficiaries</td>
</tr>
<tr>
<td>India</td>
<td>Pradhan Mantri Garib Kalyan Ann Yojana</td>
<td>Nested within existing programs</td>
<td>UCT</td>
<td>Foodgrain distribution to NFSA/public distribution system beneficiaries</td>
</tr>
<tr>
<td>Country</td>
<td>Program</td>
<td>New?</td>
<td>Category</td>
<td>Details</td>
</tr>
<tr>
<td>-----------</td>
<td>------------------------------------</td>
<td>------</td>
<td>----------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Maldives</td>
<td>Income support allowance</td>
<td>Yes</td>
<td>UCT</td>
<td>Temporary support of up to RF 5,000 a month—affected and displaced workers</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Emergency Cash Program</td>
<td>Nested within existing program</td>
<td>UCT</td>
<td>One-off transfer to BISP beneficiaries (PKR 12,000)</td>
</tr>
<tr>
<td>Kafaalat</td>
<td></td>
<td>No</td>
<td>UCT</td>
<td>Added new beneficiaries</td>
</tr>
<tr>
<td></td>
<td>Deferment of fuel adjustments in the electricity bills</td>
<td>Yes</td>
<td>Utility waivers</td>
<td>Deferment of monthly and quarterly fuel adjustments in the electricity bills for power consumers for three months</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Kidney disease allowance</td>
<td>No</td>
<td>UCT</td>
<td>Top-up, giving up to SL Rs 5,000 to existing beneficiaries; adds 13,850 new ones</td>
</tr>
<tr>
<td></td>
<td>Disability allowance</td>
<td>No</td>
<td>UCT</td>
<td>Top-up, giving up to SL Rs 5,000 to existing beneficiaries; adds 35,229 new ones</td>
</tr>
<tr>
<td></td>
<td>Elderly allowance</td>
<td>No</td>
<td>UCT</td>
<td>Top-up, giving up to SL Rs 5,000 to existing beneficiaries; adds 142,345 new ones</td>
</tr>
<tr>
<td></td>
<td>Samurdhi Subsidy Program</td>
<td>No</td>
<td>UCT</td>
<td>Advance payment of SL Rs 10,000 to beneficiary families</td>
</tr>
<tr>
<td></td>
<td>Relief packs for home quarantined families</td>
<td>Yes</td>
<td>In kind</td>
<td>Dry rations worth SL Rs 10,000, to families in home quarantine</td>
</tr>
</tbody>
</table>


Note: CFW = cash for work. NFSA = National Food Security Act. NSAP = National Social Assistance Program. PDS = public distribution system. UCT = unconditional cash transfer.

There have also been other important post-COVID SSN expansions in spending, particularly in Nepal and Pakistan. Though it had little to do with COVID-19, the social security allowance budget allocation in Nepal for 2022/23 amounted to roughly 2 percent of the country’s GDP. This was an increase of more than 60 percent relative to the corresponding 2019–20 expenditure. Likewise, Pakistan’s spending under its umbrella BISP program increased by 73 percent from FY 2019 to FY 2021 and by 122 percent from FY 2019 to FY 2022 (BDO Pakistan 2019, 2022). This increase included a 65 percent increase in UCT expenditures from fiscal years 2019 to 2021 and a 95 percent spending increase in UCT expenditures from fiscal years 2019 to 2022.

2.3. Performance

2.3.1. Program eligibility

Program eligibility differs across countries and programs. Eligibility depends on criteria based mainly on demographic characteristics, poverty status, or a combination of both, with important implications for the performance of social assistance programs in South Asia. The Socio-Economic and Caste Census is a common starting point for eligibility assessments in India, and the results may be refined by using state-specific criteria for inclusion or exclusion. Most social assistance programs in India require beneficiaries to (1) belong to a
socioeconomically disadvantaged group, such as a scheduled caste or scheduled tribe; (2) be landless or hold fewer than two hectares; (3) be disabled; (4) be female; or (5) be pregnant or a nursing mother.\textsuperscript{28}

In Nepal, by design, most social assistance programs target categorical groups based on age (the elderly and children), sex and marital status, location (Karnali, the poorest region in the country), and ethnicity (Dalits). The Prime Minister’s Employment Program is the only national program that targets individuals based on economic status (the unemployed poor).

In Maldives, eligibility for cash transfers is restricted to the poor across categories, including people with disabilities and single and foster parents. Program eligibility is based jointly on an income test (per capita income of less than RF 45 a day) and a proxy means test. In the disability program, the severity of disability is also an eligibility criteria. Food assistance is poverty targeted.

In Afghanistan, the following categorical groups are eligible for the Martyrs and Disabled Pension Program: (1) people with disabilities because of armed conflict, both military personnel and civilians; (2) former freedom fighters; (3) relatives (including widows) of martyrs or disappeared individuals; and (4) people with congenital disabilities.\textsuperscript{29} Among people living with disabilities, the severity of the disability is the main eligibility criteria.\textsuperscript{30} The public works program, however, does target able-bodied male members of the poorest households.\textsuperscript{31}

Bhutan’s social assistance programs target the socially and economically vulnerable. For example, the recently launched Accelerating Mother and Child Health Program targets socioeconomically vulnerable women.

In Sri Lanka, eligibility criteria for social assistance programs is both categorical and poverty targeted. This includes (1) Samurdhi, the largest social assistance program, which was designed to target the poorest, and (2) other social assistance programs, including the elderly, disability, and kidney disease allowances, which rely on both categorical and poverty targeting. Most of the educational assistance programs are either poverty targeted or offered universally.

Most core social assistance programs in Bangladesh use varying eligibility criteria related to age and demographic composition, consumption, earnings, work, and asset ownership. However, many of these are not easily verifiable: the elderly often has difficulties providing proof of age and verifying income, and landownership is not always observable. Furthermore, the economic criteria may have become obsolete, so local committees often set higher self-imposed thresholds (World Bank 2021a).

In Pakistan, the main cash transfer program (BISP) is poverty-targeted using poverty scores generated through proxy means tests. The other programs use categorical, geographical, community-based, or a combination of methods to select beneficiaries.\textsuperscript{32}

### 2.3.2. Coverage

**A large share of South Asia’s poor are not covered by any social assistance** (figure 2.6).\textsuperscript{33} On average, excluding India, approximately 27.9 percent of the region’s bottom 40 are covered by social assistance, which is higher than the average among low-income countries (17.0 percent), but significantly lower than the global average (57.0 percent) or the average among lower-middle-income countries (61.0 percent).\textsuperscript{34} In Bangladesh, 51 percent of the bottom 40 benefit from social assistance, the highest social assistance coverage of the poor in South Asia. Substantially fewer people in the bottom 40 benefit from social assistance in Maldives, Nepal, and Sri Lanka, at slightly below 40 percent. At the other end of the spectrum, 92 and 82 percent of Afghans and Pakistanis in the bottom 40, respectively, remain uncovered by social assistance. Afghanistan’s social assistance coverage of the bottom 40 is one of the lowest among fragile and conflict-affected states (World Bank
The delivery of social assistance remains inadequate and highly volatile. It depends on contributions from international financial institutions, in partnership with donors and United Nations agencies (box 2.7). Bhutan has the lowest coverage of the bottom 40 of any country in South Asia, at only 3 percent. Low coverage of the poor in Afghanistan and Bhutan, in addition to Nepal, can be partly attributed to the lack of the explicit targeting of social assistance on poverty.

**Figure 2.6. Social assistance coverage, by wealth quintile**

<table>
<thead>
<tr>
<th>Country</th>
<th>Wealth Quintile</th>
<th>Coverage (Q1-Q2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhutan (2012)</td>
<td>Q1 and Q2 (average)</td>
<td>3%</td>
</tr>
<tr>
<td>Afghanistan (2019)</td>
<td>Q5 (richest)</td>
<td>8%</td>
</tr>
<tr>
<td>Pakistan (2018)</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>India (2011)</td>
<td>99%</td>
<td></td>
</tr>
<tr>
<td>Maldives (2019)</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Sri Lanka (2019)</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Nepal (2019)</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>Bangladesh (2016)</td>
<td>51%</td>
<td></td>
</tr>
</tbody>
</table>

**Box 2.7. Social assistance in Afghanistan, after August 2021**

Afghanistan is experiencing deep distress because of political conflict (leading to the establishment of the interim Taliban administration), the impact of COVID-19, economic collapse, and the worst drought in three decades. In response to this crisis, the international community has found pragmatic ways to provide support for essential basic services for the Afghan people through a cluster approach. This involves the coordinated action of a group of humanitarian organizations, including the United Nations, in each of the main sectors of humanitarian action: water, health, and logistics.
The World Food Programme is one of the strongest humanitarian relief agencies in Afghanistan. Between April and June 2022, the program provided US$25.4 million in cash assistance and food, nutrition, and resilience support to 26.7 million people, of which 1.6 million were children or pregnant or lactating women. In addition, the program supports 1,544 health centers and 2,273 mobile health and nutrition teams.

The United Nations Children’s Fund has a leading presence in Afghanistan. In the first two quarters of 2022, it scaled up its humanitarian cash transfer payments, reaching up to 100,000 households across nine provinces with US$20.4 million, with a focus on woman-headed households, households with children with disabilities, and households with pregnant and lactating women. In addition, 311 health care facilities are currently being supported with infection prevention and control supplies.

The World Bank, together with Afghanistan Reconstruction Trust Fund donors, approved three projects between April and June 2022 to provide urgent and essential food, livelihood, and health services. These activities are implemented off budget, out of the government’s control, through the cluster approach.

### Table B2.7.1. Afghanistan Reconstruction Trust Fund social assistance programs

<table>
<thead>
<tr>
<th>Project</th>
<th>Objective</th>
<th>Instrument</th>
<th>Coverage</th>
<th>Budget</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Resilience and Livelihoods</td>
<td>Rehabilitate small-scale basic infrastructure.</td>
<td>Rural areas: cash for work</td>
<td>About 1 million households</td>
<td>US$265 million</td>
<td>April 2022–April 2024</td>
</tr>
<tr>
<td></td>
<td>Social inclusion community grants for women to cover those that cannot do cash for work or public works programs.</td>
<td>Urban areas: labor-intensive public works</td>
<td>Rural: 6,500 communities in 71 districts, across 23 provinces</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improve maternal and child nutrition</td>
<td>Capacity building for community development councils</td>
<td>Urban: eight cities 5,000 community development councils are supported</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support nutritional needs of children, disabled, or chronically ill and woman-headed households.</td>
<td>In-kind assistance</td>
<td>750,000 small farmers 150,000 women</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cultivation and nutrition training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Emergency Response</td>
<td>Deliver basic health, nutrition, and COVID-19 mitigation services</td>
<td>In-kind assistance</td>
<td>Nationwide, reaching 70% of the population</td>
<td>US$333 million</td>
<td>May 2022–June 2024</td>
</tr>
</tbody>
</table>

Equally worrisome is the fact that many people in the richest quintile receive social assistance benefits in South Asia (figure 2.6). Excluding India, which has social assistance programs with large overall population coverage (table 2.4), South Asian countries with the highest social assistance coverage of the richest quintile are Nepal and Bangladesh at roughly 27 and 23 respectively. Coverage of people in the richest quintile undermines program effectiveness and efficiency. In South Asia, Pakistan has the lowest social assistance coverage of the richest quintile, followed by Bhutan.

Table 2.4. Main social safety nets, India, FY 2019

<table>
<thead>
<tr>
<th>Project</th>
<th>Type</th>
<th>Population served, number (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pradhan Mantri Ujjwala Yojana</td>
<td>Utility subsidies</td>
<td>8 million (0.6%)</td>
</tr>
<tr>
<td>Pradhan Mantri Matru Vandana Yojana</td>
<td>Maternity conditional cash transfer benefit</td>
<td>7.1 million (0.5%)</td>
</tr>
<tr>
<td>Janani Suraksha Yojana</td>
<td></td>
<td>4.8 million (0.4%)</td>
</tr>
<tr>
<td>Pradhan Mantri Kisan Samman Nidhi</td>
<td>Unconditional cash transfer</td>
<td>87 million (6.4%)</td>
</tr>
<tr>
<td>Public distribution system</td>
<td>Cash transfer and general subsidies</td>
<td>800 million (58%)</td>
</tr>
<tr>
<td>Midday Meals</td>
<td>In kind</td>
<td>118 million (8.6%)</td>
</tr>
<tr>
<td>Mahatma Gandhi National Rural Employment Guarantee Scheme</td>
<td>Public works program</td>
<td>119 million (8.7%)</td>
</tr>
<tr>
<td>Indira Gandhi National Old Age Pension Scheme</td>
<td>Unconditional cash transfer</td>
<td>21 million (1.54%)</td>
</tr>
<tr>
<td>Indira Gandhi National Widow Pension Scheme</td>
<td>Unconditional cash transfer</td>
<td>6 million (0.44%)</td>
</tr>
</tbody>
</table>


* Post-COVID coverage increased to 67 percent of the population.

Social assistance coverage of the poor differs widely by program type (figure 2.7). For example, in Nepal, there is a large coverage differential of the poorest quintile between the country’s scholarships program and cash transfers. Among the poorest quintile, the scholarships program covers two times more people than the senior citizen allowance, approximately four times more people than the single women allowances and child grants, and a staggering 16 times more people than the full disability allowance. In Sri Lanka, Samurdhi, the largest poverty-targeted social assistance program in the country, covers 38 percent of the poorest quintile, while the elderly allowance, which is also supposed to be poverty-targeted, covers a mere 0.5 percent of the quintile. In Maldives, the basic social pension scheme is by far the program with the largest coverage of the poorest quintile, at 31 percent, relative the single parent and foster parent allowances, at 2.9 and 0.4 percent, respectively.
Social assistance coverage is considerably higher for the elderly than for children and the working-age population, even though the elderly represent the smallest share of South Asia’s population (figure 2.8). For example, 78 percent of the elderly receive social pensions in Nepal, while only 23 percent of children and 0.3 percent of the working-age population benefit from social assistance. This is particularly striking if one considers that the elderly represent 6 percent of the population of Nepal, while children and the working-age population represent 29 and 65 percent, respectively. A similar contrast is evident in Maldives and, to a lesser extent, Bangladesh and India. Sri Lanka is an exception in the region because social assistance coverage is two times greater among children (31 percent) relative to the elderly, which is in line with the country’s age composition. Although individuals of working age account in all countries for more than 60 percent of the population, most countries—other than Afghanistan (6 percent coverage of the working-age population) and India (13 percent coverage)—do not have any significant safety net programs for the working-age population.
**Figure 2.8. Social assistance program coverage, by age-group**

![Coverage chart showing social assistance program coverage by age-group for Bangladesh, India, Maldives, Nepal, and Sri Lanka. The chart includes data on elderly social pensions, children social assistance, working-age PWP, and working age.]


*Note:* Coverage measures the share of the eligible population (children, working-age people, and the elderly) receiving benefits. All data are for 2019, except for India’s social pension coverage (2020). The elderly are those ages 65 or more. Children are individuals ages less than 15. Working-age adults are ages 15–64.

People with disabilities, although highly vulnerable, are also often not covered by social assistance in South Asia. For example, in Bangladesh, one-third of all households include one or more people with disabilities, constituting 7 percent of the population with disabilities nationwide (Anwar, Cho, and Aziz 2019). However, only 3.0 million people with disabilities are registered as disabled, and approximately 2.4 million people (78 percent of the people registered and 20 percent of people with disabilities) were receiving a disability allowance as of June 2023. Nepal and Maldives show similar coverage rates (Ashley 2021).

The pandemic highlighted the limited social assistance coverage among informal workers and migrants (IPC-IG and UNICEF ROSA 2020). Reviews of the government response in India to the pandemic revealed important social assistance coverage gaps, particularly among migrants and urban workers in the informal sector. For instance, the approximately 36 million existing urban construction workers (mostly migrants) could not receive any benefit under the Pradhan Mantri Garib Kalyan Yojana package because they were not registered in the program (Agrawal et al. 2020). A recent survey suggests that roughly 45 percent of migrant workers were excluded from COVID-19 relief, mainly because benefits lacked portability (World Bank 2020). Similarly, the government in Pakistan acknowledged that the pandemic had uncovered structural problems in the informal sector (Nishtar 2020). This was especially true after BISP could not be used to provide support to informal workers and vulnerable populations that are seasonally migratory, nomadic, or without permanent residence (such as refugees).

There is an important rural-urban difference in social assistance coverage in South Asia. For example, in Bangladesh, social assistance coverage favors rural areas. In 2016, 19 percent of Bangladeshi urban households were poor, but only about 11 percent of urban households participated in at least one social assistance program.
The opposite holds in rural areas, where poverty rates are 26.4 percent and 36 percent of households benefited from at least one social assistance program (World Bank 2021a). Similarly, a large majority of India’s social assistance programs cater to the rural, agrarian, and chronically poor and do not address the unique risks and vulnerabilities of urban areas (Bhattacharya and Roy 2021). Thus, two of India’s major social assistance programs, the MGNREGS public works program and Pradhan Mantri Kisan Samman Nidhi (a cash transfer targeting small and marginalized farmers), are for the most part implemented in rural areas, without equivalent programs in urban areas.

### 2.3.3. Incidence

Social assistance beneficiary incidence reveals the extent to which social assistance in the region is progressive (figure 2.9). Based on this indicator, South Asia is slightly more progressive (51.9 percent of beneficiaries in the bottom 40) than the average lower-middle-income country (50.1 percent of beneficiaries in the bottom 40), but less progressive than the average upper-middle-income country (57.7 percent of beneficiaries in the bottom 40) and the world average (52.7 percent of beneficiaries in the bottom 40). Social assistance in Pakistan is the region’s most progressive. There, 71 percent of social assistance beneficiaries are in the bottom 40. This is followed by Sri Lanka and Bhutan at 61 and 59 percent respectively. India and Maldives have the least progressive social assistance in the region. There, 41 and 43 percent of beneficiaries are in the bottom 40, respectively. India has the highest number of social assistance beneficiaries in the richest quintile, 19 percent, while Pakistan has the least number of social assistance beneficiaries in the richest quintile in the region, at almost 2 percent.

![Beneficiary incidence: share of social assistance beneficiaries, by wealth quintile](image)

**Figure 2.9.** Beneficiary incidence: share of social assistance beneficiaries, by wealth quintile


**Note:** Beneficiary incidence = (number of individuals in each quintile who live in a household in which at least one member participates in a social assistance program) / (number of individuals participating in social assistance programs in the population). The indicator includes both direct and indirect beneficiaries.
Beneficiary incidence differs by program type across South Asian countries (figure 2.10). For example, in Nepal, child grants are one of the most progressive social assistance programs in the country. Among beneficiaries, 64 percent are in the bottom 40. In contrast, the single women allowance has a beneficiary incidence that is 20 percentage points lower than child grants, at 44 percent. Child grants have the least number of beneficiaries in the richest quintile, at 4 percent, while the opposite is true of the single women and senior citizen allowances, at 13 percent. In Sri Lanka, Samurdhi is the most pro-poor social assistance program in the country. Among the beneficiaries, 65 percent are in the bottom 40. Samurdhi also has the lowest number of beneficiaries in the richest quintile. The elderly allowance, also poverty-targeted, is the least progressive social assistance program in Sri Lanka. Among beneficiaries, 59 percent are in the bottom 40. Public works in South Asian programs are quite pro-poor. For example, about 62 percent of beneficiaries of Bangladesh’s EGPP are in the bottom 40. Similarly, in the case of Afghanistan’s public works program, 47 percent of its beneficiaries are in the bottom 40. In Maldives, beneficiaries in the bottom 40 represent close to 90 percent of the recipients of the single parent and the foster parents allowances (poverty-targeted) and 68 percent of the recipients of disability allowances (not poverty-targeted). The old-age pension, categorically targeted by design, is the least progressive: only 43 percent of pensioners are in the bottom 40 (Walker, Varadan, and Dorfman 2019).

Figure 2.10. Beneficiary distribution, by wealth quintile and program, 2019


Benefit incidence is another measure of the progressivity of social assistance in South Asia (figure 2.11). Based on this indicator, Sri Lanka and Pakistan have the most progressive social assistance in South Asia, at 66 and 60 percent of social assistance benefits, respectively, received by the bottom 40. This is compatible with the results on beneficiary incidence. Nepal has the lowest benefit incidence in the region, at 34 percent. This coincides with Nepal’s relatively regressive social assistance as measured by the beneficiary incidence indicator.
Nepal also has the highest share of social assistance benefits received by the richest quintile, at 24 percent. This may mean that the pro-poor programs in Nepal likely have low benefit adequacy (see next sub-section), while those focused less on the poor have more generous benefits. In Bangladesh and India, the share of benefits is roughly evenly distributed across the wealth quintiles.

**Figure 2.11. Benefit incidence: share of social assistance benefits, by wealth quintile**


Note: Benefit incidence = (sum of all transfers received by all individuals in the quintile) / (sum of all transfers received by all individuals in the population).

### 2.3.4. Adequacy

The poor who receive social assistance are not adequately covered in South Asia. There is significant heterogeneity across countries in the adequacy of social assistance transfers as a share of the total welfare of beneficiaries among the poorest quintile (figure 2.12). On average, adequacy of benefits in South Asia is 9.2 percent, slightly higher than in lower-middle-income countries (8.2 percent), but significantly lower than in upper middle-income countries (13.2 percent) and what global evidence says is needed to ensure resilience (20 percent) (Beazley and Farhart 2016; Daidone et al. 2015; World Bank 2022a). The least adequate benefits are in Afghanistan and Pakistan, at 1.4 and 6.1 percent, respectively, while the highest are in Maldives and pre-crisis Sri Lanka, at 17.0 and 15.7 percent, respectively.
Figure 2.12. The benefit adequacy of social assistance, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Q1 poorest</th>
<th>Av. Upper middle income (Q1)</th>
<th>Av. Low middle income country (Q1)</th>
<th>Share of per-capita income for “resilience building”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>2019</td>
<td>1.42%</td>
<td>0.87%</td>
<td>8.1%</td>
<td>15.7%</td>
</tr>
<tr>
<td>India</td>
<td>2011</td>
<td>5.4%</td>
<td>5.4%</td>
<td>6.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2016</td>
<td>6.8%</td>
<td>6.8%</td>
<td>11.3%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Maldives</td>
<td>2019</td>
<td>17.0%</td>
<td>17.0%</td>
<td>11.9%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2018</td>
<td>6.1%</td>
<td>6.1%</td>
<td>4.9%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2019</td>
<td>6.6%</td>
<td>6.6%</td>
<td>6.6%</td>
<td>5.7%</td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td>9.2%</td>
<td></td>
<td>9.2%</td>
<td></td>
</tr>
</tbody>
</table>


Note: Adequacy measures the total transfer amount received by all (direct and indirect) beneficiaries in an income/consumption quintile as a share of the total (post-transfer) income or consumption of beneficiaries in that quintile. LIC = low-income countries. LMIC = lower-middle-income countries.

Average monthly nominal benefit amounts vary widely among social assistance programs across South Asian countries, ranging from US$2 to US$333 per month (figure 2.13). Social assistance programs in Maldives, Nepal, and Sri Lanka have the highest average monthly benefit levels of any programs in South Asia. For example, the Maldives old-age (social) pension stands at US$333 per month, while the single and foster parent allowances have the lowest monthly nominal benefit amount of the programs reported in the country, at US$67. The former is still higher than any other social assistance program in South Asia. The Prime Minister’s Employment Program has the highest monthly nominal benefit amount in Nepal, at US$38, followed closely by the senior citizen allowance, at US$35. The child grant has the lowest monthly nominal benefit amount in the country, at a mere US$4, while the disability allowance in pre-crisis Sri Lanka had the highest monthly nominal benefit, at US$28. Bangladesh’s Vulnerable Group Feeding Program (US$2), Pakistan’s Waseela-e-Taleem CCT Program–primary-school boys (US$3), and India’s National Social Assistance Program–old age (US$3) have the lowest monthly nominal benefit amounts in South Asia.
Figure 2.13. Average monthly nominal benefit, main social safety nets, South Asia

Sources: World Bank elaboration.

Note: The data-years are as follows: Bangladesh (2021), Bhutan (2019), India (2019), Maldives (2021), Nepal (2020), Pakistan (2021), and Sri Lanka (2021). MCCG = maintenance and construction cash grant. MDPP = Martyrs and Disabled Pension Program.

The adequacy of benefits thus differs by social assistance program type across South Asia. Programs in Maldives, Nepal, and Sri Lanka exhibit the highest benefit adequacy (figure 2.14). Programs in Maldives have by far the highest adequacy of benefits in South Asia, with all monthly program benefits far exceeding 100 percent of the US$1.9 international poverty line. The same is true (Maldives programs having the highest adequacy of benefits in South Asia) even if using a higher poverty line, which would be more appropriate for this analysis in Maldives. In Nepal, both the Prime Minister’s Employment Program and the senior citizen allowance benefits are equal to more than 60 percent of the US$1.9 international poverty line. Nepal’s child grants have one of the lowest levels of benefit adequacy in the entire region, at roughly 6 percent of the US$1.9 international poverty line. In Sri Lanka, the disability allowance has a relatively high benefit adequacy, at 49 percent, followed by Samurdhi, at 31 percent of the US$1.9 international poverty line. In India, among selected programs, MGNREGS provides the most generous assistance: program benefits represent roughly 38 percent of the US$1.9 international poverty line. The adequacy of other program benefits ranges from a low of 5 percent (National Social Assistance Program—old age) to a high of 13 percent (Pradhan Mantri Kisan Samman Nidhi and the National Social Assistance Program–80+) of the US$1.9 international poverty line. In Bangladesh, EGPP’s benefit adequacy is 28 percent of the US$1.9 international poverty line, the highest among selected programs in the country. The adequacy of other program benefits ranges from a low of 4 percent...
(Vulnerable Group Feeding, a food transfer program aimed at the poor during disasters and major religious festivals) to a high of 17 percent (the mother and child benefit) of the US$1.9 international poverty line. Pakistan’s BISP has the highest benefit adequacy among the country’s social assistance programs included in figure 2.14, at 23 percent of the US$1.9 international poverty line.

**Figure 2.14. Social assistance benefits in selected social assistance programs as a share of the US$1.9 international poverty line, 2019**

**Sources:** World Bank calculations based on data of WDI (World Development Indicators) (Data Catalog), World Bank, Washington, DC, [https://datacatalog.worldbank.org/search/dataset/0037712](https://datacatalog.worldbank.org/search/dataset/0037712).

**Note:** The monthly value of social assistance benefits is represented as a share of the monthly value of the international poverty line of US$1.90 a day.
Benefit adequacy is generally greater in temporary support for weathering covariate shocks than in regular social assistance. However, even in these cases, adequacy remains largely insufficient (figure 2.15). In Pakistan, for example, the adequacy of benefits of the social assistance provided following recent shocks (COVID-19 and floods) was roughly 5 to 11 times greater than the adequacy of BISP benefits. Similarly, in Sri Lanka, the benefit adequacy of transfers under COVID-19 (wave 2) and the economic crisis were 16 percent greater than that of Samurdhi. Similar patterns are observed in other South Asian countries. Even with these higher benefits, adequacy remains insufficient. For example, in Sri Lanka, Samurdhi beneficiaries received COVID-19 and economic-crisis support allowances of SL Rs 5,000 in 2022. This amount, although larger than Samurdhi’s regular allowance (an average of SL Rs 2,733 in 2019), covered only 21 percent of food expenditure among the poorest households. Likewise, India’s National Social Assistance Program beneficiaries received cash transfers of Rs 1,000 through Pradhan Mantri Garib Kalyan Yojana, a considerable improvement compared with the maximum Rs 300 they could receive before the pandemic. This amount nonetheless represents roughly 5.1 percent of the pre-pandemic per capita monthly expenditure of households in the bottom 40, which is only a small share of the 45 percent of per capita consumption they lost because of the pandemic (Bhattacharya and Roy 2021).

**Figure 2.15.** Selected emergency social assistance benefits, as a share of the US$1.9 international poverty line, 2019–22

<table>
<thead>
<tr>
<th>Country</th>
<th>Benefit Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>IND</td>
<td>Flood relief (2022)</td>
<td>270%</td>
</tr>
<tr>
<td></td>
<td>Ehsaas emergency cash - covid</td>
<td>130%</td>
</tr>
<tr>
<td></td>
<td>Inflation support (2019)</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>Economic crisis support (2022)</td>
<td>47%</td>
</tr>
<tr>
<td></td>
<td>Covid-transfers - wave 2</td>
<td>47%</td>
</tr>
<tr>
<td></td>
<td>Covid-transfers - wave 1</td>
<td>94%</td>
</tr>
<tr>
<td></td>
<td>Covid relief - poor households (2022)</td>
<td>149%</td>
</tr>
<tr>
<td></td>
<td>PMGKY - NSAP cash transfers</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>Assistance for poor families</td>
<td>52%</td>
</tr>
<tr>
<td></td>
<td>Cash transfers for textile workers</td>
<td>62%</td>
</tr>
<tr>
<td></td>
<td>REACH - urban</td>
<td>178%</td>
</tr>
<tr>
<td></td>
<td>REACH - rural</td>
<td>89%</td>
</tr>
</tbody>
</table>


**Note:** The value of emergency social assistance benefits is represented as a share of the monthly value of the international individual poverty line of US$1.90 a day.
Within a country, benefit levels for the same program can differ by geographic area (accounting for cost-of-living disparities) or target group (reflecting different opportunity costs). For example, Pakistan’s education CCT, Waseela-e-Taleem, provides substantially higher benefits to girls compared with boys to increase the incentives among households to send girls to school. The benefits also considerably increase with children’s schooling levels. Thus, for instance, they are twice as high for higher-secondary girls and boys than for primary students.44

With some exceptions, in South Asia, benefit levels across social assistance programs tend to decrease in real terms over time, as they usually remain fixed for long periods or are rarely indexed against inflation (O’Keefe et al. 2024). For example, Sri Lanka’s Samurdhi benefit amounts remained constant over the years and decreased significantly as a result of the country’s high levels of inflation following the country’s recent economic crisis (World Bank 2022b).45 The adequacy of Nepal’s child grant benefit, which is already the lowest among social assistance programs in the country, is cut almost in half if inflation is considered (World Bank 2021b). The benefits of a limited number of programs in the region have been indexed to inflation (such as MGNREGS), or there has been a commitment to do so (such as BISP) (Khan 2019).

Benefit adequacy is weakened by implementation challenges, such as informal fees, leakages, and payment delays. In 2015, 18 percent of Pakistan’s BISP beneficiaries lost roughly 4 percent of the value of their transfers because of informal fees (Cheema et al. 2016). In India, before the introduction of the National Food Security Act of 2013, estimates of public distribution system leakage ranged from 15 to 43 percent (World Bank 2019b). With the passage of the act, the digitalization of payments, and the requirement for beneficiaries to authenticate their identities using Aadhaar (the biometric unique ID), leakages were reduced significantly.

Given the limited resources, many countries in the region focus on increasing coverage, often at the cost of improving adequacy, thus limiting the impact of programs. In Bangladesh, for example, the share of households benefiting from social assistance more than doubled from 12 percent in 2005 to nearly 28 percent in 2016.46 Simulations on old-age allowances show, however, that higher benefit adequacy would have had greater poverty impacts than coverage expansions. At current transfer levels, expanding the program to all the poor would increase the budget by 115 percent and reduce poverty by 2.09 percentage points. Conversely, using that same budget increase to raise transfer values for all people living below the poverty line could reduce poverty by 5.33 percentage points.47

2.3.5. Effectiveness and efficiency

With few exceptions, social assistance in South Asia makes a substantial contribution to the fight against poverty. Using a relative poverty line (measured in terms of the bottom 20), analysis of available data shows that social assistance beneficiaries across South Asia are escaping poverty or decreasing the depth of poverty. Social assistance has reduced the incidence of relative poverty by 5.73 percent in South Asia, a share that is lower than the world average of 7.46 percent, but higher than the lower-middle-income country average of 5.22 percent (figure 2.16, panel a). At 20.61 percent, Maldives has the highest rate of reduction in the poverty headcount in South Asia because of the country’s social assistance. This also exceeds the rate in similar country comparators (9.62 percent in upper-middle-income countries). Maldives is followed by Sri Lanka. Pakistan has the lowest rate of reduction in the poverty headcount of social assistance in South Asia, at 3.05 percent, which is significantly lower than the regional and lower-middle-income-country averages. The poverty gap has been reduced by 5.04 percent among households receiving social assistance in South Asia, a share that
is lower than the average among lower-middle-income countries of 6.44 percent and significantly lower than the world average of 15.10 percent (figure 2.16, panel b). Two countries stand out, namely, India and Maldives. The performance of social assistance in Maldives in reducing the poverty gap is even better than the upper-middle-income-country average (17 percent). India’s performance, meanwhile, falls significantly behind the averages in South Asia and in lower-middle-income countries.

**Figure 2.16. Social assistance: reduction in the headcount and the poverty gap**

<table>
<thead>
<tr>
<th></th>
<th>a. Headcount reduction, %</th>
<th>b. Poverty gap reduction, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>World (2010/20W)</td>
<td>7.46</td>
<td>15.10</td>
</tr>
<tr>
<td>South Asia (2010/20W)</td>
<td>5.73</td>
<td>5.04</td>
</tr>
<tr>
<td>Lower middle income (2010/20W)</td>
<td>5.22</td>
<td>6.44</td>
</tr>
<tr>
<td>Pakistan (2018)</td>
<td>3.05</td>
<td>5.12</td>
</tr>
<tr>
<td>Maldives (2019)</td>
<td>4.27</td>
<td>32.08</td>
</tr>
<tr>
<td>Bangladesh (2016)</td>
<td>4.27</td>
<td>5.49</td>
</tr>
<tr>
<td>India (2011)</td>
<td>6.33</td>
<td>4.57</td>
</tr>
</tbody>
</table>


**Note:** ASPIRE data on the impact of social assistance on poverty and inequality are only available on Bangladesh, India, Maldives, Pakistan, and Sri Lanka. The indicators measure impacts on poverty by comparing household per capita welfare before and after the transfers.

**Social assistance also plays a vital role in the reduction of inequality in South Asia.** South Asia’s average reduction in the Gini inequality index due to social assistance is less than the world average, but greater than the average of lower-middle-income countries, with Maldives and Bangladesh at opposing ends (figure 2.17). Maldives has the best performance in relation to the impact of the country’s social assistance on inequality, with a 6.51 percent inequality reduction, which is significantly higher than the averages in the world and in lower-middle-income countries. In Bangladesh and Pakistan, meanwhile, the impact of social assistance on inequality is merely half of that in lower-middle-income countries.
Figure 2.17. Gini inequality index reduction, all social assistance, %


Note: ASPIRE data on the impact of social assistance on poverty and inequality are only available on Bangladesh, India, Maldives, Pakistan, and Sri Lanka. The indicator measures the impact on inequality by comparing household per capita welfare before and after the transfers.

Beyond poverty and inequality, social assistance programs in South Asia have had important impacts on other outcomes of interest. For example, evidence from a qualitative program evaluation shows that Pakistan’s BISP has empowered women in beneficiary households and contributed to their improved mobility, led to a decrease in some deprivations particularly in terms of the quality of dwellings’ flooring and the quality of cooking fuel, reduced the number of girls (but not boys) that are stunted, and increased the proportion of beneficiaries with savings (Cheema et al. 2016). In India, the country’s flagship public work program (MGNREGA) had an immediate positive impact on nutrition, with one-year program exposure resulting in participants increased energy and protein intake by 6.9 percent each (Deininger and Liu 2019). Using individual panel data and accounting for seasonal trends in employment as well as individual and regional heterogeneity, Afridi, Mahajan, and Sangwan (2022) find that districts with higher pre-pandemic capacity to generate public works employment under MGNREGA were able to cushion job losses significantly in rural areas and especially among rural women. George and McKay (2019) suggest that, while India’s public distribution system may not be able to eliminate the issues of malnutrition and child mobility or mortality in the country, it still has the ability to reduce hunger, while providing a solution for the right to food. Based on locality-by-time fixed effects models over two rounds of locality panel data, Cho and Ruthbah (2018) find that Bangladesh’s EGPP contributed to increasing overall household consumption and reducing outstanding loans among beneficiaries. In particular, expenditures on quality food and health care significantly increased, which likely helped individuals continue to engage in income-generating activities on the labor market. Another study finds that EGPP workers fared
better than non-EGPP workers: (1) they earned more in total wages (Tk 82,283 a year whereas non-EGPP workers earned Tk 76,591); (2) they had higher savings; (3) they had greater food security; and (4) they showed greater empowerment among women (Mannan et al. 2018). Relative to non-EGPP women, EGPP women workers were also more empowered because of their knowledge about the legal minimum age of marriage and legal and health provisions affecting women.

**In social assistance program efficiency (programs achieving better development impacts relative to costs), the results have been positive and encouraging.** Cost-benefit ratios in South Asia range from 0.21 in Maldives to 0.38 in Pakistan and Sri Lanka (figure 2.18). They show the reduction in the poverty gap obtained for each US$1 spent on social assistance programs. Sri Lanka and Pakistan are the top performers, and Bangladesh is close behind. In Maldives, the ratio is calculated on the social pension program (OABP).

**Figure 2.18.** Cost-benefit ratios in social assistance, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>0.38</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.38</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.34</td>
</tr>
<tr>
<td>India</td>
<td>0.28</td>
</tr>
<tr>
<td>Maldives</td>
<td>0.21</td>
</tr>
</tbody>
</table>


**Note:** The cost-benefit ratio is estimated as follows: (the poverty gap before the transfer – the poverty gap after the transfer) / (total transfer amount), that is, the percentage reduction in the poverty gap obtained for each dollar spent on the social safety net. A ratio of 1 implies that, for every dollar spent, the poverty gap is reduced by a dollar.
Notes

1 Subnational programs, health-fee waivers, and health-related expenditures (except for disability allowances) are outside the scope of the chapter, though these may be important especially in India and Pakistan. Chapter 3 offers more detail on old-age (noncontributory) social pensions.

2 In most centrally sponsored schemes, states must contribute a significant share of the funds from their own budgets.

3 The Direct Benefit Transfer delivery mechanism links the 12-digit unique ID numbers (Aadhaar) with the corresponding program IDs, then transfers benefits directly into the associated bank accounts. There were 440 Direct Benefit Transfer schemes in 2018–19 (71 in-kind transfers and 365 cash benefits) and 316 in 2020–21 (45 in-kind transfers and 271 cash benefits) (Bhattacharya and Roy 2021).

4 China and Indonesia, for instance, have fewer than 10 national social assistance programs (Ahmad 2019).

5 Unless otherwise indicated, Afghanistan content refers to the period up to August 15, 2021, when the interim Taliban administration took the reins of government.

6 Roughly 75 percent of total public spending (representing approximately 43 percent of GDP) in Afghanistan is financed through international grants (IDA 2021).

7 Under the fertilizer Direct Benefit Transfer system, a 100 percent subsidy for various grades of fertilizer is released to fertilizer companies on the basis of actual sales by retailers to the beneficiaries. See DBT (Direct Benefit Transfer) (dashboard), Department of Fertilizers, Ministry of Chemicals and Fertilizers, New Delhi, [https://www.fert.nic.in/dbt#:~:text=Status%20of%20DBT%20in%20Fertilizers%3A&text=Under%20the%20fertilizer%20DBT%20system%2C%20the%20retailers%20to%20the%20beneficiaries](https://www.fert.nic.in/dbt#:~:text=Status%20of%20DBT%20in%20Fertilizers%3A&text=Under%20the%20fertilizer%20DBT%20system%2C%20the%20retailers%20to%20the%20beneficiaries).

8 The Ministry of Women, Children, and Senior Citizens oversees old-age homes and orphanages.

9 Janani Suraksha Yojana is embedded within the Department of Health and Family Welfare in India.

10 The largest cash programs include the old-age allowance, the allowances for widowed, deserted, and destitute women, allowances for the financially insolvent disabled, vulnerable group feeding, the maternity allowance program, the honorarium for freedom fighters, and the employment generation program for the ultra-poor.

11 On May 13, 2023, the government of Sri Lanka approved Aswesuma, a new program. Implementation relies on the newly established social protection system, including the revamped social registry. Aswesuma classifies beneficiaries into four groups: extreme poor, poor, vulnerable, and transient. It is expected to provide transfers to about 35 percent of the population, that is, the poorest 2 million households. It is designed to include the periodic entry and exit of population groups based on their level of poverty. Beneficiaries will be selected from the 3.35 million households that have been registered for the program and on which information has been validated through household visits. Beneficiary households will be provided with differentiated payments based on their poverty ranking for the duration of the scheme (three years), except for the vulnerable and transient poor.

12 See Direct Benefit Transfer (dashboard), DBT Mission, New Delhi, [https://dbtbharat.gov.in/](https://dbtbharat.gov.in/).
This subsection relies primarily on data from ASPIRE (Atlas of Social Protection Indicators of Resilience and Equity) (dashboard), World Bank, Washington, DC, [https://www.worldbank.org/en/data/datatopics/aspire](https://www.worldbank.org/en/data/datatopics/aspire). ASPIRE is the World Bank’s premier compilation of indicators for the analysis of the scope and performance of social protection programs. The compilation includes indicators on 139 countries on social assistance, social insurance, and labor market programs by relying on program administrative data and national household survey data. Data from a few countries in South Asia across these various indicators were not available for this publication. Some country-specific information is therefore not included in the analysis. Some programs in South Asia include services that span various other types of social assistance, but are categorized in ASPIRE under the most sizable or important social assistance programs. These exceptions do not, however, change the general findings and trends observed. For more details, see appendix A.

14 Bhutan’s social assistance expenditures and, hence, its aggregate social protection expenditures are excluded from the related analysis here because of a lack of reliable data. Much of the country’s social assistance is delivered through Kidu and is therefore difficult to quantify. The traditional Kidu is a system of grants offered by the king to people living in hardship. Kidu offers scholarships, health benefits, land grants, disaster relief, amnesty, and so on to socioeconomically vulnerable individuals, such as the landless, the disabled, the elderly, and children. Kidu is not part of the formal social protection policy and system. It is managed through the Office of the Gyalpoi Zimpon (Office for People’s Welfare and Well-Being).

15 Food and in-kind transfers provide goods and services, such as food, but also include programs providing near-cash benefits such as paper and electronic food stamps and vouchers, food distribution programs, nutritional programs that involve therapeutic feeding distribution and promote good feeding practices, and programs that distribute school supplies. This category excludes food-for-work programs, emergency in-kind transfer programs, and school meal programs, which are classified in other groups. See ASPIRE (Atlas of Social Protection Indicators of Resilience and Equity) (dashboard), World Bank, Washington, DC, [https://www.worldbank.org/en/data/datatopics/aspire](https://www.worldbank.org/en/data/datatopics/aspire).

16 Fee waivers and other social assistance include (a) programs used to assist households to meet the cost of education, housing, utilities, and transportation; and (b) all other social assistance programs not included in any other social assistance category.

17 Broad CCTs have multiple co-responsibilities, often grant access to a wider set of health, nutrition, and education services, and frequently promote participation in behavior change and communication activities. The degree of enforcement is determined by operational constraints (O’Keefe et al. 2024).

18 The National Social Assistance Program’s central scheme covers 29.4 million beneficiaries, and state-sponsored schemes assist 10.5 million beneficiaries. The total coverage of these national and state-sponsored social pension programs is 39.9 million beneficiaries.

19 For instance, the municipality of Kirtipur runs the Ghar Ghar Ma Sthaniya Sarkar Program (the local government in each home program), which provides one-time allowances to mothers of newborns and the families of the recently deceased (TTC 2021).

20 The data in this paragraph correspond to estimates based on results of Gentilini et al. (2022) as of December 2021.

21 State governments in India have also provided pandemic-related support.

22 This paragraph is based on data of Gentilini et al. (2022).
MGNREGS, the National Social Assistance Program, Pradhan Mantri Kisan Samman Nidhi, Pradhan Mantri Ujjwala Yojana, and the public distribution system.


Nr 108 billion (data of the Department of National ID and Civil Registration).

This arose because of an increase in the size of all social security allowance benefits in FY 2022 and a reduction in the eligibility age among the elderly from 70 to 68 in FY 2023.

In the state of Jharkhand, for example, every rural household is eligible for the public distribution system by default, unless it meets at least one of the state government’s exclusion criteria: regular government employment, four-wheel-vehicle ownership, ownership of more than 5 acres of irrigated land or 10 acres of any land, or ownership of a concrete house with more than three rooms. After an initial list of eligible households is drawn up using the Socio-Economic and Caste Census, people are given an opportunity to request corrections (Drèze et al. 2017).

Pradhan Mantri Kisan Samman Nidhi, Ujjwala Yojana, and MGNREGS have quotas for scheduled castes or scheduled tribes. In 2017, 39.1 percent of the people provided with employment through MGNREGS belonged to scheduled castes or scheduled tribes (Bhattacharya, Imbert, and Murgai 2019). Pradhan Mantri Kisan Samman Nidhi does not cover high-income farmers or individuals holding more than two hectares of agricultural land. MGNREGS has quotas for women. In 2017, women constituted 53.5 percent of the people who had been provided with employment through the program (Bhattacharya, Imbert, and Murgai 2019).

The interim Taliban administration revised the program’s criteria to include the families of suicide bombers, other households affiliated with the administration, and people who have been disabled as a result of a natural disaster (Johnson and Walker 2022).


The estimates associated with the Afghanistan public works program in this chapter are calculated based on households with consumption of less than 1.5 times the poverty line.


Coverage is defined as the percentage of the population participating in social assistance programs. It is calculated as follows: number of individuals in a quintile who live in a household where at least one member receives a transfer, divided by the number of individuals in the quintile. Survey-based coverage data here represent lower-bound estimates of inclusion among the poorest for several reasons. Household surveys include only a subset of programs, often omitting temporary SSNs that may have impressive coverage, as with some COVID-19 programs. Coverage data also vary considerably depending on whether coverage is measured according to the overall population or the program eligible population. Nepal’s social security allowance, for instance, covered only 11 percent of the overall population in FY 2019–20, but covered 70–80 percent of the eligible population (Johnson and Walker 2022).
34 If India were included, the average social assistance coverage in South Asia would rise to 36 percent, but this would be primarily a result of India’s quasi-universal public distribution system.

35 In Nepal, individuals are eligible for a disability grant if they hold a red or blue card, which certifies them as people with profound or severe disabilities. According to the Household Risk and Vulnerability Survey 2019, which covered all nonmetropolitan areas, 47 percent of individuals who had a red or blue card were currently not receiving the grant (World Bank 2021b).

36 Five of the six national SSNs used to provide pandemic-related support are not portable across state boundaries in India and only provide benefits to local state residents. The public distribution system is an exception. It recently undertook efforts to allow portability across states through the one nation, one ration card scheme. See World Bank (2020) and World Bank and IDA (2020).

37 Thus, Afghan refugees, who make up roughly 2.5 million people in Pakistan, can rarely be covered by an SSN because they are undocumented and largely employed in the informal sector (DRI 2020).

38 Beneficiary incidence is the number of program beneficiaries in a quintile relative to the total number of beneficiaries in the population. It is calculated as follows: number of individuals in each quintile who live in a household where at least one member participates in social assistance, divided by the number of individuals participating in social assistance in the population. In most countries in the region, the bottom 40 comprises poor, economically vulnerable households.

39 More than 40 percent of the program benefits reach the bottom quintile (Anwar and Cho 2019).

40 Benefit incidence is the share of benefits going to each quintile or group of the post-transfer (or pretransfer) welfare distribution relative to the total benefits of the population. It is calculated as follows: sum of all transfers received by all individuals in the quintile, divided by the sum of all transfers received by all individuals in the population.

41 Benefit adequacy is the total transfer amount received by all beneficiaries in a quintile as a share of the total welfare of beneficiaries in the quintile. It is calculated as follows: amount of transfers received by a quintile, divided by the total income or consumption of beneficiaries in the quintile.

42 Measured here time as the monthly value of social assistance benefits as a share of the monthly value of the international US$1.90-a-day poverty line.

43 The new extreme poverty line is US$2.15 per person per day. However, for the purposes of this analysis, the older extreme poverty line of US$1.90 per person per day has been used. This does not change the general findings.

44 As of September 2022, the quarterly benefits are PRs 2,000 for primary-school girls (PRs 1,500 for boys), PRs 3,000 for secondary-school girls (PRs 2,500 for boys), and PRs 4,000 for higher-secondary-school girls (PRs 3,500 for boys).

45 The government of Sri Lanka increased benefits across social assistance programs to address recent shocks, including COVID-19 and the country’s economic crisis.

46 The share increased to 37.6 percent in 2022.

47 Similar results can be observed from simulations on the allowances for widowed, deserted, and destitute women and education stipend (Planning Commission 2019; World Bank 2021a).
References


Rethinking Social Protection in South Asia
Chapter 2. Social assistance in South Asia


Rethinking Social Protection in South Asia
Chapter 3. Old-age income protection

This chapter describes old-age income-protection mechanisms in South Asian countries through (1) private sector pensions and contractual savings, (2) noncontributory elderly assistance programs, and (3) civil service pensions. It details the scheme arrangements and parameters and evaluates the challenges in coverage, adequacy, and sustainability. It also examines key contextual issues, such as current and projected population aging, labor markets and informality, and fiscal sustainability. More detailed country-specific analysis and suggestions for future directions are provided in Appendix B.

3.1. Private sector contributory schemes

Private sector contributory schemes in the region exhibit wide diversity in design characteristics, reflecting each country’s distinct history. All South Asian countries had pay-as-you-go defined benefit pension schemes for civil servants at independence, and some also had defined contribution provident funds. Shortly after independence, India and Sri Lanka established separate mandatory provident funds for private sector workers with labor contracts, followed by Pakistan in 1976. In the 2000s, India converted from defined benefit schemes to defined contribution schemes for new entrants, and, in Maldives, a similar shift applied to all civil servants. Bhutan, Maldives, and Nepal established mandatory defined contribution schemes for the private sector, which were appended to the existing or reformed designs for the public sector. India also established a defined contribution scheme for private and informal workers, though this continued to function in parallel with the Employees’ Provident Fund. Bangladesh has no mandatory contributory scheme for private sector workers, though the social security strategy includes noncontributory old-age benefits. Table 3.1 summarizes the main schemes and the associated parameters.
### Table 3.1. The parameters of contributory pension schemes for private sector workers

<table>
<thead>
<tr>
<th>Country</th>
<th>Scheme name</th>
<th>Link to civil service scheme</th>
<th>Design and financing</th>
<th>Firms/workers required to contribute</th>
<th>Contribution rate</th>
<th>Vesting</th>
<th>Retirement eligibility age</th>
<th>Form of benefit</th>
<th>Preretirement benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhutan</td>
<td>National Pension and Provident Fund*</td>
<td>Same design</td>
<td>Hybrid PAYG DB and DC</td>
<td>Mandatory for firms with 10+ employees, voluntary for others</td>
<td>22%</td>
<td>5 years</td>
<td>56 or anytime if involuntarily unemployed</td>
<td>DC: lump sum or annuity; gratuity: lump sum**</td>
<td>Housing loans and emergency needs</td>
</tr>
<tr>
<td>India</td>
<td>National Pension Scheme</td>
<td>Same design and management; full portability</td>
<td>FDC</td>
<td>Voluntary</td>
<td>24%</td>
<td>60</td>
<td>40% of final balance as annuity, 60% lump sum</td>
<td>Disability and survivorship</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employees’ Provident Fund scheme</td>
<td>No link</td>
<td>Provident fund, FDC</td>
<td>Firms with 20+ employees, though employees earning Rs 15,000 or less a month are exempted</td>
<td>24%</td>
<td>58</td>
<td>Lump sum at retirement, plus early withdrawal opportunities</td>
<td>Multiple withdrawal criteria</td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>Maldives Retirement Pension Scheme</td>
<td>Unified with scheme for public sector</td>
<td>FDC</td>
<td>All workers</td>
<td>14% of basic salary</td>
<td>65</td>
<td>Phased withdrawal</td>
<td>Hadj travel and housing loans</td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>Social Security Fund</td>
<td>No link</td>
<td>Employees of listed employers (others voluntary)</td>
<td>28.33%</td>
<td>15 years</td>
<td>60</td>
<td>Part lump sum and part annuity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employees’ Provident Fund (prior to Social Security Fund)</td>
<td>Linked</td>
<td>Voluntary for private sector</td>
<td>10% of basic wages</td>
<td></td>
<td></td>
<td>Lump sum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>Employees Old Age Benefit Insurance</td>
<td>No link</td>
<td>Firms with 5+ employees mandatory (others voluntary)</td>
<td>6% of minimum wage</td>
<td>15 years</td>
<td>60 (men), 55 (women)</td>
<td>Annuity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Employees Provident Fund</td>
<td>No link</td>
<td>Provident fund, FDC</td>
<td>Mandatory for firms to contribute 12% and workers to contribute 8%</td>
<td>20% of basic wage</td>
<td>55 (men), 50 (women)</td>
<td>Lump sum</td>
<td>Home mortgage facility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Informal sector schemes</td>
<td>No link</td>
<td>PAYG DB</td>
<td>Voluntary for informal sector</td>
<td>60</td>
<td>Annuity</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** World Bank elaboration

**Note:** DB = defined benefit, DC = defined contribution, FDC = financial defined contribution. PAYG = pay as you go.

* The Royal Insurance Company of Bhutan also offers a group insurance policy that covers several risks, including disability and death.

** Lump-sum payments made to employees by employers at the time of separation. These are defined benefit schemes, or they operate with employee contributions that are not based on work history.
**Bhutan has a unified design for public sector and formal private sector workers.** The National Pension and Provident Fund manages the National Pension and Provident Fund Plan schemes. In addition, Bhutan Insurance Limited manages the Private Provident Fund, an occupational scheme for private companies and other agencies. Private sector employers with at least 10 employees are required to make contributions to the National Pension and Provident Fund and set aside funds as an employer-provided gratuity. The scheme provides a guaranteed risk-free return of 6–7 percent a year, and contributors can receive loans according to their accumulations.

**India has two sets of defined contribution schemes:** the Employees’ Provident Fund and the more recent National Pension System (NPS). The Employees’ Provident Fund is a mandatory scheme for all establishments with at least 20 employees. It requires 12 percent contributions from both employers and employees. The scheme is centrally managed and provides an administered rate of return. It allows for multiple preretirement withdrawals under a wide range of circumstances. In 1995, the Employees’ Pension Scheme was introduced, which modified the Employees’ Provident Fund scheme to include both defined contribution and defined benefit components.

**The NPS was established in 2004 as a mandatory scheme for new government employees, replacing a pay-as-you-go defined benefit scheme for federal workers.** It was later followed by voluntary schemes with the same architecture and institutional framework for private companies (NPS Corporate) and for all citizens (NPS Lite and Atal Pension Yojana), including those in the informal sector. The retirement age under the NPS is 60, with an option to remain a contributing participant until age 70.

**NPS offers two types of accounts, Tier I and Tier II.** Tier I accounts only offer payouts at retirement. The payouts are made 40 percent to purchase an annuity from a life insurance company and the remainder as a lump sum. Tier II accounts are meant to be more liquid and provide much more access to funds prior to retirement, subject to a number of conditions. Contribution rates are flexible for NPS Corporate: they can be made entirely by employers, entirely by employees, or in some combination, subject to a maximum contribution rate of 10 percent of the employee’s salary for each contributor. Under NPS Lite and Atal Pension Yojana, contributions range from Rs 1,000 to Rs 12,000 and participants receive a government matching contribution of 50 percent or Rs 1,000 per year, whichever is lower.

**Maldives has funded defined contribution schemes for public and private sector workers since 2009 and 2011, respectively.** The universal OABP provides both a minimum pension of Rf 5,000 per month at age 65 for retirees from the contributory Maldives Retirement Pension Scheme (MRPS) and the same assistance benefit for uncovered retirees. The combination of a universal basic pension and a contributory defined contribution scheme results in a generous redistributive pension benefit.³

**As a relatively new scheme, OABP has few retirees with pensions based on contributions.** The contributory scheme has a combined employer/employee contribution rate of 14 percent and offers a phased-withdrawal benefit at age 65. Since the scheme’s inception in 2009, OABP beneficiaries have had a clawback or reduction of 50 percent of the amount received from the MRPS and 100 percent of the amount received from any other state-funded scheme, such as the civil servants’ scheme.

**Nepal previously offered participation in the civil service scheme to private sector workers on a voluntary basis and in 2020 established a private sector pension, the Social Security Fund.** The fund is meant to be mandatory for formal private sector workers but still has low coverage. This scheme includes two defined contribution components: (1) a lump sum benefit, and (2) a pension based on the accumulation at age 60, after a 15-year vesting period.⁴ The new scheme also includes the Dependent Family Security scheme,
which compensates workers’ families in the event of death by accident or an occupational disease. Prior to the establishment of the fund, private sector workers could voluntarily participate in the Employees’ Provident Fund scheme, with minimum employee contributions of 10 percent of basic wages. Employees’ Provident Fund payments are provided as a lump sum and include other benefits such as special loans, accident indemnity, funeral grants, and, since 2018, health insurance. Nepal also has the Citizen Investment Trust, a savings program established in 1991 that operates 11 schemes, 3 of which relate to retirement. It covered about 250,000 people in 2022.

Pakistan has a pay-as-you-go defined benefit scheme for private sector workers at the national level, Employees Old Age Benefit Insurance (EOBI), along with similar state-level institutions. All firms with five or more workers are required to participate in the scheme, while businesses with fewer than five employees can register on a voluntary basis. Employer and employee contributions are 6 and 1 percent, respectively, of the state or federal minimum wage. Old-age benefits are provided for those who meet the 15-year vesting requirement, with a minimum benefit of PRs 8,500 a month (US$46 a month). For those not fully vested, EOBI also provides an old-age grant and disability and survivorship benefits.

Sri Lanka has two schemes for private sector companies—one for old-age pensions and another for broader insurance purposes. The Employees’ Provident Fund is a national contributory provident fund for retirement, offered to workers with labor contracts. It has a combined employer/employee contribution rate of 20 percent and offers a lump-sum benefit at retirement, which is as early as age 50 for women and 55 for men. The Employees’ Provident Fund does not have a voluntary window for workers who are between jobs or self-employed. The Employees’ Trust Fund (ETF) is a national contributory fund for severance, disability, and survivorship, and it requires a 3 percent contribution.

Sri Lanka offers voluntary pension schemes for informal workers: the Farmers’ Pension and Social Security Scheme, the Fishermen’s Pension and Social Security Scheme, and the Self-Employed Pension Scheme. These pay-as-you-go defined benefit schemes provide benefits at age 60, the value of which is determined based on a combination of the age at which contributions are initiated and the level of contributions. All these schemes face important financial sustainability challenges, inconsistencies in recordkeeping, and automation challenges.

3.2. Noncontributory schemes

Social assistance schemes and noncontributory social pensions have an important role in providing old-age poverty protection in the region, primarily because of the limited coverage and adequacy of contributory schemes. Table 3.2 provides an overview of the schemes for noncontributory old-age protection, and table 3.3 summarizes the main characteristics of each country’s social pension programs.
### Table 3.2. Noncontributory social assistance for the elderly, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Social assistance for poor households</th>
<th>Social pensions for the elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>—</td>
<td>Old-age allowance</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Kidu Program (for hardship relief)</td>
<td>—</td>
</tr>
<tr>
<td>India</td>
<td>—</td>
<td>Indira Gandhi National Old Age Pension Scheme</td>
</tr>
<tr>
<td>Maldives</td>
<td>Food assistance and other categorical programs targeting single parents and foster parents</td>
<td>Old Age Basic Pension</td>
</tr>
<tr>
<td>Nepal</td>
<td>—</td>
<td>Old-age allowance</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Benazir Income Support Program</td>
<td>—</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Samurdhi subsidy program</td>
<td>Elderly allowance</td>
</tr>
</tbody>
</table>

### Table 3.3. Summary of benefits, eligibility, and cost of social pensions

<table>
<thead>
<tr>
<th>Country</th>
<th>Scheme</th>
<th>Amount</th>
<th>% GDP per capita</th>
<th>Eligibility age</th>
<th>Targeting</th>
<th>Recipients, number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Old-age allowance</td>
<td>Tk 500 (US$5.9)</td>
<td>2.800</td>
<td>65 (men), 62 (women)</td>
<td>Means tested</td>
<td>4,900,000</td>
</tr>
<tr>
<td>India</td>
<td>Indira Gandhi National Old Age Pension Scheme</td>
<td>Rs 200 (US$2.70) at federal level plus state-level benefits</td>
<td>1.60</td>
<td>60</td>
<td>Means tested</td>
<td>21,100,000</td>
</tr>
<tr>
<td>Maldives</td>
<td>Old Age Basic Pension</td>
<td>Rf 5,000 (US$325)</td>
<td>1.45</td>
<td>65</td>
<td>Pensions tested</td>
<td>20,330</td>
</tr>
<tr>
<td>Nepal</td>
<td>Old-age allowance</td>
<td>Nr 4,000 (US$30)</td>
<td>1.16</td>
<td>68</td>
<td>Pensions tested</td>
<td>1,522,670</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Elderly allowance</td>
<td>SL Rs 2,000 (US$11)</td>
<td>0.07</td>
<td>70</td>
<td>Means tested</td>
<td>417,607</td>
</tr>
</tbody>
</table>


**Note:** Data correspond to 2021 for Bangladesh, Maldives, and Nepal, 2019 for India, and 2020 for Sri Lanka.

**Bangladesh’s old-age allowance is the country’s main old-age assistance benefit.** The old-age allowance provides a means-tested monthly benefit of Tk 500 (US$5.80) and covers about 37 percent of the population of eligible age. Allowances for widowed, deserted, and destitute women are also often granted to the elderly.

**Noncontributory social assistance in India is provided through the National Assistance Program,** which includes five subschemes: the Indira Gandhi National Old Age Pension Scheme, Indira Gandhi National Widow Pension Scheme, Indira Gandhi National Disability Pension Scheme, National Family Benefit Scheme,
and Annapurna Scheme. The main old-age assistance scheme is the Indira Gandhi National Old Age Pension Scheme, a noncontributory scheme providing assistance to Indians over age 60 who live below the poverty line. The benefits are low. Beneficiaries ages 60–79 receive a central government payment of Rs 200 per month (US$2.60), while beneficiaries ages more than 80 receive Rs 500 (US$6.30). State governments are encouraged to supplement these payments with an equal or higher contribution. The Annapurna Scheme is exclusively targeted at the elderly; it provides 10 kilograms of free rice each month to qualifying senior citizens.  

**Maldives and Nepal both provide pension-tested social pensions to the elderly.** The Maldives benefit is generous, at Rf 5,000 (US$323) per month for 93 percent of those of eligible age. Nepal provides a more modest social pension of Nr 400 (US$30) per month, with roughly 85 percent of those over the eligibility age covered. 

**In Sri Lanka, there is only one national government social pension.** The Elderly Assistance Program provides a senior citizens allowance, a monthly cash allowance of SL Rs 2,000 to members ages 70 or more with monthly incomes below SL Rs 6,000. 

**Unlike other countries in the region, Bhutan and Pakistan do not have social pensions, but they do offer social assistance for which the elderly is eligible.** In Bhutan, the elderly can receive Kidu (intended for hardship relief, not poverty alleviation). Pakistanis can subscribe to the BISP, a federal unconditional cash transfer poverty reduction program. PRs 7,000 (US$43) is paid per family on a quarterly basis, and roughly 23 percent of Pakistan’s population was expected to be covered under the scheme by the end of 2022 (appendix B).  

A recent World Bank publication projects three alternative scenarios for the adequacy and expansion of noncontributory pensions in South Asia (Demarco et al. 2022). The first scenario assumes no change in programs, but an adjustment for any demographic change. This has an important impact in Maldives and Nepal, but less impact in the rest of the region. 

**A second scenario explores the projected impact on expenditures if benefits are increased to the national poverty line.** The scenario reflects higher costs because of demographic change (as in scenario 1) but does not assume any expansion in coverage. In Bangladesh, the benefit would increase from 4 percent to 35 percent of GDP per capita. In India, the benefit would be raised from the current 1.6 percent of GDP per capita to 8.0 percent (equal to the rural poverty line). In Sri Lanka, the benefit would rise from around 4 percent to 11 percent of GDP per capita (equal to the national poverty line). 

**The third scenario assesses the projected fiscal impact of population aging (scenario 1) if benefits are increased to the national poverty line (scenario 2), and coverage is raised to reach 50 percent of the population above retirement age.** The current coverage is 46 percent of the population above retirement age in Bangladesh, 18 percent in India, and 26 percent in Sri Lanka. 

Noncontributory pensions will continue providing income support in old age for the poorest informal workers but given the demography of the region and the high informality rates in South Asia, extending noncontributory benefit coverage and increasing the pensions to adequate levels will imply too high fiscal costs and be unaffordable for the governments. Complementarity of noncontributory and contributory savings schemes will be imperative. 

### 3.3. Civil service schemes

Five of the seven civil service pension schemes in South Asia have noncontributory defined benefit designs, built upon a similar framework to the ones inherited from the colonial era (table 3.4).
### Table 3.4. Design and parameters of general government civil service schemes in South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Design and financing</th>
<th>Linkage with private sector schemes</th>
<th>Effective accrual rate</th>
<th>Pension eligibility age</th>
<th>Earnings measure</th>
<th>Expected RR after 30 years of service</th>
<th>Pension indexation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Non-cont. DB</td>
<td>No private sector scheme</td>
<td>3.6%</td>
<td>60</td>
<td>Final basic salary</td>
<td>108%&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Ad hoc until now</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Hybrid: cont. DB and DC</td>
<td>Separate parameters, but DC scheme linked</td>
<td>1.33% (DB scheme)</td>
<td>56</td>
<td>Final basic salary</td>
<td>40%</td>
<td>Minimum (5%, CPI)</td>
</tr>
<tr>
<td>India after 2004</td>
<td>Cont. DC</td>
<td>Separate DC scheme, with matching design</td>
<td>-</td>
<td>60</td>
<td>NA</td>
<td>NA</td>
<td>Partial annuity</td>
</tr>
<tr>
<td>India before 2004</td>
<td>Cont. DB</td>
<td>Not linked</td>
<td>1.5%</td>
<td>60</td>
<td>Final basic salary</td>
<td>46%</td>
<td>Ad hoc, wage indexed</td>
</tr>
<tr>
<td>Maldives</td>
<td>Cont. DC</td>
<td>Integrated</td>
<td>N.A.</td>
<td>65</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Nepal</td>
<td>Cont. (after 2019) DB</td>
<td>Not linked</td>
<td>2.0%</td>
<td>58</td>
<td>Final basic salary</td>
<td>60%</td>
<td>2/3 wage growth</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Non-cont. DB</td>
<td>Not linked</td>
<td>4.06%&lt;sup&gt;9&lt;/sup&gt;</td>
<td>55, or 25 years of service&lt;sup&gt;10&lt;/sup&gt;</td>
<td>Final basic salary</td>
<td>122%</td>
<td>Ad hoc, through allowances</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Non-cont. DB</td>
<td>Not linked</td>
<td>Target: 2.5% first 10 years, 1.67% thereafter; benefits per matrix, without an accrual rate</td>
<td>Ages: 50 (women), 55 (men); teachers and nurses: after 20 years of service</td>
<td>Final basic salary</td>
<td>About 85%, per benefit matrix</td>
<td>Ad hoc, through allowances</td>
</tr>
</tbody>
</table>

**Sources:** World Bank estimates; Jain and Palacios 2022.

**Note:** CPI = consumer price index. DB = defined benefit. DC = defined contribution. cont. = contributory. RR = replacement rate.
Over the past two decades, South Asian civil service pension schemes have undergone several structural and parametric reforms (figure 3.1). In 2000, Bhutan modified its scheme in favor of a hybrid defined benefit and defined contribution arrangement. Later, India and Maldives established centralized prefunded defined contribution schemes (in 2004 and 2009, respectively). In India, the scheme only applied to new entrants, while, in Maldives, it provided service recognition for work done prior to the reform. In both cases, the civil service scheme later became either coordinated or integrated with schemes for private sector workers. Between 2016 and 2020, Sri Lanka increased the wage base for determining benefits by folding in all allowances, which significantly increased its pension expenditures. In Pakistan, measures at the provincial level are being undertaken to require retirement for those civil servants who have reached age 55 with 25 years of service.

*Figure 3.1. Timeline of reforms in South Asian civil service pensions*

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Bhutan started its hybrid scheme for CS (DB+PF)</td>
</tr>
<tr>
<td>2004</td>
<td>India’s systemic reform: new CS in a 20% c.r. DC (raised to 24% in 2019)</td>
</tr>
<tr>
<td>2009</td>
<td>Maldives moved to a DC scheme for all CS</td>
</tr>
<tr>
<td>2012</td>
<td>Pakistan reduced commutation amount allowed from 50% to 35% in some states</td>
</tr>
<tr>
<td>2018</td>
<td>Nepal introduced contributions for DB scheme + a scheme for private sector workers</td>
</tr>
</tbody>
</table>

*Source:* Jain and Palacios 2022.

*Note:* c.r. = contribution rate. CS = civil service. DB = defined benefit. DC = defined contribution. PF = pension fund.

Generally speaking, the lack of integration between civil service and private sector schemes poses significant barriers to labor mobility (except in Maldives). The combination of a long vesting period for civil service schemes (20–25 years on average) and lack of benefits portability means that moving from a public sector job to a private sector job has a high cost for an individual in terms of the pension benefit they can receive.

### 3.4. Challenges

#### 3.4.1. Demographic context: the challenge of aging

**Pension policy is heavily determined by the population’s age profile.** The higher the proportion of the elderly, the greater the resources needed to support them when they cannot work. Similarly, as the average age of workers increases, this constrains the available resources to provide intergenerational support for the elderly.
The traditional use of intrahousehold transfers for old-age income protection will face increasing stress because of the rapidly increasing proportion of the population over age 65 and increases in the old-age dependency ratio (figure 3.2). The growth in these ratios reflects both declines in fertility rates and increases in life expectancy throughout the region. This suggests that contractual savings, pensions, and noncontributory elderly assistance should grow in importance in the years ahead.

**Figure 3.2. Share of population ages more than 65 and the old-age dependency ratio**

![Graph a. Percent of population ages more than 65](image1)

![Graph b. Old-age dependency ratio](image2)


*Note:* 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64.

**Sri Lanka has the region’s largest population share ages 65 or more (11 percent), the highest old-age dependency ratio (21 percent), and a projected rise in these ratios over the coming decades** (see figure 3.2). Maldives has a modest proportion of its population over 60 (5 percent), but this will more than quadruple by 2050, after a sharp drop in fertility rates. Demographic projections suggest that by 2060, on average a fifth of the populations of all the countries in the region will be over age 65, with Bangladesh, Bhutan, Maldives, and Sri Lanka all above 20 percent.

**On the positive side, declining total dependency ratios can provide a demographic dividend, which can increase funds to address aging in the population, among other fiscal objectives.** Over the coming decade, all South Asian countries except Maldives and Sri Lanka will benefit from declining total dependency ratios (figure 3.3). The countries with the most rapid aging, Maldives and Sri Lanka, will have no demographic dividend to draw upon, as their total dependency ratios are already rising.
Figure 3.3. Total dependency ratio


Note: 2025–2060 estimates assume medium fertility rates. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.

3.4.2. Labor markets and the coverage of private retirement schemes

The coverage of South Asian workers by private contributory schemes is moderate to low, although roughly consistent with GDP per capita because higher GDP per capita correlates with more wage-based employment and hence more contractual savings or pension schemes (figure 3.4). Sri Lanka’s high coverage (relative to GDP) stands as an outlier, with roughly 30 percent of its labor force covered by the Employees’ Provident Fund and 2.5 percent under the informal sector schemes at the end of 2020.

Figure 3.4. Worker coverage of contributory schemes, by GDP per capita, 2020–21


Note: Coverage data include formal private workers and informal workers excluding public sector employees. Indian estimates exclude periodic participants in the Atal Pension Yojana scheme. The data-year of GDP per capita is 2020 for Bhutan and 2021 for the other countries.
Pension and social insurance coverage is heavily influenced by the characteristics of the labor market. Wage-based employment tends to be low in the region, and the social insurance schemes are generally designed for workers with steady wage earnings. Low coverage of the working-age population is partially attributable to moderate labor force participation rates, which are low for women (figure 3.5).

**Figure 3.5. Labor force participation rates, by gender, latest available year**

![Labor Force Participation Rates](image)


Among the employed, informality rates are high. Over 70 percent of South Asian workers could be considered informal, with the exception of those in Maldives. Furthermore, roughly 68 percent of South Asia’s informal workers are not wage employees, but self-employed or unpaid family workers, or they otherwise fail to fulfill the requirements to contribute to private pension schemes. Consequently, in the short and medium run, higher private worker coverage can only be achieved through schemes that promote the voluntary enrollment of informal workers.

South Asia’s average worker has weak incentives to participate in pension schemes, as their design is ill suited for those with low incomes or intermittent work histories. Such workers have strong liquidity needs and therefore often avoid long-term savings mechanisms that render their savings illiquid. Currently, pension contribution rates are high across the region, at between 20 and 28 percent of workers’ basic wages. For example, Sri Lanka’s informal sector schemes provide defined benefits at retirement, but the benefit formulas have no mechanism to protect contributors in the face of wage and inflation. Moreover, there are no mechanisms to adequately differentiate between workers with different work histories. In Pakistan’s EOBI, contributions and benefits are set based on provincial minimum wages, which are periodically adjusted according to economic conditions; as a result, both contributions and benefits are uncertain. Hence, in both Sri Lanka and Pakistan, private pension contributions and benefits are ambiguous (and thus unattractive) for workers who could participate on a voluntary basis.
Private contributory pension coverage will remain a challenge in the region in the short run, even after considerable effort. India’s Pradhan Mantri Shramayogi Maandhan Pension Yojana, a highly efficient and transparent voluntary retirement-savings mechanism, is a noteworthy attempt to increase coverage. Under this scheme, informal workers who comply with contribution requirements are assured a minimum monthly pension of Rs 3,000 at age 60. In addition, individual contributions are matched by the central government. This impressive program is built on a strong infrastructure for pension savings, and by April 2022 it had roughly 4.7 million enrollments (about 10 percent of India’s labor force). Nonetheless, 80 percent of India’s labor force does not contribute to old-age pensions despite the incentives for program participation and despite the strong delivery systems (box 3.1).

**Box 3.1. Delivery systems for contractual savings and social insurance**

Delivery systems are essential infrastructure for contributory contractual-savings and social insurance schemes as well as for noncontributory social assistance. Such systems are composed of key subsystems: (a) unique identification systems to identify contributors and beneficiaries and match them with their individual records or accounts; (b) information systems, which can hold up-to-date information about worker and beneficiary accounts or entitlements and link it to actual reserves or individual accounts’ investments; (c) payment systems to transfer and record contributions and benefits; and (d) communication systems to ensure full accuracy and accountability. Decentralized funded defined contribution schemes also require information and accounting systems at the level of the account administrator.

In South Asia, many contractual-savings and social insurance delivery systems have been designed based on a wage- and employer-based model. This design typically gives employers responsibility for remitting contributions and reporting wage and contribution information to a central authority. This approach is not well suited for workers that move many times between employers nor for those that are either self-employed or otherwise employed in informal employment.

Experience in both South Asia and elsewhere suggests that delivery systems must be anchored with the individual worker to provide efficient and effective contractual-savings instruments for informal workers. This implies that the recording of individual work and account records needs to be done on a common platform. Furthermore, a unique identification system is required for such a platform to efficiently ensure the accuracy of information and the efficiency of payments. Efficiency is essential since there are often many transactions of small amounts. Accordingly, it is fundamental to harness technology such as phone- or computer-based transactions and account access to ensure that informal workers can be served cost-effectively. Also essential is creating efficient payment systems, which in many cases involves regulation, oversight of all payments, and substantial upgrading of the supportive technology. Some countries have opted to employ the use of mobile-money platforms to improve efficiency for informal workers.

Achieving the goal of expanding coverage of contributory contractual-savings and social insurance schemes will require investments in delivery systems, including identification, information technology, and payment systems. India’s investments in such systems are well documented. Maldives also has a strong information technology system for pensions, but it has more to do to extend efficiently the reach of its delivery systems to informal workers. Efforts have been made in Sri Lanka’s Employees’ Provident Fund (an employer-based scheme) to migrate the accounting system to a system based on individuals rather than firms.
The informal sector is heterogeneous, and only part of it can access social insurance benefits through savings. Demarco et al. (2022) concluded that savings potential in the informal sector in Pakistan can be important, according to household survey data. A more indirect and less rigorous analysis based on indicators provided by Findex also shows some potential of savings in Bangladesh, Sri Lanka and possibly India, while Nepal seemed to require more efforts to improve the enabling environment for savings in the five dimensions analyzed: institutional savings gaps, economic inclusion, formalization, willingness and capacity to save, resilience and sensitivity to shocks (Demirgöz-Kunt et al. 2022).

3.4.3. Benefit adequacy

3.4.3.1. Private contributory schemes\textsuperscript{13}

The benefit adequacy of contributory schemes is moderate across the region (figure 3.6). Pension benefit adequacy is typically measured by individual replacement rates, which are the share of final preretirement wages received at retirement age.\textsuperscript{14} Such replacement rates are determined by the scheme’s retirement age, retirees’ number of years of contributions, the contribution rate, the scope of preretirement withdrawals, and the rate of return on assets for defined contribution schemes or the accrual rate for defined benefit schemes.

\textit{Figure 3.6. Contributory pension schemes: Simulation of individual contribution and replacement rates for full career workers}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3_6.png}
\caption{Contributory pension schemes: Simulation of individual contribution and replacement rates for full career workers}
\end{figure}

\textit{Source:} World Bank calculations based on data from South Asian countries: country administrative data; comparison countries: OECD 2021.

\textit{Note:} The simulation assumes that (a) individuals begin work at age 25 and make contributions continuously until the retirement age, (b) real wage growth is 2.0 percent a year, (c) the real return on assets under management is 3.5 percent a year after administrative costs, (d) retirees receive an indexed annuity at retirement age with a real interest rate of 2.0 percent, and (e) no withdrawals are made prior to retirement age. For Pakistan and Sri Lanka, the retirement age refers to men. Pakistan has a defined benefit scheme with a 2 percent accrual rate; however, the benefit is calculated using the prevailing minimum wage as the reference point. Accordingly, the indicated replacement rate would only apply to a worker who had earned the minimum wage for the entire contribution period. Comparison-country replacement rates refer to men only.
Retirement benefit adequacy is also affected by the structure of the payout phase. Beneficiaries of those schemes that provide lump-sum benefits (India and Sri Lanka, in part) are not protected against inflation or longevity risk during retirement as they would be with an indexed annuity. Retirees also need to manage their lump-sum benefits during retirement. In Pakistan, the annuitized benefit level is largely determined by the periodic adjustment in the minimum pension, which is not formulated to link to indices in the economy such as inflation, wage growth, or the poverty line. Currently, Bhutan, India (NPS), and Nepal all have a combination of a lump sum and an annuity in the payout phase, while, in Maldives, a phased-withdrawal approach has been adopted. Those entities that have undertaken structural reform—India’s NPS and the Maldives government—have a restrictive policy for early withdrawals and have annuitization or phased-withdrawal options, respectively.

Higher retirement ages could substantially increase retirement benefit adequacy while maintaining current contribution rates and not increasing the fiscal burden. Figure 3.7 shows simulations of how individual replacement rates are affected by changes in the retirement age and contribution rates. These results show that increasing the retirement age to 65 (all else equal) could raise replacement rates between 10 and 42 percentage points. A retirement age of 65 would provide generous benefits for a full-term worker at retirement in most countries across the region, while, in Maldives, this retirement age currently supports a more modest benefit (albeit at a more affordable contribution rate).

Figure 3.7 Simulation of individual replacement rates at retirement age for career workers


Note: The simulation assumes that (a) individuals begin work at age 25 and make contributions continuously until the retirement age, (b) real wage growth is 2.0 percent a year, (c) the real return on assets under management is 3.5 percent a year after administrative costs, (d) retirees receive an indexed annuity at retirement age with a real interest rate of 2.0 percent, and (e) no withdrawals are made prior to retirement age. Percentages next to country names are contribution rates. RR = replacement rate.
Most South Asian countries exhibit a wide gap between retirement eligibility ages and life expectancy. (figure 3.8). This supports the rationale to raise the retirement age to align it with increased longevity. The gap is narrower in countries that undertook major pension reforms, such as India (with the NPS) and Maldives, where postretirement life expectancy ranges between 16 and 20 years. In contrast, in Bhutan, India (for the Employees’ Provident Fund), Nepal, and Pakistan, life expectancy among women at retirement ranges between 19 and 24 years and, among men, between 17 and 23. Sri Lanka has a high life expectancy at retirement age, 24 for men and 33 for women, while also facing demographic headwinds from aging. By comparison, the average normal retirement age was 64.2 years for men and 63.4 years for women in member countries in the Organization for Economic Co-operation and Development (OECD) in 2020, and, in Germany, it was 65.7 in 2021. In the United States, the retirement age was 66.0 in 2021 and will gradually increase to 67.0, with a combined life expectancy at age 66 of 18.7 years (SSA and ISSA 2019).

**Figure 3.8. Life expectancy and retirement age, by gender, 2019**

<table>
<thead>
<tr>
<th>Country</th>
<th>Retirement Age</th>
<th>Life Expectancy Post Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>45</td>
<td>23.6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>55</td>
<td>16.8</td>
</tr>
<tr>
<td>Nepal</td>
<td>65</td>
<td>16.8</td>
</tr>
<tr>
<td>Maldives</td>
<td>75</td>
<td>16.4</td>
</tr>
<tr>
<td>India NPS</td>
<td>85</td>
<td>18.1</td>
</tr>
<tr>
<td>India EPF</td>
<td></td>
<td>20.1</td>
</tr>
<tr>
<td>Bhutan</td>
<td></td>
<td>22.9</td>
</tr>
<tr>
<td>Bangladesh</td>
<td></td>
<td>20.3</td>
</tr>
</tbody>
</table>


**Note:** Bangladesh data include only public servants (there is no private sector scheme), while both public and private schemes are available in all other countries.

Administrative costs can also materially affect benefit adequacy. Although data are not available on administrative costs across the countries in South Asia, a key motivation in the design of India’s NPS and the Maldives pension was to minimize administrative costs. In both cases, much of the cost savings was achieved by simplifying the design. In the Indian case, the authorities established a design whereby prequalified fund managers compete based on administrative costs. In Maldives, advanced automation contributed to low administrative costs.
3.4.3.2. Civil service schemes

Civil service pensions are generous across South Asia, with individual replacement rates in Bangladesh, Pakistan, and Sri Lanka being considerably higher than those for contributory private pensions. Despite such generosity at retirement, weak indexation and other parameters limit benefit predictability and equitability.

Most civil service defined benefit schemes index pensions in an ad hoc manner, exposing retirees to the risk of inflation and thus depleting the real value of their pension benefits. Ideally, there would be equitable treatment in indexation so that all retirees receive the same indexation of benefits. Only Bhutan indexes pensions systematically—to inflation or 5 percent, whichever is lower. Nepal indexes pensions to two-thirds of the wage growth in the position from which the pensioner retired (Jain and Palacios 2022). Recently, Pakistan has made ad hoc adjustments to pensions to align benefits with civil service wage growth. India is the only country in the region that offers pension indexation through a partial annuity.

The pensionable wage base used to calculate pension benefits also challenges the adequacy and equitability of civil service defined benefit schemes. The basic wage or pensionable wage may be only part of total compensation (including allowances) while working; hence, the effective replacement rate for pensions may depend on the relationship between the basic wage and the total compensation among individuals. For example, although, in Pakistan, career civil servants have a generous estimated replacement rate of 122 percent of the basic wage, the actual replacement of total compensation is substantially less for many because the compensation from allowances may be 20–60 percent of the total compensation (figure 3.9).

Figure 3.9. Pakistan civil service pension, replacement rates as a share of total compensation


Note: The average replacement rate for basic salary was derived from Pension Reform Options Simulation Toolkit calculations (for example, see World Bank 2020). No data are available on the distribution between basic wages and total compensation, though several counterparts estimate that this ranges from 20 to 50 percent of the total.

Most civil service pension schemes in South Asia permit some level of commutation, that is, pension beneficiaries can exchange a lump-sum benefit for a series of future payments (or vice versa). Commutation need not be unfair or fiscally burdensome should the commutation factor be periodically revised to reflect both life expectancy at a given retirement age and a discount rate reflecting the government’s long-term borrowing costs. Nonetheless, the current civil service pension scheme’s (often archaic) commutation factors may provide benefits that are not aligned with pension replacement rates.
3.4.3.3. Fiscal costs

The fiscal affordability of old-age income protection depends upon the size of the overall fiscal envelope. Bangladesh, Pakistan, and Sri Lanka have the lowest overall central government expenditure, ranging between 16 and 21 percent of GDP in 2021 (figure 3.10). Bhutan and Maldives have relatively high public expenditure, followed by India and Nepal.18

Figure 3.10. Fiscal context: total central government expenditures, % of GDP

Source: Data of IMF 2022.

Note: 2020 effects are heavily skewed by reductions in GDP or slow growth because of the COVID-19 pandemic.

Maldives faces the largest threats to fiscal sustainability because of the weight of their noncontributory social pensions. Maldives has pensions-tested social pensions that cover the overwhelming majority of individuals over the eligibility age (85 in 2019).19 Unless such program parameters are reformulated or adjusted, this represents a fiscal threat for both countries. Nepal also has a pensions-tested social pension that covers 83 percent of the eligible population. This could pose a fiscal threat in the medium term. It has not been possible to estimate the current fiscal burden of Pakistan’s EOBI scheme or of Sri Lanka’s informal sector schemes accurately. In Pakistan’s EOBI, the minimum pension and the minimum wage for determining contributions are both set as policy variables at the provincial level. In Sri Lanka’s informal worker schemes, benefit formulas have not been adjusted and there is no provision for indexation, so participation is not attractive.

Civil service pensions constitute a nontrivial share of social protection expenditure, ranging between 0.4 and 2.0 percent of GDP. The magnitude of the expenditure is high, particularly given the small share of the population that is covered by these schemes (figure 3.11).
Figure 3.11. Civil service pension expenditure and coverage


Note: Civil service pensions include old-age, invalid, and survivor benefits for general government and military pensioners. Pension coverage is defined as the number of contributors divided by the labor force population (ages 15–64).

For countries with defined benefit schemes on which Pension Reform Options Simulation Toolkit projections exist, the projections suggest that future civil service pension costs will escalate. For example, Pakistan’s federal civil service expenditure is projected to grow as a proportion of fiscal revenues roughly 5 percentage points between 2018 and 2050, mainly driven by increases in pension expenditures (figure 3.12). Sindh Province’s civil service wage and pension costs are predicted to grow from roughly 22 to 52 percent of fiscal revenues. This expenditure will crowd out other essential public expenditures unless reform measures are undertaken to reign costs in.

Figure 3.12. Projected civil service wage and pension costs in Pakistan

Sources: World Bank 2020.

Note: The data do not include projections of nonwage allowances, which would add to the fiscal costs. The wage projections do not reflect any analysis of wages or the wage profile, but do reflect the assumptions in the Pension Reform Options Simulation Toolkit model for wage growth and new hires. FCS = federal civil service.
The growing fiscal burden and unsustainability of civil servant pension costs parallels growing wages, allowances, and nonpension benefits. These costs have accumulated over time as a result of expanding headcounts, growth in real wages, generous indexation of benefits, and eligibility conditions that allow for early retirement without penalty. For example, in Sindh and Punjab in Pakistan, costs over the past decade have more than doubled as a proportion of provincial fiscal revenues (figure 3.13).

**Figure 3.13.** Pakistan: civil service pension costs in Sindh and Punjab, % of province revenue

Despite the low coverage and moderate adequacy of old-age income protection, a large share of South Asia’s social protection expenditure is geared toward the elderly, raising concerns about horizontal equity. For instance, in Bangladesh and Nepal, the overwhelming majority of the social assistance budget is earmarked for the elderly, with 41 and 51 percent of the expenditure going to the elderly, despite widespread poverty among children and those of working age (World Bank 2021a, 2021b). This lack of balance across the life cycle begs for a reconsideration of the role of social pensions for the elderly within broader social assistance objectives, such as overall poverty reduction and welfare improvement.

Sources: World Bank 2020.
Notes

1. A pay-as-you-go scheme is one in which either fiscal transfers or contributions are used to finance current benefits. The civil service schemes prior to independence were mostly noncontributory in that the financing of benefits came from the current budgets in each country. Defined benefit schemes provide a pension from retirement until death, once individuals meet eligibility criteria. The benefit amount is based on a formula, which usually depends on an accrual rate, the number of years contributing, and the pensionable wage base. In defined contribution schemes, individuals deposit contributions into a fund that accrues interest, dividends, and capital gains. The benefit amount depends on the accumulated funds at retirement, and individuals can receive a lump-sum amount, a phased withdrawal, an annuity, or a combination of these (Guven, Jain, and Joubert 2021).

2. India introduced a major pension reform in the 2000s, and Sri Lanka established multiple defined benefit schemes for informal workers in the 1980s–90s.

3. The retirement benefit received at retirement is equivalent to 60 percent of preretirement wages.

4. This is atypical. Provident funds are not generally associated with vesting periods.

5. The benefit formula is 2 percent per year, times (a) the number of years of contributions and (b) the minimum wage (the federal minimum wage was PRs 20,000 a month in 2020–21) (EOBI 2022).

6. The ages for receipt of benefits have not changed since the Employees’ Provident Fund's establishment in 1958.

7. Those not covered by the Indira Gandhi National Old Age Pension Scheme and living below the poverty line may be eligible for the Indira Gandhi National Widow Pension Scheme or Indira Gandhi National Disability Pension Scheme. The former provides assistance to widows ages 40–79, while the latter supports the disabled ages more than 18. The National Family Benefit Scheme provides a lump-sum benefit in the event of the death of a breadwinner.

8. Bangladesh has 50 percent mandatory commutation.

9. This is the effective accrual rate, which includes allowances.

10. Some provinces are enacting legislation that requires a minimum age of 55 even with 25 years of service.

11. Informality ranges between 71 percent in Sri Lanka (2015) and 89 percent in Pakistan (2017). Maldives stands as an exception; 39 percent of its workers are informal (2021). Nonetheless, there is no globally agreed definition of informality, and there are differences in the criteria applied across South Asia.

12. Bhutan, India, Nepal, and Sri Lanka have contribution rates of 22 percent, 24 percent, 28.33 percent, and 20 percent, respectively. But these amounts are levied on basic wages, which may only be a modest share of overall compensation.

13. This section focuses exclusively on contributory schemes' benefit adequacy since the limited information on adequacy of social pensions and other social assistance for the elderly in poor households does not permit us to reach significant conclusions.
However, the adequacy of contributory schemes should also be gauged based on the ability of the schemes to insure against other risks of income loss during the life cycle.

Globally, defined benefit schemes generally provide an annuitized benefit for the remaining life of the old-age retiree. Defined contribution schemes usually offer benefits as annuities, a phased withdrawal, a lump sum, or some combination thereof. Annuities can be automatically indexed or the benefits subject to periodic adjustment by law.

In Bangladesh, Pakistan, and Sri Lanka, career civil servants typically have replacement rates of 108, 122, and 85 percent of basic wages, respectively.

This refers to Bangladesh, Nepal, Pakistan, and Sri Lanka and to India before 2004.

Subnational governments also have important social expenditures in India and Pakistan; nonetheless, it is challenging to find accurate consolidated information.


The Pension Reform Options Simulation Toolkit is an Excel-based toolkit created by the World Bank to simulate pension system performance over a long time frame. For example, see World Bank (2020).
References


Chapter 4. Jobs and labor markets

This chapter examines the most relevant risks faced by workers in the South Asia region. It provides an overview of the labor market, followed by detailed profiles of groups exhibiting vulnerable labor market outcomes: women, youth, informal workers, and urban workers. The chapter then offers a brief summary of labor market programs and policies, including migration policies and their impact on labor market outcomes.

4.1. Overview

South Asian countries exhibit low labor force participation rates, mostly driven by low rates among women. Figure 4.1 shows that the average rate in South Asia stands at 51 percent, lower than the average in Sub-Saharan Africa and only 6 percentage points higher than the Middle East and North Africa average. Among South Asian countries, Bhutan has the highest rate (at 64 percent), followed by Maldives (60 percent) and Sri Lanka (59 percent). Overall low labor force participation rates are explained by extremely low female labor force participation: it stands at 24 percent, compared to 81 percent among men. The difference—57 percentage points—is one of the highest in the world. Male participation rates are mostly constant across groups according to educational attainment, but female participation rates are highest among groups with low or high educational attainment and lowest among women who have middle- and secondary-school educational attainment.
The share of youth who were NEET is high in the region, estimated at 30 percent in 2019 (figure 4.2). This underscores the extent to which young people, especially women, are not participating in the labor market and not building skills to participate in it in the future. It could also limit the window of opportunity that the demographic dividend presents for the region. The working-age population's share of the total population is above 55 percent in all of South Asia. Equally important, young people of working age (between 15 and 24 years old) form a quarter of the population in almost all South Asian countries (with the exception of Sri Lanka). This indicates that South Asian countries are in the midst of the demographic dividend and are experiencing a youth bulge. While the dividend presents an important opportunity for economic growth and productivity, taking advantage of its potential is limited by a higher percentage of young people who are neither participating in the labor market now nor building skills to participate in it in the future. The overall share of NEET among youth in South Asia is 33 percent and it is higher than the corresponding share in other low and low- middle-income countries. These shares are, to a large extent, driven by young women (47 percent of whom are NEET, compared to only 14 percent among young men). In almost all countries (with the exception of Maldives), the share of NEET women is at least double the share of men.
Figure 4.2. Youth, the working-age population, and NEET, South Asia

a. Youth and the working-age population

b. NEET. % of youth


While overall unemployment rates are generally low, they are higher than the national average among certain groups, namely, young and more well educated workers (figure 4.3). Overall, unemployment rates are low in most countries, ranging from 1.5 percent in Bhutan to 9.6 percent in Nepal. Both young and more well educated workers in most countries of South Asia show unemployment rates that are higher than the national averages. In certain countries—namely, Maldives, Nepal, and Pakistan—the unemployed mostly consist of workers in the higher quintiles of the welfare distribution. This suggests that reservation wages may play an important role in raising the willingness of more well off and more well educated workers to wait longer to find jobs they deem suitable, whereas poorer and more vulnerable workers cannot afford not to work. High unemployment among educated workers likely signals demand-side constraints on employment, especially the type of employment that matches the skills and aspirations of the educated workforce (Kapoor 2022).
There is high underemployment and underutilization of human capital. In some countries—India, Nepal, Sri Lanka, and Afghanistan—less than 50 percent of the working-age population is employed. In Bangladesh, Bhutan, and India, employment rates are particularly high among working-age individuals in lower wealth quintiles, which could suggest that the poor cannot afford to be unemployed. In contrast, in Nepal, low
employment rates are concentrated among the most vulnerable workers—for example, those in the lowest wealth quintiles and the least educated. Underemployment—the share of employed workers who earn less than the minimum wage—is significant in many countries, reaching 33 percent in Bangladesh, 32 percent in Maldives, 18 percent in Nepal, 13 percent in Pakistan, 14 percent in Bhutan, and 10 percent in India. A consistent trend across some countries is that workers with lower levels of education suffer the most from underemployment, particularly in Bangladesh and Bhutan, where, respectively, 44 and 84 percent of workers who earn less than the minimum wage have no education. People in the poorest quintiles are more likely to suffer more from underemployment. This is particularly the case in Bangladesh, Bhutan, and India.

**Figure 4.4. Employment rates, South Asia**

**a. By welfare quintile**

**b. By educational attainment**


Most labor markets in South Asia are constrained by the quantity of jobs, which presents a significant barrier to reaping the demographic dividend. Between 2000 and 2020, around 386 million South Asians entered the working-age population, whereas only 81 million jobs were added to the economy (World Bank 2021c). In the region, only Sri Lanka managed (until 2016) to create more jobs than the number of labor market entrants (figure 4.5). To take advantage of the large share of youth in the working-age population, more jobs will have to be created in South Asia.

**Figure 4.5. Ratio of new jobs to individuals reaching working age, %**

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</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>1.1</td>
<td>0.61</td>
<td>0.42</td>
<td>0.72</td>
<td>0.17</td>
<td>0.58</td>
</tr>
<tr>
<td>Pakistan</td>
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<tr>
<td>Nepal</td>
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<tr>
<td>Maldives</td>
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<tr>
<td>India</td>
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<tr>
<td>Bhutan</td>
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<tr>
<td>Bangladesh</td>
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</tr>
</tbody>
</table>

*Source: Authors’ own calculations based on I2D2 Database, ILOSTAT, Labor Force Surveys for Bangladesh (2017), Bhutan (2016), India (2018), Nepal (2018), Pakistan (2017), and Sri Lanka (2015), and Maldives Household Income and Expenditure Survey (2016).*

*Note: The figure uses the ILO definition of employed, which excludes subsistence work or production for household’s own consumption, wherever the survey instrument allowed. It compares the number of people entering working age in a given period with the number of jobs being created in that period. For the starting year, the ratio was calculated from the International Income Distribution Database (I2D2) except for Nepal where ILO estimates were used. Since the definition of employment changed between 2010 and 2018 in Nepal’s LFS, so for both estimates to be consistent with the ILO definition, employment ratio estimates from the ILO database were used for 2010. For the latest year, LFS was used for all countries except for Maldives, where Household Income and Expenditure Survey was used.*

The quality of jobs is also a constraint because many workers in South Asia are locked into informal and low-productivity jobs. Most jobs are in low-productivity and informal sectors. Figure 4.6 shows that the fraction of those employed in the formal sector is small in most South Asian countries. In Nepal, around 38 percent of workers are in informal wage employment, compared to 32 percent in Pakistan, 29 percent in Bangladesh, and 27 percent in Sri Lanka. Self-employment represents a high share of employment. The prevalence of unpaid family work is also high in some countries, reaching 33 percent of total employment in Bhutan, 22 percent in Pakistan, and 15 percent in Nepal. Self-employment in nonagricultural sectors is mostly in wholesale and retail trade. Informal wage employment in the private sector in many countries is tilted mostly toward low-skilled industries, such as construction and agriculture. Opportunities for formal wage employment in the private sector differ across countries. For example, in Bangladesh, India, and Pakistan, they are mostly concentrated in manufacturing, while, in Nepal, they are mostly in financial services and education. While the manufacturing sector dominates in many employment types, most employment in manufacturing is concentrated in low-productivity firms.
**Figure 4.6. Composition of employment, South Asia**

### a. By employment type

![Graph showing the composition of employment by type for various South Asian countries.]

- **Bangladesh**
  - Formal wage public: 10%
  - Formal wage private: 20%
  - Informal wage employed: 30%
  - Self employed in agriculture: 25%
  - Self employed in non-agricultural sector: 15%
  - Unpaid family worker: 10%

- **Pakistan**
  - Formal wage public: 15%
  - Formal wage private: 25%
  - Informal wage employed: 35%
  - Self employed in agriculture: 15%
  - Self employed in non-agricultural sector: 15%
  - Unpaid family worker: 10%

- **Nepal**
  - Formal wage public: 10%
  - Formal wage private: 20%
  - Informal wage employed: 40%
  - Self employed in agriculture: 20%
  - Self employed in non-agricultural sector: 10%
  - Unpaid family worker: 5%

- **Sri Lanka**
  - Formal wage public: 10%
  - Formal wage private: 20%
  - Informal wage employed: 40%
  - Self employed in agriculture: 20%
  - Self employed in non-agricultural sector: 10%
  - Unpaid family worker: 5%

- **Bhutan**
  - Formal wage public: 10%
  - Formal wage private: 20%
  - Informal wage employed: 40%
  - Self employed in agriculture: 20%
  - Self employed in non-agricultural sector: 10%
  - Unpaid family worker: 5%

- **India**
  - Formal wage public: 10%
  - Formal wage private: 20%
  - Informal wage employed: 40%
  - Self employed in agriculture: 20%
  - Self employed in non-agricultural sector: 10%
  - Unpaid family worker: 5%


**Note:** Panel b excludes public sector jobs, except in Maldives, where a distinction between public and private sector jobs is not possible.

### b. By sector

![Graph showing the composition of employment by sector for various South Asian countries.]

**Bangladesh**
- Agriculture, forestry and fishing: 10%
- Manufacturing: 20%
- Water supply, sewerage, waste management & remediation activities: 30%
- Wholesale and retail trade; repair of motor vehicles: 20%
- Accommodation and food service activities: 10%
- Financial and insurance activities: 5%

**Bhutan**
- Professional, scientific and technical activities: 15%
- Public administration and defence: 25%
- Human health and social work activities: 20%
- Mining and quarrying: 10%
- Electricity & gas supply: 5%
- Construction: 5%

**Nepal**
- Transportation and storage: 10%
- Information and communication: 20%
- Real estate activities: 15%
- Administrative & support service activities: 20%
- Education: 10%
- Other Sectors: 5%
While economic growth in South Asia was frequently the most rapid in the world during the decade before the pandemic, much of the growth was driven by the nontradable sector. Export-led growth—which generates more well paying, higher-quality jobs—was weak (Artuc et al. 2019; World Bank 2019). Accelerating economic growth was once associated with vast improvements in job quality (Nayar et al. 2012), especially in Bangladesh and India since the 1980s. In Nepal, where growth has been slow for several decades, massive outmigration in response to limited opportunities at home has improved labor market prospects for those who remained, while worker remittances have reduced poverty across a wide swath of households. In the last decade, South Asia was able to sustain this growth. Economies grew by 7.7 percent in 2016, 7.2 percent in 2017, and 6.9 percent in 2018. For comparison, growth in East Asia and the Pacific, the second most rapidly growing region, was 6.3 percent in 2018. South Asia, excluding India, grew much more slowly, at 5.4 percent in 2018. Most of the growth in the last decade has been driven by domestic demand (figure 4.7). On average, government consumption in South Asia grew 11.1 percent over 2017–19, and investment and private consumption by 9.3 percent. Both components hence contributed substantially to high growth over these two years and to strong import growth. However, export growth has been weak. While the world average is 22 percent, goods exports are only around 13 percent in Bangladesh, India, and Sri Lanka, around 8 percent in Afghanistan and Pakistan, and even lower in Maldives and Nepal. Improving the competitiveness of the export sector is important in sustaining high growth rates over a long period and in generating high-quality jobs.

**Figure 4.7. Volume growth of GDP, by component, South Asia**

*a. South Asia*

Volume growth of GDP components in South Asia
Percent change, y-o-y

*b. South Asia, excluding India*

Volume growth of GDP components in South Asia exd. India
Percent change, y-o-y


*Note:* The horizontal line represents real GDP growth. All variables are in calendar years.

Another feature of the South Asian economy that likely influences the capacity to create jobs is the dominance of microenterprises, which tend to exhibit lower productivity relative to larger firms. A handful of larger firms account for a significant share of employment. Over 90 percent of firms in Bangladesh, India, Nepal, and Sri Lanka are household enterprises or microenterprises (fewer than 10 employees). In India, while these small firms employ 85 percent of the firm-based workforce, they generate only 19 percent of total revenue in the economy. Likewise, 97 percent of Sri Lankan firms employ fewer than 10 employees but create about 16 percent of the value added. In addition, while only 3 percent of firms are larger than 10 employees in Sri Lanka, they still
employ 55 percent of all workers. Similarly, in Nepal, while only 5 percent of firms are larger than 10 employees, they still account for a significant bulk of employment, at 41 percent.

**Figure 4.8. Household enterprises and microenterprises: share of jobs, entities, and revenue**

![Chart showing the share of jobs, entities, and revenue for household enterprises and microenterprises in Nepal, Bangladesh, Sri Lanka, and India.]


*Note:* Household enterprises and microenterprises are firms with fewer than 10 employees.

**Microenterprises have high survival rates, but fail to grow.** In a well-functioning private sector, there is high churn among microenterprises, with young and small firms exiting if they are not productive. However, this may not be happening sufficiently in South Asia, where the age distribution of microenterprises is not much different from that of larger firms. For example, in Bangladesh, midsize firms (from 10 to 99 employees) that are 6–10 years old account for only 0.5 percent of establishments and 2.8 percent of jobs. In contrast, in Vietnam, midsize firms of that age account for 9.6 percent of establishments and 8.2 percent of jobs, indicating that the emergence of midsize firms is limited in Bangladesh. Similarly, in Sri Lanka, over a quarter of microfirms are 1–19 years old, and another 14 percent are over 20 years old.

**The lack of dynamism among microenterprises may be partly explained by their role as a livelihood strategy in the absence of quality employment options.** In such an environment, few microenterprises are growth oriented, and exit from the market is hardly an option for most establishments. A survey of small and medium enterprises in Nepal in 2020 found that more than half of surveyed enterprises were established because of necessity entrepreneurship, while 43 percent of their founders were opportunity entrepreneurs (Ruppert Bulmer, Shrestha, and Marshalian 2020).

**The growth potential of South Asian firms is limited by lack of access to capital, as financial inclusion rates are generally low in the region.** In 2017, with the exception of Nepal, less than 50 percent of people over 15 years old borrowed money in the past 12 months, and on average only 7 percent of them did so to expand or sustain their business. Moreover, access to formal credit is quite low: only 8 percent of adults in India borrowed money from a formal financial institution, while elsewhere in the region this ranged between 3 percent in Pakistan and 20 percent in Maldives.
Business-management capacity is also an important constraint on business growth. Business training, in combination with access to capital, could help entrepreneurs improve business outcomes (Berge, Bjorvatn, and Tungodden 2015). A study in Sri Lanka found that the combination of grants and business training can improve profitability among women owners of new businesses, while a similar study in Pakistan found positive effects among men only (de Mel, McKenzie, and Woodruff 2014; Giné and Mansuri 2021). Some studies emphasize the importance of fostering a growth mindset among the self-employed, with better business outcomes resulting from the provision of training focused on a self-starting, future-oriented, and persistently proactive mindset (Ahmed, Majoka, and Saha 2023).

Challenges in labor market outcomes are also related to supply-side constraints concerning limited human capital accumulation. In many South Asian countries, a relatively high share of working-age individuals enters the labor market unskilled and with no formal schooling, estimated at 28 percent in Bangladesh, 61 percent in Bhutan, 41 percent in Nepal, and 43 percent in Pakistan. In contrast, India and Maldives have a larger share of educated individuals in their working-age population, with 48 and 56 percent of working-age individuals having completed secondary education. As a result of low human capital accumulation, a substantial share of the workforce in South Asia is employed in jobs that require little education, estimated at 46 percent in Pakistan, 38 percent in Nepal, 31 percent in Bangladesh, 24 percent in India, 16 percent in Maldives, and 12 percent in Sri Lanka.
Figure 4.10. Working-age population, by education and occupation

a. By educational attainment

b. By occupational composition of employment


Certain workers—namely, youth, women, urban workers, and workers in lower wealth quintiles—are particularly vulnerable in the labor market and engaged in precarious jobs. Country regression analyses find that in Bangladesh, Bhutan and Nepal, workers with little education or in agriculture, youth, urban workers, and workers in the bottom 40 are more likely to be employed in informal wage jobs or to engage in unpaid work (figure 4.11, panel a; appendix C, table C.1). For example, in Nepal, the probability of engaging in informal or unpaid work declines by 7 percentage points among workers with postsecondary education relative to workers with no education, 13 percentage points among workers in services relative to agriculture, and 39 percentage points among older workers. In contrast, the probability increases by 2.8 and 2.9 percentage points among workers in the bottom 40 in Bangladesh and Nepal, respectively. In Bhutan, women are 2.2 percentage points more likely to engage in informal or unpaid work.
**Figure 4.11. Informal wage jobs, unpaid family work, and monthly wages**

a. Probability of engaging in informal wage jobs or unpaid family work

<table>
<thead>
<tr>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td>Belonging to the bottom two quintiles of the wealth distribution</td>
</tr>
<tr>
<td>Urban</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Sector of employment: services</td>
</tr>
<tr>
<td>Sector of employment: industry</td>
</tr>
<tr>
<td>Post-secondary</td>
</tr>
<tr>
<td>Secondary</td>
</tr>
<tr>
<td>Primary</td>
</tr>
</tbody>
</table>

b. Estimates of worker monthly wages based on the Mincerian regression


Note: Panel a reports estimates from a country-level standardized probit regression model. Full estimates are reported in appendix C, table C.1. The baseline comparison group for the three education groups is no education. The comparison group for the service and industry estimates is agriculture. All estimates are statistically significant at the 1 percent level, with the exception of the estimate on belonging to the bottom 40, which is statistically significant at the 5 percent level. Panel b reports estimates from country-level Mincerian wage regression models in which the log of the monthly wage is regressed on multiple dependent variables that relate to worker characteristics and their labor market employment conditions. Full estimates are reported in appendix C, table C.2. The baseline comparison group for the three education groups is no education. The comparison group for the service and industry estimates is agriculture. All estimates are statistically significant at the 1 percent level, with the exception of the estimate on belonging to the bottom 40 in Bhutan and the estimate on urban in Nepal. Both are statistically significant at the 5 percent level.
More well educated workers and experienced workers are more likely to have quality employment measured by higher wages. Country-level Mincerian wage estimates show that the return on education is quite high in Bangladesh, Bhutan, Nepal, and Pakistan (see figure 4.11, panel b; appendix C, table C.2). For example, in Pakistan, workers with postsecondary education are likely to earn 79 percent more in the labor market than those with no education. Working in urban areas and working in sectors such as industry and services, compared to agriculture, are also associated with higher earnings. Work experience, as proxied by age, appears to matter as well. One additional year of age is associated with 8 percent higher wages in Pakistan, 4 percent in Nepal, 5 percent in Bhutan, and 2 percent in Bangladesh. In contrast, working informally reduces workers’ earnings by 22 percent in Pakistan, 26 percent in Nepal, and 23 percent in Bangladesh. Workers in the bottom 40 are more likely to earn significantly less than those in higher quintiles in Bhutan and Pakistan. The results show that working more hours does not necessarily translate into higher wages, underscoring the low-equilibrium productivity trap that many workers are in.

Returns to education are particularly high, especially for women. Regression analysis shows that both men and women with higher levels of education earn more than their counterparts with no education, particularly at secondary and postsecondary levels. These differentials are much higher among women, as those with postsecondary education earn between 51 and 117 percent more than women with no education, while men with postsecondary education earn between 51 and 90 percent more than men with no education.

Figure 4.12. Returns to education, by gender and education level


Note: Each bar shows returns to education by gender and level of education, compared with workers with no education. The regression is a Mincerian wage regression that controls for age, location, sector of employment, number of hours worked, whether the individual works in the informal sector, and whether the individual has received any training (see appendix C, table C.3). All values are statistically significant at conventional significance levels.

Few workers, particularly vulnerable workers in the poorest wealth quintiles, receive any type of training to improve their human capital and skills and enable them to move to better jobs. Many workers, particularly among the poor and disadvantaged, lack access to vocational training or other on-the-job training. Figure 4.13 shows that only 2 percent of workers in Bangladesh received any type of training, compared to 8 percent in Bhutan, 10 percent in India, 2 percent in Maldives, 10 percent in Nepal, and 2 percent in Pakistan. Among the few workers who receive training while in the labor market, a large majority come from higher wealth quintiles.
4.2. Poor labor market outcomes: women, youth, and informal workers

4.2.1. Substantial exclusion among women

*Female labor force participation rates in many South Asian countries are below the levels expected based on country economic development status.* Across countries, rates typically follow a U-shaped pattern: participation is relatively high in low- and high-income countries and relatively low in middle-income countries (Boserup 1970; Goldin 1994). The reason is that rising income in the average household has a negative income effect on women’s labor supply. Higher income allows households to allocate more time to household activities, and, in traditional societies, this shift tends to be concentrated on women. Yet, as countries develop and wages rise among women, substitution effects become increasingly binding, meaning that staying at home becomes increasingly expensive relative to working for a wage. South Asian countries do not fit this U-shaped pattern (figure 4.14). India and Pakistan are significantly below the international curve. Bangladesh, Bhutan, Maldives, and Sri Lanka seem to be closer to the cluster of countries driving the U shape. Overall, the female labor force participation pattern in South Asia suggests that country-specific gender barriers are driving labor market outcomes.\(^9\)
**Figure 4.14.** Female labor force participation, 2019

If women participate in the labor force, they fare significantly worse than men. Women are far more likely to engage in unpaid labor and, if paid, their wages are considerably lower than those of men with similar characteristics. In Bangladesh, Bhutan, and Nepal an average of 62 percent of unpaid labor is performed by women (figure 4.15, panel a). Moreover, in remunerated labor, the gender wage gap between men and women is high, even after controlling for labor market characteristics. It is estimated that women earn 131 percent less than comparable men in Pakistan, while the gap is roughly 37 percent in Nepal, 11 percent in Bhutan, and 15 percent in Bangladesh (figure 4.15, panel b).

**Figure 4.15.** If employed, women fare substantially worse than men

<table>
<thead>
<tr>
<th>a. Unpaid labor distribution, by gender</th>
</tr>
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<tbody>
<tr>
<td>Bangladesh</td>
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<tr>
<td>------------------</td>
</tr>
<tr>
<td>59%</td>
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<tr>
<td>41%</td>
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<table>
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<tr>
<th>b. Monthly wage differential, women vs. men</th>
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</thead>
<tbody>
<tr>
<td>Bangladesh</td>
</tr>
<tr>
<td>-131%</td>
</tr>
</tbody>
</table>

**Sources:** Authors’ own calculations based on Bangladesh LFS 2017, Bhutan LFS 2016, Nepal LFS 2018, and Pakistan LFS 2017.

**Note:** The data-years are as follows: Bangladesh (2016–17), Bhutan (2016), Maldives (2016), and Nepal (2018). Panel b corresponds to Mincerian wage regression estimates reported in appendix C, table C.2.
Vulnerable women in South Asia face limited skilling and employability prospects. There is a 33 percentage point difference in the share of NEET between young women and young men in South Asia. This is in part because young women are less likely than young men to receive vocational training. In addition, vulnerable women, particularly those who are less educated, from low-income households, and residing in rural areas, have limited access to skill-development programs to allow them to improve their mobility in the labor market and seek higher-quality jobs and supplementary services, including job-search assistance, job placement, and on-the-job training (Farole et al. 2017).

Women in South Asia also face barriers related to social norms to their labor force participation and employment outcomes. Even after accounting for the level of economic development, rising levels of women’s education, and declining fertility, there is a significant, negative correlation between the level of gender attitudes and female labor force participation in South Asia. Based on responses to questions on gender attitudes in the World Values Survey, the share of individuals with traditional views in most countries has declined over the past few decades and is now under 50 percent. In contrast, as reported by Bussolo et al. (2022), the majority in the South Asian countries surveyed still hold traditional views, especially on labor force participation. For example, from 70 percent to more than 90 percent of respondents agree that men have precedence over women in obtaining jobs if jobs are scarce, and fewer than half the respondents in Bangladesh, India, and Pakistan agree that both spouses should contribute to household income. A cohort analysis of data from South Asian countries shows that these views have become more traditional with the passage of time (Bussolo et al. 2022).

Regressive attitudes on gender equality likely result in inequalities, such as mobility restrictions and unequal household work, that influence women’s labor market outcomes. Women face mobility restrictions on accessing places outside the home alone, which lowers their ability to work outside the home and prevents them from forming social connections with nonrelatives, especially men, restricting their lives to the domestic sphere (Cheema et al. 2019). This relegation of women to the domestic sphere goes hand in hand with the gendered division of household labor and unequal burden on women. In Bangladesh, employed women work on average significantly fewer hours than men: 33.3 hours a week relative to 54.0 hours (Farole et al. 2017). In Nepal, women in 2018 worked 9 fewer hours per week on average than men, highlighting that unequal gender roles reduce the availability of women for wage employment and explain a portion of the gender wage gap (Ruppert Bulmer, Shrestha, and Marshalian 2020).

Gender inequalities also appear in asset ownership and financial inclusion, which further constrains women’s economic participation. The gender gaps in property ownership in South Asia are quite large by global standards (Gaddis, Lahoti, and Swaminathan 2020). They drive gender gaps in entrepreneurship and business ownership. On financial inclusion, which provides women with appropriate financial services to control their money and invest in their own and their children’s well-being, gender gaps persist in South Asia, where women are 18 percentage points less likely than men to have a mobile phone. For example, in Bangladesh and India, gaps in mobile phone ownership are 17 and 19 percentage points, respectively. In Pakistan, women are half as likely as men to have a mobile phone (Demirgüç-Kunt et al. 2022).

Job availability remains limited for many women. Across many countries, women are concentrated in a handful of industries, whereas male workers are distributed much more widely. For example, in Pakistan, employment of male workers is distributed widely across agriculture (31 percent), industry (18 percent manufacturing and 12 percent other industry), and services (23 percent wholesale and related trades and 16 percent other services). In contrast, over two-thirds of female workers are in agriculture and 19 percent in manufacturing, with the remaining few working in other services. This distribution suggests that women in Pakistan are particularly
deprived of opportunities in services (Cho and Majoka 2020). In Nepal, three-quarters of new jobs taken by women between 2008 and 2018 were in nonwage self-employment or unpaid family work, much of which was farm work. In the absence of available wage jobs, many women workers enter self-employment or unpaid work, and some exit the labor force (Ruppert Bulmer, Shrestha, and Marshalian 2020).

### 4.2.2. Lack of opportunities among youth

In South Asia, youth on average are more well educated than adults (figure 4.16). This indicates that more people are pursuing education now.

**Figure 4.16. Educational attainment among youth and others**


*Note:* Youth are ages 15–24. Non-youth (others) are ages 25–64. (The working-age population is ages 15–64.) The data-years are as follows: Bangladesh (2016–17), Bhutan (2016), India (2018–19), Maldives (2016), Nepal (2018), Pakistan (2017–18), and Sri Lanka (2015).
For many young people in the region, poverty is still a major barrier to attaining enough education to access decent jobs. The direct and indirect costs of education may be discouraging poor youth from pursuing education. In all South Asian countries other than Maldives, youth in the bottom wealth quintile have at least three years less education than youth in the upper quintiles (figure 4.17). This difference is particularly stark in Pakistan, where youth in the bottom quintile have an average of 2.5 years of education, while their richest quintile counterparts have 9.8 years.

**Figure 4.17.** Average years of education among youth, by quintile

![Bar chart showing average years of education among youth by quintile in Bangladesh, Bhutan, India, Maldives, Nepal, and Pakistan.](chart)


**Note:** The data-years are as follows: Bangladesh (2016–17), Bhutan (2016), India (2018–19), Maldives (2016), Nepal (2018), Pakistan (2017–18), and Sri Lanka (2015).

Gross enrollment ratios in tertiary education have increased over the past 10 years in South Asia, which could have a significant impact on labor market outcomes among youth. Other than Nepal, each South Asian country has made progress in increasing gross enrollment ratios in tertiary education, and Bangladesh is on top (figure 4.18, panel a). Over the past two decades, Bhutan and Sri Lanka have experienced an important decline in labor force participation rates among youth (figure 4.18, panel b). Coupled with an increase in gross enrollment rates, this implies that youth stayed in school, potentially leading to a more highly skilled labor force and higher participation rates in the future (ILO 2020). In contrast, Nepal experienced a decline in gross enrollment ratios between 2011 and 2020 and in labor force participation rates, suggesting that there was a lack of education and labor market opportunities among young people.
Figure 4.18. Changes in youth tertiary education enrollment and labor force participation

a. Tertiary gross enrollment ratios

b. Youth labor force participation rate, 2010–20


The documented constraints that youth face in the labor market in South Asia may derive from a lack of required skills and work experience that could support a more rapid school-work transition. South Asian firms have reported the lack of required skills as a challenge in hiring (World Bank 2021c). Such skills can also be acquired outside school through vocational training. Nonetheless, South Asia’s youth (particularly young women) are less likely than adults to receive professional training (figure 4.19). This limits their access to labor market opportunities. Education is often a weak indicator of productivity. So, employers mostly rely on past work experience or a reference from a past employer to determine the productivity of workers (Schöer and Rankin 2011). This means a lack of work experience can become an important obstacle facing youth entering the labor market (Levinsohn et al. 2014). A lack of experience may reinforce the perception of unemployability and hence compromise the future productivity and earning potential of youth (ILO 2020).
A second major constraint relates to the demand side: the lack of quality jobs that match the skills and aspirations of youth. Youth with higher educational attainment are the most likely to be unemployed, which could be indicative of a low-skill economy (figure 4.20). Other than in Maldives, unemployment rates are significantly higher among individuals with postsecondary education than among individuals with no education or only primary education. In Bhutan and India, unemployment rates among individuals with postsecondary education are 71 and 50 percent, respectively. This reflects limited labor market opportunities. The highly educated are not able to find jobs that match their skills or aspirations.
Amid limited wage employment, self-employment can provide better labor market outcomes if combined with other factors (for example, education or training) and if chosen as a desired option. However, in many cases, self-employment is chosen out of necessity if the private sector is not creating enough jobs. In this second case, the labor market outcomes of self-employment are similar to those of low-earning informal employment.

South Asian countries could invest in human capital to increase the returns to self-employment among youth. Except in Sri Lanka, self-employed youth are less likely to have attained secondary or postsecondary education compared with youth overall (figure 4.21, panel a). But self-employed youth are more likely to have received training than youth overall, except in Bangladesh and Bhutan (figure 4.21, panel b).

Figure 4.21. Self-employed youth, by educational attainment and training


4.2.3. Heterogeneity among informal workers

If the majority of a workforce is employed in the informal sector, this is often associated with low economic growth. South Asia, however, does not exhibit this trend. Generally, economies with a high level of informality show low growth for multiple reasons: a private sector with limited access to finance, low labor productivity, slow physical and human capital accumulation, and few fiscal resources (Ohnsorge and Yu 2022). However, in South Asia, despite high levels of informality, the regional GDP growth rate has remained high, ranging between 5.0 and 7.5 percent from 2010 to 2019.

There are two main perspectives on why people or firms may be in the informal economy: economic subsistence and cost savings. In the first perspective, people engage in the informal sector for survival, which could be because of the absence of higher-quality jobs (Fields 1975; Lewis 1954). The second perspective frames informality as a choice taken by economic agents—either firms or people—to avoid the costs of taxes or compliance with regulatory requirements, such as minimum wage or labor protection legislation (Chaudhuri and Mukhopadhyay 2010; Maloney 2004). In South Asia, recent evidence demonstrates that informal firms in South Asia are avoiding formalizing because they are too small to grow. While regulation avoiders and escapers exist, they constitute a much smaller component of the informal sector (Bussolo and Sharma 2022b).

The poor are more likely to be in the informal sector, but there is a sizable share of informal workers in higher wealth quintiles (figure 4.22). In Bangladesh and Nepal, more than 80 percent of wage workers in the poorest wealth quintile are in the informal sector. While the share of informal workers decreases in the higher quintiles, it remains the dominant sector. For example, in Nepal, 84 and 79 percent of wage workers in the third and fourth wealth quintiles, respectively, are in the informal sector.

**Figure 4.22.** Share of informal wage workers, by wealth quintile, %

![Figure 4.22](chart)

*Source: Ahmed, Majoka, and Saha 2023.*

The type of informal wage employment differs among wealth quintiles. For instance, construction and agricultural activities are much more common in the bottom quintiles. In contrast, informal workers in higher quintiles are much more likely to be engaged in wholesale and retail trade services. Informal employment can take different forms ranging from home-based work and street vending to work in the gig economy. These differences could be a function of educational background: those informally employed in the bottom 40 tend to be less well educated and mostly in agriculture work relative to informal workers in more well off quintiles (Ahmed, Majoka, and Saha 2023).
Even within the bottom quintile, informal workers are significantly different from formal workers. Within the poorest quintile, informal wage workers tend to be less well educated, more likely to be employed in agriculture, and less likely than formal workers to be active in the public sector (figure 4.23). Public sector jobs tend to be highly coveted because of better wages, more job security, and better benefits (such as formal pensions).

**Figure 4.23.** Characteristics of formal and informal sector workers in the bottom quintile, %

In Public Sector           | Service | Industry | Agriculture | Post secondary | Secondary | Primary | No Education
---                     |---|---|---|---|---|---|---
Informal & Q1          |---|---|---|---|---|---|---
Formal & Q1            |---|---|---|---|---|---|---


Note: All differences between informal and formal wage workers are statistically significant.

Informal workers, on average, also earn less than their formal sector counterparts. However, the difference is not large in the bottom quintiles. The Mincerian wage regression analysis reported in the overview shows that, on average, working informally has a negative premium of between 22 and 27 percent in Bangladesh, Nepal, and Pakistan. The wage differences between informal and formal workers across wealth quintiles in Bangladesh and India are smallest in the bottom 40. For instance, in the poorest quintile in Bangladesh, a formal worker is paid on average 1.4 times the amount paid to an informal worker (figure 4.24, panel a). In the richest quintile, a formal worker is paid on average 2.2 times the amount paid to an informal worker.

**Figure 4.24.** Average wages for informal and formal workers across wealth quintiles

**Informal workers also often lack access to protections and benefits to deal with shocks.** Few households have access to social insurance or other instruments to manage risk. The highest coverage of social insurance is in Sri Lanka, where 7.8 percent of the population is covered by social insurance. Rates are much lower among lower-income households. The SSN, which could provide critical consumption support in times of crisis, is mainly targeted toward the bottom quintile, leaving a large segment of the vulnerable population unprotected in the labor market (figure 4.25, panel a). In the absence of access to insurance mechanisms, households must rely on their savings for risk mitigation, but less than half of all households among the bottom 40 have any savings at all (figure 4.25, panel b). Informal workers usually lack access to workplace protections, such as those regulating occupational safety or protecting against wage theft.

**Figure 4.25. Social assistance coverage and households that save**

<table>
<thead>
<tr>
<th>Country</th>
<th>B40 Coverage as % of Total Population</th>
<th>B40 Coverage as % of Bottom Quintile</th>
<th>T60 Coverage as % of Total Population</th>
<th>T60 Coverage as % of Bottom Quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>60</td>
<td>50</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>Bhutan</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>India</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Nepal</td>
<td>20</td>
<td>10</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Maldives</td>
<td>10</td>
<td>0</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Pakistan</td>
<td>10</td>
<td>0</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>


**Note:** B40 = bottom 40 percent of the consumption distribution. T60 = top 60 percent of the consumption distribution.

### 4.3. Urban workers and the opportunities associated with urbanization

**South Asia is rapidly urbanizing, which, if leveraged, can augment economic growth.** Between 2000 and 2011, the urban population in South Asia increased by 130 million, and, by 2020, an additional 145 million were living in urban areas (Ellis and Roberts 2016). Urbanization is often coupled with economic growth because it creates an environment in which workers and firms can benefit from proximity and spillover effects. But congestion constraints arising from inadequate infrastructure and limited basic services in urban areas can create barriers to labor market entry and undermine the benefits of agglomeration economies.
Urban areas are at a more advanced stage of structural transformation, presenting opportunities for people to transition to higher-productivity jobs. Industry and services in all South Asian countries are more dominant in urban areas relative to rural areas because urbanization and agglomeration economies make it easier for workers to shift across sectors (figure 4.26, panel a). Workers moving from rural to urban areas are more likely to be in industry or in services relative to their rural counterparts, the majority of whom are in agriculture (figure 4.26, panel b). Thus, garment factories in South Asia have attracted millions of agricultural workers from rural areas. In Bangladesh alone, 5 million people are working in this sector (IDRC 2018).

**Figure 4.26.** Structural transformation in employment in urban and rural areas

**a. Employment sectors, by location**

<table>
<thead>
<tr>
<th>Country</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Bhutan</td>
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<td></td>
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<tr>
<td>India</td>
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<td></td>
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<tr>
<td>Nepal</td>
<td></td>
<td></td>
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<tr>
<td>Pakistan</td>
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<tr>
<td>Sri Lanka</td>
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<td></td>
</tr>
</tbody>
</table>

**b. Employment, by rural-urban migrant status**

<table>
<thead>
<tr>
<th>Country</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
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<tr>
<td>Bhutan</td>
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<td>Nepal</td>
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<tr>
<td>Pakistan</td>
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</tbody>
</table>


*Note:* Maldives is excluded because the labor force survey does not allow urban or rural location to be determined.
In South Asian countries, urban wages are on average higher than rural wages. (figure 4.27, panel a). Rural-to-urban migrants are likely to earn more than their counterparts who stayed in rural areas (figure 4.27, panel b). These wage differentials may derive from selection bias because it is not possible to estimate counterfactual incomes of migrants (if they had stayed) or nonmigrants (if they had moved). Furthermore, such differences do not account for factors such as cost of living or access to amenities, such as education or health services, which are also likely to affect the decision to move.

**Figure 4.27.** Wage differentials, by location and rural-urban migrant status

![Wage differentials, by location and rural-urban migrant status](image)

**Source:** Authors’ own calculations based on Bangladesh LFS 2017, Bhutan LFS 2016, Nepal LFS 2018, Pakistan LFS 2017.

Urban workers suffer from weak labor market outcomes, and this affects the benefits of urbanization human capital utilization and productivity. Urban workers exhibit lower employment rates in most countries relative to rural workers. In Bhutan, only 53 percent of the working-age population in urban areas is employed, compared with 67 percent in rural areas. The underutilization of human capital especially affects urban women, who are less likely to participate in the labor force than their rural counterparts. Among women in the labor market, informal and low-paying jobs are the most common form of employment (figure 4.28, panel b). Nonagricultural household enterprises or self-employment are also one of the largest sources of employment in urban areas, but they are characterized by low levels of productivity and limited growth. For instance, 57 percent of household enterprises in Pakistan have no employees, while only 5 percent have paid employees. These are typically subsistence enterprises that are established primarily using individual capital, household income, or asset sales where many owners do not express any plans for expansion (Cho and Majoka 2020). For these reasons, working poverty rates—the incidence of individuals who are poor although they are employed—remain high in urban areas despite the progress in poverty reduction. For example, the working poverty rate in urban areas in India was 23.1 percent in 2005 and, in Bangladesh, 21 percent in 2010 (Nayar et al. 2012).
**Chapter 4. Jobs and labor markets in South Asia**

**Figure 4.28.** Employment, by population share and by type and urban-rural location

![Employment by population share, %](image)

- **a. By population share, %**
- **b. By type in rural and urban areas**

**Source:** Authors’ own calculations based on Bangladesh LFS 2017, Bhutan LFS 2016, India LFS 2018, Nepal LFS 2018, Pakistan LFS 2017.

The expansion of informal settlements in urban areas, which have become hubs of economic activity, especially among women, is associated with poor living conditions and rising labor market barriers. By 2018, at least 230 million South Asians (42 percent of urban dwellers) were living in informal settlements. Informal settlements have become domains of economic activity, where home-based work accounts for a significant share of urban employment, especially among women (Chen and Sinha 2016) (figure 4.29). While home-based work provides labor market access to women because it circumvents some of the major barriers women face, it does not challenge the restrictions on women’s mobility and resistance to women working outside the home. It also restricts women to low-productivity jobs that have no income potential and often exposes them to hazardous work conditions. In addition, home-based workers located in informal settlements face (1) limited access to basic services, (2) cramped workspace where household chores overlap with economic activities, and (3) poor housing quality, with inadequate amounts of light and ventilation, which can severely compromise worker health. All these factors negatively affect worker productivity. Moreover, home-based workers are mostly not covered by laws regulating contracts and transactions and therefore often experience irregular working hours, low wages, and overdue payments (WIEGO and MHT 2022).
Informal settlements in urban areas can also restrict access to labor market opportunities, due to their location at the periphery of cities. In Nepal and Pakistan, unemployment rates in urban areas are higher among those in the poorest quintile than among those in the top quintile (figure 4.30). In addition to the inadequate number of available jobs, this can also be indicative of (1) a spatial mismatch whereby job-seekers are spatially disconnected from areas where jobs are available, and (2) a lack of networks, whereby poor people are less likely to have access to resources that can help them obtain jobs. For instance, in Bangladesh and India, 50 and 80 percent, respectively, of urban informal settlements dwellers report that they have no connections with people who could help them find work. More women than men reported a lack of such networks (Gupte and te Lintelo 2015).
4.4. Adequacy of labor programs and employment promotion services

South Asia countries spend a negligible share on labor market programs and services to help improve worker employability and connect workers to productive employment. Labor market programs can be broadly defined to include skills training, economic inclusion, entrepreneurship, job-search, and employment support programs. With the exception of Bhutan and, to some extent, Bangladesh, the countries of South Asia spend less than 5 percent of their social protection budgets on labor market programs (figure 4.31).

**Figure 4.31.** Spending on labor market programs in total social protection expenditure, %

![Chart showing spending on labor market programs in total social protection expenditure for Pakistan, Sri Lanka, Nepal, Bangladesh, and Bhutan.]

Sources: ADB 2019; World Bank 2021a, 2021b.

Some of the largest, most effective economic inclusion programs supporting the livelihoods of poor households have been implemented in South Asia. Economic inclusion involves the gradual integration of individuals and households into broader economic and community development processes, with a focus on increasing their incomes and assets, and strengthening their resilience and future opportunities (Andrews et al. 2021). They provide livelihood support, skills development, and social empowerment interventions. Although economic inclusion programs in South Asia make up 15 percent of all programs worldwide, 66 percent of program beneficiaries are in South Asia, reflecting the scale these programs have achieved, particularly in Bangladesh and India. In India, the Bihar Rural Livelihood Project accounts for 51 percent of total coverage. In Bangladesh, BRAC’s long-running Ultra-Poor Graduation Program has reached over 2 million households, accepting approximately 100,000 women heads of household into the program each year. Both programs have been evaluated and have demonstrated sizable economic impacts that continue years after the intervention.

Implementation has been mostly led by nongovernmental organizations and has not been scaled up, reflecting weak implementation capacity. Most economic inclusion programs in South Asia are implemented by nongovernmental organizations and civil society organizations, and government-implemented initiatives remain critical for scale. India’s Bihar Rural Livelihood Project identifies and trains large cadres of community members as frontline implementers of the program and thus demonstrates how large-scale government programs can alleviate implementation-related capacity constraints. Implementing economic inclusion at scale in South Asia presents a significant challenge but is essential for achieving broader economic and social goals.
Asia will require the government to build capacity in three areas: (1) Increasing the footprint of field personnel to manage the increased coordination and case management burden; (2) building better coordination capacity for intra-agency cooperation, to be able to cross-refer beneficiaries of one government program to services offered by another; and (3) leveraging national management information systems and improving their interoperability to coordinate services along the service delivery chain, from beneficiary identification and eligibility verification to payment (Ahmed et al. 2023).

**Economic inclusion programs focus mostly on ultra-poor households in rural areas, and do not address the emerging needs of urban informal workers and microentrepreneurs.** Urban workers face specific challenges, particularly youth and microentrepreneurs who may not be as poor as rural workers, but are still vulnerable. Many are locked in low-paying informal wage jobs and those who are self-employed are unable to grow their businesses due to barriers in accessing credit, trainings, and markets. In Bangladesh, with World Bank support, the government launched the five-year Recovery and Advancement of Informal Sector Employment in 2021 to provide economic inclusion services tailored to low-income urban youth. The program design takes into account worker heterogeneity and offers three tracks, namely informal apprenticeship track designed for those with limited technical skills and no experience in self-employment; business management track for those who have basic technical skills and experience with income-generating activities; and microcredit for self-employed youth and microentrepreneurs who have experienced closures due to the COVID-19 pandemic. The program may offer examples for other governments seeking to adapt economic inclusion programs to the emerging trends facing the region.

**More broadly, South Asia has weak employment delivery systems for effective and systematic provision of employment promotion and unemployment support services.** Some South Asian countries, such as Bhutan and Nepal, are currently building up their infrastructure through employment service centers at the local levels with core functions such as outreach, registration of the unemployed and other job-seekers, profiling, and referral to relevant employment opportunities and tailored employment support options. However, the sustainability of government financing and capacity constraints in providing sophisticated and quality services remain a challenge. In the case of Nepal, the service centers are mostly focused on implementing public works programs (through the Prime Minister’s Employment Program) to provide temporary employment opportunities for the most vulnerable. There has been weaker focus on implementing skills development programs that are focused on improving worker productivity and strengthening linkages with labor demand. While skills development may not address the region’s perennial challenge of creating jobs, they can increase allocative efficiency in existing wage markets and thus boost worker earnings.

**Employment delivery systems in South Asia are also confronted with the challenge of strong information gaps to support evidence-based policy making and help match workers to jobs.** Most countries in the region currently lack quality and high frequency data from workers and jobs to establish functional labor market information systems that can identify labor market needs as they arise.

**Systems and accompanied labor market policies in South Asia do not offer risk management tools for informal workers, who comprise the majority of workers and are heterogeneous in their profile, with some capacity to save.** Most informal workers lack social protection coverage to help protect their human capital from shocks and improve their productivity. Unemployment insurance schemes are a relatively new phenomenon, and Maldives is the only country in the region that managed recently to design a new scheme, although its design would only cover formal workers. Countries, such as India and Sri Lanka, have relied on more generous severance pay requirements that cover few formal sector workers and that are considered discretionary and lacking transparency (Betcherman and Moroz 2018).
International migration support policies are important employment-related measures in the region, given their documented role in poverty reduction and in securing wage employment opportunities abroad. Overseas markets play an important role as a source of labor demand, especially since the private sectors is under pressure to create good quality jobs at a sufficient pace. 27 percent of Nepali households had at least one person working abroad, equivalent to more than 2.8 million working-age Nepalis. The larger economies in the region have several million migrants overseas, and these stocks have grown over time (Ahmed and Bossavie 2022). Migration has had large positive effects on South Asia through remittances that are high in relative and absolute terms. As documented by Ahmed and Bossavie (2022), remittances constitute an important fraction of the GDP of most South Asian economies. In 2017, Nepal’s remittance-to-GDP ratio was almost 28, one of the highest in the world. The ratio is 11 percent in Bangladesh, 9 percent in Sri Lanka, and 7 percent in Pakistan. The ratios of Afghanistan, India, and Bhutan have always been less than 3 percent.

Migrating individuals benefit directly from labor migration through higher wages in destination countries. South Asian labor migrants earn a large wage premium compared to earnings at home due to the higher average wages and productivity in receiving countries. Higher wages abroad can help improve the welfare of households back home through remittances. This large positive income shock can increase savings and the ability to insure against future negative shocks. It can also help increase lifetime earnings even after migrants have returned home, by allowing them to accumulate sufficient savings to start up entrepreneurial activities that could generate income for the remainder of their working lives (Bossavie et al. 2021).

Migration support policies are not properly integrated with overall employment delivery systems and labor programs at home countries, which prevents them from having higher development impact. First, migrant workers are not systematically offered support by their origin countries, in terms of job search, counseling, awareness, and information premigration. Migrants often rely on middlemen and incur some of the highest migration costs in the world and, in some cases, it takes them several months to recoup this outlay (Ahmed and Bossavie 2022). Second, workers with interest and capacity to migrate are not provided with training opportunities at home that correspond to occupations and skills demanded worldwide. As a result, most international migration in the region remains male-dominated, low-skilled, and concentrated in a few sectors and destinations. Migration is regionally concentrated in Gulf Cooperation Council economies and Malaysia (Ahmed and Bossavie 2022), and workers from South Asia tend to be concentrated in a few low-paying sectors. For example, 62–70 percent of Bangladeshi workers in council economies are in construction, while another 19–22 percent are in services, such as hospitality, retail, tourism, and transportation (Ahmed and Bossavie 2022).

Upon their return, former migrants face difficulties reintegrating into the domestic labor market, which prevents them from making use of the skills, capital, and networks they acquired abroad. Immediately after return, employment rates of return migrants are lower than those of the nonmigrant population. However, within roughly two years the employment rates of return migrants in Pakistan and Bangladesh have caught up with those of nonmigrants (Ahmed and Bossavie 2022). Evidence from Nepal shows that return migrants’ domestic labor outcomes (including their labor force participation rate, employment rate, and salary) improve slowly over time since their return, but take around 3 years to converge (figure 4.32). Higher reservation wages or differential preference for leisure cannot explain worse labor market outcomes among migrant returnees. Instead, one of the key assimilation challenges is a vastly different skill profile of returnees, compared to the skills demanded in the domestic labor market. This raises the importance of strengthening skills development and job-matching programs to improve domestic employment outcomes of return migrants.
Figure 4.32. Reassimilation rates among return migrants, Nepal

A strong regional concentration of labor migration increases vulnerability of migration to economic shocks at destination countries in the Gulf Cooperation Council, particularly in relation to oil price volatility and nationalization policies. The oil price boom in oil-rich council countries between 2003 and 2008 substantially increased their demand for foreign labor migrants. While evidence shows no sizable impact of decreases in commodity price changes on remittance outflows from council countries, remittances are highly responsive to changes in GDP in these countries, which is sensitive to changes in oil prices (Naufal and Termos 2009). In addition, the structural transformation of the Gulf Cooperation Council economies away from labor-intensive sectors and toward value added services and industries may also impact future demand for migrants from South Asia. These economies are moving slowly away from low–value added, labor-intensive sectors and toward non-oil tradable sectors and, in the process, are seeking to reform migrant admission systems away from low-skill, toward higher-skill expatriate workers.

The demand for migrants from South Asia has also become uncertain since the recent COVID-19 pandemic. In the wake of the pandemic, many migrant workers were either stranded in destination countries or repatriated back home. Sapkota, Shrestha, and Shrestha (2020) estimate the size of the COVID-related labor supply shock in Nepal at a 8–13 percent increase in the size of the domestic labor force and a 17–28 percent increase in the male workforce. Between January and April 2020, over 250,000 migrants returned to Bangladesh, and estimates suggest that up to two million may have returned later on. In Saudi Arabia, one of the main destination countries for South Asian migrants, one million jobs were lost between the first quarter of 2020 and the third quarter of 2021, mostly among foreign workers.


Note: The data sample includes men ages 25–44. The x-axis denotes the percentage difference in employment outcomes between return migrants and nonmigrants.
Countries face uncertainties in managing migration in light of other shocks, notably, the recent macroeconomic crisis in Sri Lanka. Confronted by an unsustainable debt and severe balance of payments crisis, Sri Lanka’s economy contracted by 4.8 percent year-on-year in the first half of 2022. Year-on-year inflation reached an unprecedented 64.3 percent in August 2022, due largely to high food inflation of 93.7 percent. Poverty is also expected to have increased in 2022 due to the contraction in the economy (World Bank 2022a). In response, recent numbers from the Sri Lanka Bureau of Foreign Employment noted that the number of Sri Lankans taking up foreign employment reached a record-high in 2022, at 311,269. The increase was particularly significant among the highest and lowest-skilled categories, demonstrating the impact of the economic crisis across society, irrespective of the skill level (figure 4.33).

**Figure 4.33.** Labor migration among professionals and low-skill workers, Sri Lanka

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Professionals</th>
<th>Low-skill</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3,057</td>
<td>4.448</td>
<td>5.151</td>
</tr>
<tr>
<td>2011</td>
<td>4,151</td>
<td>5.372</td>
<td>6.251</td>
</tr>
<tr>
<td>2012</td>
<td>5,379</td>
<td>6.379</td>
<td>6.379</td>
</tr>
<tr>
<td>2013</td>
<td>8,373</td>
<td>9,005</td>
<td>9,861</td>
</tr>
<tr>
<td>2014</td>
<td>14,254</td>
<td>14,254</td>
<td>14,254</td>
</tr>
<tr>
<td>2015</td>
<td>51.158</td>
<td>51.158</td>
<td>51.158</td>
</tr>
<tr>
<td>2016</td>
<td>51.054</td>
<td>51.054</td>
<td>51.054</td>
</tr>
<tr>
<td>2017</td>
<td>71.656</td>
<td>71.656</td>
<td>71.656</td>
</tr>
<tr>
<td>2018</td>
<td>79.519</td>
<td>79.519</td>
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<tr>
<td>2019</td>
<td>63.680</td>
<td>63.680</td>
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<tr>
<td>2020</td>
<td>70.977</td>
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<td>70.977</td>
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<td>61.054</td>
<td>61.054</td>
<td>61.054</td>
</tr>
<tr>
<td>2022</td>
<td>51.703</td>
<td>51.703</td>
<td>51.703</td>
</tr>
</tbody>
</table>

Source: UNDP 2023.

Labor policies in the region should adapt to the new forms of gig work. There are two types of gig work: (1) physical or location-based gig jobs, where digital platforms sell and deliver tangible goods and services to a client in a physical location (that is, taxi, food delivery, domestic care and home services); and (2) online freelancing or digital gig work, which includes tasks or work assignments performed online by workers (Datta and Chen 2023).

Online web-based platforms are rapidly rising in South Asia. In 2017, the online labor index ranked India, Bangladesh, and Pakistan as the top three countries in the world in the total supply of workers in online freelancing (figure 4.34). About 25 percent of these workers are in India, followed by roughly 17 percent in Bangladesh, and 13 percent in Pakistan. India’s share of the total supply rose by about 8 percentage points between 2018 and 2020 (ILO 2021).
**Figure 4.34.** Market share of freelancing, by country and type of work, 2017

Location-based digital platforms for selling goods and services are also generating market opportunities in South Asia. The especially for small and flexible firms in the informal sector and in markets such as food delivery, passenger transportation, cleaning, handyman services and childcare. Flipkart and Ola are two delivery and taxi platforms in India, respectively, and Careem is a taxi delivery platform in Pakistan. Bangladesh’s Pathao is another example of an application that offers bike sharing, the delivery of parcels, and food services, while Pakistan’s Cheetay is a digital tool that offers home-based food businesses (ILO 2021).

These platforms mostly remain small, as measured by their estimated annual revenue. The most profitable location-based platforms are concentrated in China, Europe, and the United States. For instance, Uber has the highest revenue (US$10.7 billion) among taxi platforms, while Meituan, located in China, has the highest revenue (US$8.5 billion) among delivery platforms. In comparison, Ola’s revenues in India were about US$375 million in 2019 (ILO 2021).

The rise of location-based digital platforms has the potential to help small and informal firms tap into the e-commerce sector, gain better market access, and eventually grow and possibly formalize (Bruhn and McKenzie 2014). Precipitated by COVID-19, there is a growing share of small firms who are selling their products using online sale channels and making use of e-commerce services. For example, in 2014, only 2.5 percent of family-run Indian firms with five or more hired workers were using online sales channels. By 2020, this share had increased to 11 percent (Bussolo and Sharma 2022a). However, not all firms may be able to reap the benefits of the e-commerce sector, despite its large benefits, because of a lack of access to digital infrastructure or the expertise to be successful in selling online.

Online web-based platforms have the potential to increase labor market participation among individuals who face significant barriers to entry in the traditional workforce, including women, youth with disabilities, and rural youth. The International Labour Organization’s 2018 survey of crowdworkers reported that 13 percent of women workers had engaged in online work because they could only work from home, compared with 5 percent of men workers (Berg et al. 2018). Furthermore, digital labor platforms are incorporating new designs to better engage with low-income, low-literacy workers in urban and semi-urban communities. For example, in 2019, Microsoft India’s Project Karya developed an Android-based mobile phone application to understand how accurately and effectively people in rural communities could transcribe handwritten words (Hunt et al. 2019). After providing a one-day training course to show workers how to use the Android app, results showed that rural workers achieved 96.7 percent accuracy, a level comparable with professional transcription firms.

Though flexible, jobs in the gig economy are often more vulnerable to shocks. The effect of COVID-19 pandemic effect on digital jobs was complex and had two opposite effects, the downscaling loss (reduction in demand) and the distancing bonus (increase in demand) (Stephany 2020). Not all occupations experienced the effects of the pandemic in the same way.18

Gig workers face other challenges that relate primarily to lack of workplace protections and regulations. The regularity of work and income is an important challenge, as there is no certainty that workers will find jobs matching their skills and experience, or that once jobs are found, they will be successful in bidding to complete the work (Heeks 2017). Gig workers are also more vulnerable to the abuse of employers who may lower hourly rates without warning and end contracts prematurely (Graham, Hjorth, and Lehdonvirta 2017). Furthermore, high levels of competition and an oversupply of labor (relative to demand), may place downward pressure on earnings, creating a risk of working poverty with insufficient earnings for a sustainable livelihood.

Labor programs in the region also face the immediate challenge of supporting workers affected by automation and digitalization, as they are more likely to bear any adjustment costs. Alaref et al. (2022) find that, across countries, many low- and mid-skill occupations are at the highest risk of automation, with a large number of workers engaged.19 Service and sales occupations, as well as higher skilled occupations, are less likely to be automated (figure 4.35). While the extent to which automation will happen remains uncertain given the dominance of microfirms and the relative low prices of labor compared to capital, workers in rural areas, low-educated workers, unskilled workers, and informal wage workers are more likely to bear the brunt of adjustment costs, as the automatability of their jobs is higher compared to highly qualified workers. Therefore, the likely challenge for the future lies in coping with rising inequality and ensuring sufficient (re-)training, especially among less qualified workers.
**Figure 4.35.** Automation probabilities, South Asia, by 1-digit occupation

![Automation probabilities chart](chart.png)


**Labor policies in South Asia are inadequate to alleviate constraints women face and help them improve their employability, such as workplace antiharassment regulations, safe transportation, and affordable childcare services.** In a qualitative study on Pakistan’s four major cities, Amir and Pande (2019) find that gender-based workplace harassment was one of the main reasons for not working. Access to public or private transport also significantly impacts women’s employment. In Mumbai, men and women choose different modes of transport even in commuting for the same purpose, partly because of security and safety considerations, and this affects their access to opportunities (Alam and Herrera Dappe 2021). On childcare, the provision of public services in the region is nearly absent or insufficient until the child reaches the formal preprimary school starting age, and, even if available, the provision of formal childcare does not always guarantee its take-up because of supply- and demand-side constraints, including the convenience of services, costs, quality, and limited information among low-income households (World Bank 2022b).
Notes

1 In this chapter, individuals are considered employed if they are engaged in any activity involving the production of goods or the provision of services for pay, profit, or household gain, whether at work during the previous seven days (that is, individuals who worked at a job for at least one hour) or not at work because of a temporary absence from a job. Observations were omitted from the category of employment if the primary objective was the production of goods or services for personal or household consumption in Bangladesh, Maldives, or Nepal. Variables related to subsistence work were unavailable for Bhutan, India, Pakistan, and Sri Lanka. This chapter does not include any detailed mapping of available employment-support services in South Asia or a detailed review of labor codes and regulations and the extent to which they affect employment or private sector growth.

2 With the exception of Bhutan, where the public sector accounts for a fifth of all jobs (World Bank and MoLHR 2016), public sector distortions, such as queuing for a public sector job, are unlikely to explain the high unemployment rates among well-educated workers in South Asia, unlike in other regions, most notably, the Middle East and North Africa.

3 The minimum wage set at the national level is used to calculate underemployment rates. The minimum wage is as follows: Bangladesh, Tk 8,000; Bhutan, Nu 3,750; India, Rs 4,576; Maldives, Rf 6,400; Nepal, Nr 13,450; and Pakistan, PRs 15,000.

4 Among workers who earn less than the minimum wage, 39 percent in Bangladesh, 84 percent in Bhutan, and 34 percent in India are in the poorest wealth quintile.

5 Here, informal workers are defined as wage workers without contracts.

6 In Nepal, for instance, while the share of manufacturing in total employment rose in the last decade, productivity in the sector is below the average (Ruppert Bulmer, Shrestha, and Marshalian 2020). In Bangladesh, productivity in manufacturing is particularly weak, with average annual growth of only 1.6 percent in 2003–10 and 2.2 percent since 2010 (Farole et al. 2017).

7 There are three components of domestic demand: government consumption, private consumption, and investment.

8 The boom in domestic consumption likely derives from many causes, depending on the country. For example, in Bangladesh, it was thanks to bumper agricultural production and a rise in remittances. Private investment growth remained confined to established industries, such as clothing and pharmaceuticals.

9 The comparison between Bangladesh and India, which are in the same income group, exemplifies the importance of country-specific factors. Higher female labor force participation in Bangladesh partly derives from the boom in the garment industry and microcredit, which support rural livelihoods (Rahman and Islam 2013). In contrast, declining rates in India can be explained by a stronger income effect and by a mismatch between higher educational attainment and job opportunities among women (Klasen et al. 2021).

10 Social norms are defined as the expectations of individuals about the beliefs of their reference group on behaviors that are acceptable or appropriate.
Four key questions on gender attitudes from successive waves of the World Values Survey were explored, as follows: (a) men make better political leaders; (b) university education is more important for boys than for girls; (c) if jobs are scarce, men have more right to a job than women; and (d) it is a problem if wives earn higher incomes relative to their husbands. See WVS (World Values Survey) (dashboard), King’s College, Old Aberdeen, UK, http://www.worldvaluessurvey.org/wvs.jsp.

Tuition fees, traveling costs, the cost of books and other supplies, and forgone income.

In some countries, such as Thailand and Turkey, returns are higher to training than to general secondary education, while, in others (Iran, Rwanda, and Tanzania), the returns are lower. These differences arise because of variations in implementation, labor market institutions, and the willingness of employers to invest in skills. More generally, the returns to training can also be reduced by the disconnect between the training offered and the demands of the private sector labor market, insufficient funding, poor monitoring, and other such factors (Eichhorst et al. 2012).

Informal workers are defined as wage workers who do not have written contracts with employers.

This section draws on background note prepared for this report by Alaref et al. (2022).

Also see WDI (World Development Indicators) (Data Catalog), World Bank, Washington, DC, https://datacatalog.worldbank.org/search/dataset/0037712.

The calculation involves the total number of surplus workers added to the domestic labor market between March 1, 2020, and December 31, 2020, under two different scenarios. The first scenario assumes no new emigration from Nepal till the end of 2020; and that migrants who were already abroad prior to March 1, 2020, would return upon completing their current contract. In the second scenario, they assume no new emigration between March 1, 2020, and December 31, 2020, along with an immediate return of all migrants who were abroad prior to March 1, 2020, regardless of the length of validity of their current contracts.

For example, demand in creative and multimedia and work in sales and marketing support work shrank significantly as the pandemic unfolded. But requests for projects in software development and technology were largely unaffected, showing that companies cut nonessential freelance contracts, such as marketing and sales campaigns, while maintaining freelance outsourcing that is essential for continued business operations, such as technology support and database management (Stephany 2020).

Low- and mid-skill occupations include elementary occupations and skilled agricultural and fishery occupations.
References


Rethinking Social Protection in South Asia
Chapter 5. Social protection delivery systems

This chapter assesses social protection delivery systems in the South Asia region. These systems are anchored in the delivery chain, which consists of four core stages: assess, enroll, provide, and manage. Each stage may require one or more phases. The chapter offers a brief analysis of the main activities undertaken in each country in each stage. It then examines the associated social information systems and data protection arrangements. An assessment of the performance of delivery systems follows.

Given the importance of social assistance within overall social protection in South Asia, this chapter mainly focuses on social assistance or SSN delivery systems, particularly for the largest federal programs in each country (where applicable). Social protection delivery systems are essential for all interventions, including those that seek to build resilience and opportunity among the population.

5.1. Unbundling the delivery chain in South Asia

Social protection delivery systems consist of four core implementation phases: assessment, enrollment, provision of benefits, and case management. Each phase, in turn, may require one or more steps, including possible outreach, assessment of needs and conditions, determination of eligibility, and grievance redressal (figure 5.1). Countries might take these steps in a different order.
There is little integration of delivery systems in South Asia, and processes, particularly regarding intake and registration, determination of benefits and services, notification and onboarding, exit decisions, recertification, and reassessment, are not integrated across programs. Regarding the assess stage, program outreach is limited. Potential beneficiaries usually apply to specific programs with predetermined benefits (which might not be tailored to individual conditions). Program enrollment normally occurs after carrying out the assessment of needs, conditions, and other eligibility criteria. Because notification, communication, and outreach are generally weak, applicants often assume their enrollment status based on whether they received payments. Beneficiary operations management is almost nonexistent in the region.

5.1.1. Assessment

5.1.1.1. Communications and outreach

All along the social protection delivery chain, the interactions between people and institutions are facilitated by three enabling factors: communications, information systems, and technology. Outreach typically involves communication to build awareness and inform people (the intended population and vulnerable groups) about social protection programs and delivery processes. Thus, communications and outreach encourages people, especially those who are vulnerable, to adapt their behavior, prompting them to engage and provide their information.

South Asian countries vary considerably in the comprehensiveness and effectiveness of the communication and outreach mechanisms of their social protection programs (table 5.1). Pakistan, Maldives, and Sri Lanka developed comprehensive communications strategies that use multiple channels. However, only Pakistan has the capacity to scale the system as needed. In Afghanistan and India, communication strategies are relatively effective in urban areas, but not rural areas. In rural areas, communication mechanisms are activated in an ad hoc manner. In Bangladesh and Nepal, communication instruments are often used in an ad hoc manner and are not always tailored to the target population.
Table 5.1. Communication mechanisms in times of shock

<table>
<thead>
<tr>
<th>Comprehensiveness</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very poor</td>
<td>Bangladesh, Nepal</td>
</tr>
<tr>
<td>Communication instruments are used ad hoc, and are not tailored to the target population (for example using pamphlets for an illiterate target population)</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Afghanistan, India</td>
</tr>
<tr>
<td>Communication strategies are functional in urban areas but highly ineffective for those living in remote/rural areas.</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Maldives, Sri Lanka</td>
</tr>
<tr>
<td>A comprehensive strategy is implemented in areas served by the program (both urban and rural), but there is no capacity to expand to uncovered areas.</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Bhutan, Pakistan</td>
</tr>
<tr>
<td>A comprehensive strategy using multiple sources (for example, cell phones, TV and radio, print media and local community leaders) is available and can be scaled up.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Johnson and Walker 2022.

Current communication efforts seem predominantly focused on traditional announcements via limited channels, largely relying on personal communication through the local community and government representatives. Such methods might not be accessible to all target groups and do not appear to systematically raise awareness across all programs. For instance, the Nepali government’s communication strategy contains a plethora of mechanisms. Nonetheless, beneficiary awareness is modest on average, especially among the vulnerable, such as at-risk, endangered ethnic groups. In the case of the social security allowance, most beneficiaries seem to have learned about the program from their friends and the local community, despite the clear operating guidelines to disseminate information and reinforce transparency. In contrast, despite some weaknesses and challenges, Pakistan’s BISP involves innovative communication approaches and vast community outreach efforts to engage eligible beneficiaries, especially among the poorest and most difficult to reach. BISP campaigns use diverse formats (such as print, audiovisual, internet-based media, street theater, and soap operas) and channels (including civil society organizations, local leaders, and other influential figures) to reach a wide audience.

The prevalent in-person communication channels are not well suited to the aftermath of a covariate shock, for which solutions enabled by digital information technologies might be more appropriate. As a counterexample, Pakistan’s government encouraged digital requests for COVID-19-related emergency relief assistance, to be lodged through mobile apps, WhatsApp, or websites. This use of mass media resulted in 72 percent of adults being aware of the government cash transfer scheme implemented to respond to the COVID-19 crisis (DRI 2020). The Indian government is also experimenting with digital outreach solutions, among which the ambitious Unified Mobile Application for New-Age Governance stands out. This platform contains data on 875 services (263 central government and 430 state services) and aims to improve access to information and alerts for benefit delivery and timeliness of social protection payments. The platform is accessible through multiple channels, such as the web, the Interactive Voice Response System, SMS, and a mobile app. There are plans to integrate cash transfers within Unified Mobile Application for New-Age Governance to ease access to information on the receipt of benefit transfers from various central government and state agencies (World Bank 2020a).

Despite their advantages, digital communication and outreach solutions in South Asia should be promoted with caution, given the region’s large digital divide. Internet usage remains low across the region (around 10 percent in Bangladesh and 40 percent in Sri Lanka) because of a wide gap in access to affordable, reliable
internet service and lack of needed skills and hardware. Furthermore, women are disproportionately excluded: South Asia has the world’s largest gender gaps in phone ownership, at over 30 percentage points in India and 20 percentage points in Bangladesh and Pakistan (Bashir et al. 2021; Grosh et al., “Revisiting,” 2022).

5.1.1.2. Intake and registration

**Most social assistance programs within a country have distinct processes and requisites for prospective beneficiaries.** This often results in onerous efforts (in terms of time and documentation) for applicants from socioeconomically disadvantaged groups (table 5.2). All of Bhutan’s agencies and programs have independent processes and systems, so the same data for the same target population is being collected for different programs. This results in significant inefficiencies, apart from being costly for both the individuals applying for benefits (who must navigate multiple processes to access benefits from various programs, often providing the same information to multiple entities) and administrators (Bhandary, Ross, and MoLHR 2020). Social assistance programs in Bangladesh register applicants in person through local committees. Programs that upgraded from paper to digital systems have seen major time savings in registration. For Nepal’s social security allowance, applications are submitted to the local government in person through a paper form. The process can range anywhere between 1 and 30 days, or even longer; policy documents do not define the processing time for applications, which depends largely on the local administration. Furthermore, multiple visits to ward offices are often required to register, adding both monetary and time costs, particularly for those living in geographically inaccessible and remote locations.

**Table 5.2. Application and registration requirements and related issues, selected programs**

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Application method</th>
<th>Key requirement</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Old-age allowance</td>
<td>In person, paper based, at a local authority</td>
<td>Proof of age</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Proof of income</td>
<td>Hard to verify among the informal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Landownership</td>
<td>Not always observable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Land documentation</td>
<td>Record is not always available</td>
</tr>
<tr>
<td>India</td>
<td>Pradhan Mantri Kisan Samman Nidhi</td>
<td></td>
<td>Aadhaar ID</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Varies across program, but all require proof of citizenship</td>
<td>Some people have no legal documentation</td>
</tr>
<tr>
<td>Nepal</td>
<td>Social security allowance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: World Bank elaboration*

In most cases, prospective beneficiaries must apply and provide documentary proof of eligibility in person. The documents individuals have to submit along with the application form vary by program, but almost always include proof of citizenship. This is no minor issue for those without documents, especially given the 59.5 percent birth registration rates for infants ages 0–11 months (World Bank 2021c). One report found
that 42 percent of individuals who were eligible and aware of the social security allowance scheme did not apply because of the logistic challenges involved (Bhandary et al. 2020).

The frequency of reassessment and recertification differs widely across programs, but delivery systems tend to be more static than dynamic in this respect, and portability is rare. (table 5.3). The principle of dynamic inclusion, in which anyone who needs assistance can get it at any time, is uncommon in the region, increasing the risks of exclusion and inclusion errors with the passage of time. In Nepal, social security allowance beneficiaries need to apply for renewal every year to remain eligible and receive benefits. Focus group discussions suggest many beneficiaries, especially the elderly, find this annual renewal process to be tedious. Moreover, benefits are not portable, and in the case of migration, beneficiaries need to reapply from the place to which they have migrated (TTC 2021). Such social security allowance program provisions, which only allow for registration at the permanent address, are likely to be responsible for inadequate coverage in Terai areas and areas with a large internal migrant population (World Bank 2021c). Low registration in India’s program databases remains a chief concern. In 2020, fewer than 15 percent of informal workers and the bottom 40 in urban areas received at least one social protection benefit, though more potentially qualified. 18 With the exception of MGNREGS and the public food distribution program (the public distribution system), the window for applying for major social assistance programs is open across states for a limited time each year (Bhattacharyya and Roy 2021). Also, delivery and eligibility determination for all cash transfers is based on location and thus nonportable, although programs, such as the one nation, one ration card scheme, have made advances toward portable food assistance. 19

Table 5.3. Frequency of reassessment and recertification, selected programs

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Registration</th>
<th>Recertification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Martyrs and Disabled Pension Program</td>
<td>En masse registration every two to five years</td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Maternity Allowance Program for the Poor</td>
<td>Open all year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Old-age allowance</td>
<td>Received one per year</td>
<td>Once a year</td>
</tr>
<tr>
<td></td>
<td>Vulnerable group development*</td>
<td>Received every two years</td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>Single-parent, foster parent, and disability allowances</td>
<td>Open all year</td>
<td>In theory, every two years. De facto, there has been no full recertification since the initial certification.</td>
</tr>
<tr>
<td>Nepal</td>
<td>Social security allowance</td>
<td>In theory, applications are open all year. De facto, registration varies between once a year and every four months.</td>
<td>Yearly (July–November), requiring full new application</td>
</tr>
</tbody>
</table>


* The relevant program is the Vulnerable Women Benefit Program.
In general, there is no specific mechanism for horizontal or vertical expansion to provide assistance associated with shocks (table 5.4). Maldives and Pakistan stand out, providing options for self-registration by phone, by internet, or in person. In a first of its kind in the region, Pakistan’s BISP emergency cash program adopted new hybrid systems in response to COVID-19, combining emergency assistance for the known vulnerable with an innovative demand-based approach for the new poor. This demand-driven system was data driven from end to end and fully automated, and it enabled the government to provide one-time financial assistance to about 12 million families affected by the pandemic (Bashir et al. 2021; PASSD 2021). Other countries in the region, including Bangladesh, India, and Sri Lanka, require registration in person near the place of residence at a specific time because there is no permanent structure available for registration after a shock. In Sri Lanka, the voter ID database—updated annually, covering more than 95 percent of the adult population and all disaster-prone areas—is used to target beneficiaries during shock-response efforts. After a disaster, such as a flood, immediate assistance is provided to all residents in the affected areas irrespective of the names in the electoral register. In Nepal, the largest social protection programs do not have provisions for scaling up in response to shocks; when provided, additional relief is granted in parallel to existing delivery mechanisms.

Table 5.4. How are applicants registered in times of shock?

<table>
<thead>
<tr>
<th>Registration mechanism following a shock</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizontal expansions: no registration mechanisms specified. Vertical expansion: existing beneficiaries must reregister</td>
<td>Afghanistan, Nepal</td>
</tr>
<tr>
<td>No permanent structure available for registration (in person, near their place of residence, at a specific time)</td>
<td>Bangladesh, India, Sri Lanka</td>
</tr>
<tr>
<td>Self-registration in person, online, or by phone, but no provision for alternative access</td>
<td>Bhutan</td>
</tr>
<tr>
<td>Self-registration by phone, internet, or in person</td>
<td>Maldives, Pakistan</td>
</tr>
</tbody>
</table>

Source: World Bank elaboration

5.1.1.3. Assessment of needs and conditions

The assessment of needs and conditions involves systematic processes for profiling individuals, families, or households according to various appraisal tools, such as socioeconomic welfare measures and risk and labor profiles (Lindert et al. 2020). The primary output of this phase is the classification or profiling of applicants. This informs their eligibility for specific programs or the mix of benefits and services that may be awarded.

In South Asia, social protection programs use a combination of methods to assess socioeconomic needs and conditions and hence determine eligibility for social protection programs. In many cases, these assessment processes tend to go hand in hand with eligibility checkups and are not treated as separate, sequential processes. The pros and cons of some of the widely used targeting methods are summarized in table 5.5.
### Table 5.5. The pros and cons of various targeting methods

<table>
<thead>
<tr>
<th>Methods</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geographic targeting</strong></td>
<td>Simple to apply and does not create social tensions among close neighbors, though it may across jurisdictions</td>
<td>There are likely to be clear errors of exclusion as poverty, vulnerability, or other forms of need will exist in excluded territories. Can encourage migration to the program’s treated areas</td>
</tr>
<tr>
<td><strong>Demographic targeting</strong></td>
<td>Corresponds with notions of deservingness in most places</td>
<td>May be only mildly correlated with money-metric measures of welfare</td>
</tr>
<tr>
<td></td>
<td>Unlikely to be stigmatizing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relatively simple to implement and for people to understand</td>
<td></td>
</tr>
<tr>
<td><strong>Means testing</strong></td>
<td>Accurate metric for well-being when its development follows basic standards and minimum conditions</td>
<td>High requirements for data available for verification. Relies on qualified administrative staff</td>
</tr>
<tr>
<td></td>
<td>It is sensitive to quick changes in well-being, either idiosyncratic or covariate</td>
<td></td>
</tr>
<tr>
<td><strong>Hybrid means testing</strong></td>
<td>Reliable metric for predicting full well-being when its development follows basic standards and minimum conditions</td>
<td>Relies on quality of data available for verification. Relies on qualified administrative staff. Contains some statistical error from the imputations</td>
</tr>
<tr>
<td></td>
<td>It is somewhat sensitive to quick changes in well-being; the formulae for imputations for informal incomes may need to be adjusted in response to covariate shocks</td>
<td></td>
</tr>
<tr>
<td><strong>Proxy means testing</strong></td>
<td>A statistically plausible and replicable method to rank households when informality is high</td>
<td>Contains statistical error; formulae may be more or less precise depending on context and statistical methods. Difficult for people to understand; lack of transparency. Insensitive to quick changes in well-being</td>
</tr>
<tr>
<td><strong>Community-based targeting</strong></td>
<td>Benefits from the locals and their knowledge of the community to identify the population of interest</td>
<td>Local actors can have own preferences and consequently bias the process toward certain groups. Different communities may implement guidelines differently. May reinforce existing power structures and replicate patterns of exclusion. Social tensions within the population and local actors can arise</td>
</tr>
<tr>
<td></td>
<td>Generates local level buy-in because the locals feel they are part of the process; improves acceptability of the program</td>
<td></td>
</tr>
<tr>
<td><strong>Self-targeting</strong></td>
<td>Little administrative effort given to eligibility (other aspects of running public works programs are demanding, as are the logistics of food distribution)</td>
<td>May not reduce the number of people desiring to participate enough to meet a budget or implementation capacity; additional layers or filters or other eligibility criteria may be needed</td>
</tr>
<tr>
<td><strong>Lottery</strong></td>
<td>Rapid and inexpensive; replicable in any environment, both rural and urban</td>
<td>Not to be used when population is heterogeneous enough so that the difference between two eligible people does matter and there are reasonable means to rank more finely</td>
</tr>
</tbody>
</table>

*Source: Grosh et al., “Choosing,” 2022.*
Most countries use a proxy means test with a combination of categorical targeting for the assessment (table 5.6). Pakistan has the National Socio-Economic Registry (NSER), which includes a proxy means test developed in 2010–11 and last updated in 2021. Maldives also targets its programs via a proxy means test, with two distinct formulas, one for Malé and one for all other atolls. In Bangladesh, major social assistance programs use a mix of categorical tests, means tests, and proxy means tests, where different demographic criteria (age, sex, household size, and so on) and economic criteria (income threshold, location) are used to target the intended population. In Nepal, most programs also target a combination of geographic and demographic categories associated with vulnerabilities (such as elderly or child status), but not necessarily with poverty. The favoring of categorical targeting over poverty targeting for social assistance programs partially arises because of the lack of high-quality, harmonized, and standardized data and mechanisms to assess needs and conditions. As an exception, two programs directly target the poor: the pro-poor targeted scholarships (grades 9–12), and the Prime Minister’s Employment Program. The former relies on a proxy means test calculated based on self-reported data, while the latter requires self-reported information on unemployment status and household socioeconomic status.

Table 5.6. Main social assistance program tools for assessing needs and conditions

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Martyrs and Disabled Pension Program</td>
<td>Categorical</td>
</tr>
<tr>
<td></td>
<td>Maintenance and Construction Cash Grant</td>
<td>Community based</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Allowances for (a) old age, (b) financially insolvent disabled, (c) maternity allowance for the poor, (d) Income support program for the poorest</td>
<td>Categorical and means tested</td>
</tr>
<tr>
<td></td>
<td>Employment Generation Program for the Poorest</td>
<td>Means tested, with a geographic-target approach</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Accelerated Mother and Child Health, National School Feeding Program, and Central School Program</td>
<td>Socioeconomic vulnerability</td>
</tr>
<tr>
<td>India</td>
<td>National Social Assistance Program, Pradhan Mantri Awaas Yojana, scholarships, and other cash programs</td>
<td>Socio-Economic and Caste Census deprivation data</td>
</tr>
<tr>
<td></td>
<td>Mahatma Gandhi National Rural Employment Guarantee Scheme</td>
<td>Self-targeting</td>
</tr>
<tr>
<td>Maldives</td>
<td>Allowances for (a) single parents, (b) foster parents, and (c) disabilities</td>
<td>Categorical, combined with a proxy means test</td>
</tr>
<tr>
<td></td>
<td>Old Age Basic Pension</td>
<td>Categorical</td>
</tr>
<tr>
<td>Nepal</td>
<td>Social security allowance, midday meals, and a variety of scholarships</td>
<td>Categorical and geographic</td>
</tr>
<tr>
<td></td>
<td>Pro-poor targeted scholarships for grades 9–12</td>
<td>Self-reported proxy means test</td>
</tr>
<tr>
<td></td>
<td>Safe Motherhood Program, Prime Minister’s Employment Program</td>
<td>Self-targeted</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Benazir Income Support Program</td>
<td>Prosy means test</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Allowances for (a) senior citizens and (b) disability</td>
<td>Categorical</td>
</tr>
<tr>
<td></td>
<td>Samurdhi Program</td>
<td>Means tested</td>
</tr>
</tbody>
</table>
South Asian countries also use other methods, including community-based targeting, self-targeting, and a census or index. Afghanistan currently lacks a comprehensive social registry. Consequently, the predominant methods used to determine eligibility for safety nets and humanitarian interventions are community-based targeting and categorical targeting. Because these countries face scarce information, limited administrative capacity, and budget constraints, community-based targeting is often considered a cost-effective way to reach the poor and vulnerable (World Bank 2021a). Most federal programs in India use the 2011 Socio-Economic and Caste Census as a common basis for screening households for a range of social programs. While the census is considered by most to be an improvement over the old inclusion criteria, relying solely on the census has led to inefficiencies (Srinivas 2019). A notable exception is the flagship MGNREGS public works program, which relies on self-targeting. Among households, the poorest 3,154 were identified in Bhutan in 2014 based on a multidimensional poverty index, which measured deprivation across six dimensions (education, health, housing, community vitality, financial security, and food security).

Because of the absence of functional social registries and political influence in assessment, inclusion and exclusion errors are apparently quite common in South Asia. The Vision 2025 document of Sri Lanka, in calling for reforms, states that Samurdhi is riddled with poor targeting and that 16 percent of households received Samurdhi cash transfers in 2013, when only 5.3 percent of households were classified as poor and two-thirds of the poorest quintile received no support at all (Ashley 2021). A similar view is held on Bangladesh, where most core social assistance programs use varying eligibility criteria related to age or demographic composition, consumption, earnings, work, and asset ownership. However, many of these are not easily verifiable or objectively defined or they are loosely defined. For instance, 20 percent of the beneficiaries under the old-age allowance program in Bangladesh did not meet either demographic or economic criteria. This is mainly because the elderly have no proof of age; income is hard to verify; and land ownership is not always easily determined or because the economic criteria have become obsolete, so that local committees implicitly use a higher threshold (World Bank 2021b).

5.1.2. Enrollment

Regarding eligibility and enrollment decisions, Pakistan and Maldives are outliers, given their more integrated and relatively smooth registration and enrollment systems. In Pakistan, multiple federal and provincial programs use the information stored by NSER to make enrollment decisions based on program-specific eligibility criteria and fiscal space (Bashir et al. 2021). Likewise, social assistance applications in Maldives are streamlined through the social protection information system, which also helps determine eligibility and record subsequent beneficiary transactions.

There is little evidence of a determination that benefit packages are being systematically carried out. Benefits are fixed in most cases, except for a few programs (offering CCTs) in which the benefits vary based on the size and composition of households or based on the household achievement of milestones. For example, Sri Lanka’s Samurdhi benefits depend on the number of family members, and the Maldives single parent allowance is based on the number of children.

Regarding notification and onboarding, Nepal’s social security allowance is likely to be illustrative of common practice across the region. After an application for a social security allowance benefits is approved, an ID card is generated and handed over to a ward of the local government, who provides it to the beneficiary. Beneficiaries remain unsure of the status of their enrollment until they are provided with social security allowance ID cards, and, in some cases, cards are only distributed when benefits are paid. This creates the challenge of making multiple visits to the wards for status updates (TTC 2021).
5.1.3. Provision

Social protection systems can provide services or cash benefits. Cash benefits consist of financial assistance, while services (including social work, social care, and other specialized services) involve actions and activities to improve individuals’ and families’ overall well-being or to support them in particular circumstances (Lindert et al. 2020). This subsection examines cash benefits.

The ability of payment mechanisms to deliver benefits to target groups in a timely and cost-efficient manner is essential to the success of social protection programs. Payment digitalization and expansion of digital payments can significantly increase both program success and overall financial inclusion, particularly among women, the poor, and the vulnerable, who are often the least likely to have bank accounts or access to other financial services.37

Social protection programs in South Asia use a wide range of payment mechanisms, from direct cash distribution to front-end digitalization or fully digitalized electronic payments (table 5.7).

Table 5.7. How are benefits or cash transferred to the beneficiaries?

<table>
<thead>
<tr>
<th>Registration mechanism following a shock</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash based or in kind, undertaken in person by microfinance institutions or others, but a small-scale pilot or discussion on digital transfers is ongoing</td>
<td>Afghanistan</td>
</tr>
<tr>
<td>Mostly digital or paid to bank accounts</td>
<td>Bangladesh, Nepal, Sri Lanka</td>
</tr>
<tr>
<td>All digital</td>
<td>Bhutan, India, Maldives, Pakistan</td>
</tr>
</tbody>
</table>

Source: Johnson and Walker 2022.

In-person cash handouts are Afghanistan’s default transfer modality in both the Martyrs and Disabled Pension Program and the cash-for-work program of the Citizen’s Charter Afghanistan Project.38 In 2021, in the case of former, a plan was made to roll out payment through bank transfers (linked to a biometric management information system), and, in the latter case, a small-scale pilot project was created that relied on digital transfers (Johnson and Walker 2022). The status of these plans is unknown under the Taliban administration.

In Nepal and Sri Lanka, most payments are digital or deposited in bank accounts, but funds can be accessed only through cash withdrawals from designated places (Johnson and Walker 2022). Nepal has made significant progress digitalizing social assistance payments, supported by expansion of bank branches across the country. As of June 2023, all local administrations used banks to deliver social security allowance benefits.39 Wages paid under the Prime Minister’s Employment Program are also generally deposited in bank accounts. While payment digitalization has improved efficiency, some operational challenges remain, including last-mile delivery (some beneficiaries must travel long distances to reach their bank) and real-time reconciliation of payments in the program information system (World Bank 2021c). Sri Lanka’s Samurdhi beneficiaries receive benefits through their local Samurdhi Bank branches. Beneficiaries do not have to withdraw all benefits at once.
In Bangladesh, SSN payments are made entirely through the banking system. The government has established a government-to-public (G2P) payment platform to centralize transfers to all beneficiary accounts (Johnson and Walker 2022). The government mandated that all cash transfer programs use the G2P platform, and by the end of 2022, all major cash transfer programs were onboarded. The implementation pace varies across programs, depending on the readiness of ministry-level data digitalization efforts and management information systems. Following the outbreak of COVID-19, efforts were made to scale up payment digitalization of SSN programs, and a significant share of beneficiaries now receive benefits through mobile financial services. The old-age allowance, widow allowance, and disability allowance programs are at the forefront of the digital-payment transformation, with over 10 million beneficiaries receiving payments via bank accounts with enhanced means of authentication (that is, debit cards or biometrics) or mobile-financial-services accounts as of the end of FY 2022. Users of mobile financial services account for the bulk of beneficiaries, with over 8.8 million benefiting from mobile money. While both the cash-in transfer (that is, a fund transfer from the government to individual accounts) and cash-out withdrawal (that is, a fund withdrawal from individual accounts by beneficiaries) of the G2P payment process have been digitalized, substantial delays in payment receipt remain. Although old-age allowance payments are expected to be made quarterly, over a third of beneficiaries reported receiving payments semiannually or annually (World Bank 2021b). Such delays can represent substantial costs for both the government and beneficiaries.

Bhutan, India, Maldives, and Pakistan are the best performers in this regard, as all payments are digital and funds can be spent directly from the beneficiary bank account (Johnson and Walker 2022). Maldives’s National Social Protection Agency benefits are all paid electronically to beneficiary bank accounts at the Bank of Maldives, and funds can be retrieved through branches, ATMs, and point-of-sale devices in stores. Furthermore, thanks to recent refinements to the payment system, monthly payments are made without delay.

For all centrally sponsored schemes, the government of India has mandated the direct benefit transfer, which disburses welfare program benefits directly from the government to the beneficiary’s designated bank account. In addition, the Reserve Bank of India and the government partnered to develop the Aadhaar Payments Bridge system, which enables central government and state ministries and departments to transfer G2P payments in bulk by linking beneficiaries’ Aadhaar numbers with their respective program IDs. At the backend, a beneficiary’s Aadhaar number is also linked to their bank account (World Bank 2020a).

In Pakistan, social assistance payments are electronic and made through special-purpose and mainstream financial instruments (including bank accounts and debit cards). An impressive 87 percent of BISP beneficiaries receive their transfers through a cardless system in which one can transfer funds via a mobile wallet or withdraw cash at point-of-sale devices or ATMs with biometric readers. The move toward electronic filing and payment modalities is also making assessment and payment of social insurance contributions more convenient and transparent (Karippacheril et al. 2020).

The adoption of digital payments is limited in many countries by low financial inclusion (Bashir et al. 2021) (figure 5.2, panel a). By 2021, only 10 and 13 percent of adults had active bank accounts in Afghanistan and Pakistan, respectively. Banking access is higher in India, Nepal, and Sri Lanka, but between 18 and 35 percent of all accounts in these countries have been inactive for the past year. Furthermore, less than one-third of South Asia’s population is likely to engage in digital transactions, except in Bangladesh and Sri Lanka, where 45 and 55 percent of adults, respectively, have either sent or received digital payments in the past year.
**Figure 5.2.** Financial and digital inclusion for adults, selected South Asian countries, 2021

a. Banking access

<table>
<thead>
<tr>
<th>Country</th>
<th>Inactive account</th>
<th>Active account</th>
<th>Engaged in digital payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>10%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>8%</td>
<td>35%</td>
<td>26%</td>
</tr>
<tr>
<td>India</td>
<td>28%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Nepal</td>
<td>8%</td>
<td>26%</td>
<td>28%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>8%</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>13%</td>
<td>8%</td>
<td>71%</td>
</tr>
</tbody>
</table>

b. Digital access

<table>
<thead>
<tr>
<th>Country</th>
<th>Has internet access</th>
<th>Owns mobile phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>66%</td>
<td>40%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>79%</td>
<td>30%</td>
</tr>
<tr>
<td>India</td>
<td>66%</td>
<td>80%</td>
</tr>
<tr>
<td>Nepal</td>
<td>63%</td>
<td>40%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>96%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Sources:** World Bank elaboration; Demirgüç-Kunt et al. 2022.

**Note:** Adults are all people above 15 years of age. Active accounts can be hosted at banks or another type of financial institution or may be mobile money accounts. Accounts are inactive when the owner neither deposited into nor withdrew from them during the past year (including making or receiving any kind of digital payment).

Low digital access has also limited digital-payment adoption (figure 5.2, panel b). In South Asia, nearly a billion people have no fixed internet connection, with lack of access ranging from 47 percent in Sri Lanka to 84 percent in Afghanistan. The higher rates of mobile phone ownership (ranging from 63 percent in Pakistan to 96 percent in Sri Lanka) might facilitate digital payments, although it is likely that those most in need of social assistance are those who do not own mobile phones.

Payment systems in half of all South Asian countries do not have the infrastructure through which to expand horizontally or vertically to assist citizens during shocks (figures 5.3 and 5.4). Bhutan, India, Maldives, and Pakistan can quickly scale up benefit transfers and expand them to those not covered, with little or no delay. But during shocks, Afghanistan has enormous difficulties expanding the amount and coverage of its in-person cash handouts. Sri Lanka and Bangladesh stand in the middle, with some expansion capacity (albeit with some delay), as evidenced in Sri Lanka by Samurdhi’s substantial increase in beneficiaries and benefit amounts during two recent crises. Bangladesh only recently introduced adaptive elements to a few major safety net programs; these elements will enable vertical expansion to existing beneficiaries or horizontal expansion to shock-affected populations to fulfill basic categorical requirements of the programs in question. Since 2021, the flagship public works program—EGPP—has included a shock-responsive window (EGPP+) that can be triggered to provide additional benefits to households affected by a shock (Johnson and Walker 2022). During COVID-19, 82 percent of Afghan households in need of financial services could not access an ATM, bank, or mobile money service when needed. Around 31 and 14 percent of households faced similar issues in Nepal and Sri Lanka, respectively. Implementation challenges arose even in urban India because banking networks were limited and payment agents closed.
5.1.4. Management

5.1.4.1. Monitoring compliance with conditionalities

Monitoring social protection programs often requires significant vertical collaboration between central ministries and subnational and local actors, which adds complexity to the process. Various approaches govern these collaboration arrangements. For example, in Bangladesh’s Income Support Program for the Poorest, responsibilities must be fulfilled by local community clinics managed by the Ministry of Health and Family Welfare. For the program’s responsibilities regarding antenatal care, growth monitoring, and promotion, beneficiaries receive services from their closest health center and record their attendance by swiping their program cash cards (Anwar and Rahman 2016). And in Pakistan’s Waseela-e-Taleem CCTs, the program contracts out the compliance-verification processing among its subnational and local responsibilities. The program compliance periods are quarterly, and beneficiaries are notified of noncompliance through an SMS alert or the BISP beneficiary committee.

5.1.4.2. Grievance redress mechanisms

In general, South Asian countries do not have systematic grievance redress mechanisms. Rather, they have multiple channels to register complaints (for example, online or in-person channels, call centers, feedback boxes) and no systematic tracking of grievance registration and resolution (table 5.8).
### Table 5.8. Grievance redress mechanisms, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Program, institution</th>
<th>Mechanism</th>
<th>Is complaint resolution tracked?</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>The Citizens’ Charter Afghanistan Project and Martyrs and Disabled Pension Program</td>
<td>Toll-free numbers and social media</td>
<td>No</td>
<td>There are guidelines on the complaint-filing process</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Most programs</td>
<td>Program specific; based on local committee</td>
<td>No</td>
<td>Can be accessed by both beneficiaries and nonbeneficiaries</td>
</tr>
<tr>
<td></td>
<td>Income Support Program for the Poorest</td>
<td>In person, through the union-based safety net cell</td>
<td>No</td>
<td>One-stop-shop service center for the program, including complaints</td>
</tr>
<tr>
<td>Bhutan</td>
<td>All programs</td>
<td>In person , either in the service-providing agency or through Public Services and Grievance Redressal Division</td>
<td>No</td>
<td>Walk-in: Public Services and Grievance Redressal Division</td>
</tr>
<tr>
<td>India</td>
<td>Central government</td>
<td>Centralized Public Grievance Redress and Monitoring System (online)</td>
<td>No</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Selected programs</td>
<td>Program-specific portals</td>
<td>No</td>
<td>—</td>
</tr>
<tr>
<td>Maldives</td>
<td>All programs</td>
<td>National Social Protection Agency grievance redress system (call center)</td>
<td>No</td>
<td>Nascent system; could be strengthened with an online portal for submitting complaints</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Benazir Income Support Program</td>
<td>Online with in-person visit, call center, through writing or emails, using social media</td>
<td>Yes</td>
<td>Permits real-time recording, processing, and tracking of eligibility appeals and complaints</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Samurdhi</td>
<td>Telephone calls, letters, emails</td>
<td>—</td>
<td>Through the e-Samurdhi Project, only limited systems were developed</td>
</tr>
<tr>
<td></td>
<td>Welfare benefit information system</td>
<td>Online grievance redress mechanism</td>
<td>—</td>
<td>Not operational yet</td>
</tr>
</tbody>
</table>

*Sources: Anwar and Rahman 2016; Bowen et al. 2020; Johnson and Walker 2022; World Bank 2019.*
Pakistan is the exception. Through BISP, beneficiaries and communities can access a robust and integrated appeal and grievance mechanism. BISP has developed a user-friendly and web-enabled interface facilitating real-time recording, processing, and tracking of eligibility appeals and complaints from the tehsil (subdistrict) level to regional and head offices.45

In Bangladesh, most programs operate with a program-specific local committee–based grievance redress mechanism, but the cases are not regularly tracked.46 The national hotline (333) for government services helps collect and manage grievances for safety net programs. In the Income Support Program for the Poorest, grievances are communicated through the union-based safety net cell, staffed by a safety net program assistant and serving as a one-stop shop for troubleshooting beneficiary problems with targeting, enrollment, services, and payments (Anwar and Rahman 2016).

Nepal's social security allowance delivery systems are also challenged by the absence of a well-functioning grievance redress mechanism. According to Social Security Allowance Regulation 2076 and Social Security Allowance Distribution Procedure 2077, wards and local governments are responsible for handling grievances at the local level. At the federal level, grievances can be registered via a toll-free number, a dashboard, or an email. However, these channels are not mentioned in policy documents; beneficiaries are hardly aware of them; and there are no guidelines on the time frame within which grievances need to be resolved.

5.2. Social information systems and data protection

5.2.1. Social information systems

Having a dynamic delivery system, that is, in the form of a social registry, is a key building block of a robust social protection system including for improved future resilience and preparedness. In most South Asian countries, social registries are absent or at nascent stages. Instead, many countries in South Asia operate a multitude of social information systems, but they are relatively static, and portability is rare, further increasing the risks of low coverage of the poor and high coverage of well-off individuals.

In the COVID-19 pandemic, governments that had invested in delivery systems (such as social registries) were able to assist the public rapidly and efficiently. Thus, while India and Pakistan responded within weeks after the lockdowns started, Afghanistan faced challenges due to limited technology and flawed institutions (Sherburne-Benz, Paternostro, and Majoka 2020).

Most countries in the region operate a multitude of program-specific registries and databases or management information systems.47 For instance, India’s national Direct Benefit Transfer Mission noted the existence of 400 federal management information systems, which report payment progress on the national direct benefit transfer portal (World Bank 2019). India does not have one national social registry, but several program registries and databases, including six state-level initiatives, some of which build on the efforts of the Socio-Economic and Caste Census database (World Bank 2020a).48
**Figure 5.5.** Overall assessment of social registries and beneficiary-data management

<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhutan</td>
<td>1. Latent</td>
<td>Inadequate: Very low coverage of social information systems, which are fragmented and not adequate for targeting</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>2. Nascent</td>
<td>Somewhat adequate: Less than 50 percent of shock-prone populations are covered, with limited data adequacy and system interoperability</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3. Emerging</td>
<td>Moderately adequate: 50% to 70% of vulnerable populations are covered, allowing some horizontal expansion, but data accuracy can be improved, and interoperability remains low</td>
</tr>
<tr>
<td>India</td>
<td>4. Established</td>
<td>Mostly adequate across shocks: Most of the poor and vulnerable are covered, with significant coverage of areas susceptible to shocks, with high data reliability and accuracy</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5. Advanced</td>
<td>Fully sufficient to respond to all shocks: An integrated social registry/complete database cover most of the population and can be updated frequently on demand and used across shocks</td>
</tr>
</tbody>
</table>

*Source:* Based on Johnson and Walker 2022.

Nepal also has several program registries and databases, all of which have some gaps in coverage (Johnson and Walker 2022). For instance, social security allowance program applications are filed with ward offices and forwarded to the local level, who then populate the central management information system maintained by the Department of National ID and Civil Registration. The social security allowance management information system is used to measure physical progress, manage the beneficiary database, and track bank-based transfers. Similarly, educational management information systems capture details on midday-meals and scholarship programs, but the quality and accuracy of student data are concerns (World Bank 2021c). The Prime Minister’s Employment Program has a separate information system.

In Bhutan, programs depend on their own data management systems and processes to collect the same type of data along their delivery chain (Bhandary, Ross, and MoLHR 2020). Likewise, Afghanistan relies on several program databases, including those maintained by humanitarian partners (box 5.1). A modern management information system was implemented for the public pension scheme and the Martyrs and Disabled Pension Program, with an updated information system to track the progress in shock-responsive programs. For the Citizens’ Charter Afghanistan Project, the dedicated management information system contained mostly community-level data, and efforts were under way to collect and include household-level data (Bowen et al. 2020). These plans have been on hold since the Taliban’s takeover in August 2021.
**Box 5.1. Social safety net systems, Afghanistan, after August 2021**

Before the interim Taliban administration took the reins of government, Afghanistan lacked a predictable and fiscally sustainable social protection system, and associated delivery systems, to allocate and distribute both regular and emergency assistance. The country heavily relied on international humanitarian agencies to address its needs, and the few social protection–related initiatives and programs were time bound, fragmented in nature, reliant on off-budget programming, and not economically sustainable. In addition, many development programs actively involved local communities in the targeting and delivery of essential services, with no central system from which to draw data.

Since August 2021, various humanitarian clusters have provided aid and services to people in Afghanistan as part of the emergency crisis response (figure B5.2.1). Under this approach, humanitarian agencies leverage their own delivery systems to support the most vulnerable. While coexisting, these systems have no data-sharing and interoperability protocols, which exacerbates fragmentation.

**Figure B5.2.1. The cluster approach of United Nations agencies**
For instance, the United Nations Children’s Fund and the World Food Programme operate with two separate delivery systems for cash-based programs:

- The humanitarian cash operations and program ecosystem of the United Nations Children’s Fund: The humanitarian cash transfer management information system allows the ecosystem to safely collect and store beneficiary data, carry out targeting, create payment lists to share with financial service providers, reconcile payments, verify payments, track grievances and feedback, and support reporting. The ecosystem can either use beneficiary data collected by the organization or import data collected through other channels. In Afghanistan, the program was rolled out in July 2021 to scale up humanitarian cash transfers; it has registered 371,216 households since then.

- The World Food Programme’s SCOPE platform is a web-based application used for beneficiary registrations, intervention setups, distribution planning, transfers, and distribution reporting. It can track the distribution of humanitarian assistance in near real time. SCOPE has registered over 18 million Afghan beneficiaries, of which around 7.5 million were registered in the first half of 2022.

The World Bank approved emergency projects by June 2022 to be funded by the Afghanistan Reconstruction Trust Fund. These projects will not engage in building social protection systems but rather leverage their implementing agencies’ systems or build on preexistent but deficient delivery systems of existing projects. Moving forward, the World Bank’s social protection team seeks to establish an off-budget social registry to develop a central database for coordinated humanitarian-development support. This system will expand into an integrated social registry and eventually be transferred to an internationally recognized government.

*Source:* Based on World Bank 2020b.

Within the region, only Pakistan has a well-established social registry (box 5.2). The NSER is linked to the national ID system for authentication cross-checks, underpinned by a broader government commitment to support e-government and interoperability frameworks for data integration across agencies (although the system does not yet link with other administrative databases such as tax or social insurance ones) (O’Keefe et al. 2024). To improve beneficiary targeting, BISP is developing a new NSER, which, among other things, is expected to be a live registry combining follow-up surveys, self-registration, grievance redressal, and data analytics (PASSD 2021).

**Box 5.2. The development of Pakistan’s National Socio-Economic Registry**

Within South Asia, only Pakistan has a well-established social registry, the National Socio-Economic Registry (NSER). NSER covers an impressive 87 percent of the population and serves 70 different programs. Initially, targeting for Benazir Income Support Program (BISP) – Pakistan’s flagship safety net program – was done by
parliamentarians, who were tasked to prepare lists of potential beneficiaries within their constituencies. However, due to the inconsistencies found owing to the subjective nature of targeting, the government moved to the development of NSER. NSER was developed during 2010–11.

In Pakistan, multiple federal and provincial programs use the information stored by NSER to make enrollment decisions based on program-specific eligibility criteria and fiscal space. NSER incorporates a data-driven household registry through a nationwide proxy means test-based poverty scorecard survey of households, conducted in 2010–11. This was done by assigning every household included in the NSER with a score, using the proxy means test formula, and beneficiaries for BISP were targeted based on that score. Data collection for the NSER was conducted by three independent organizations under the management of BISP, and the data were then passed on to the National Database and Registration Authority, which digitalized the data and calculated proxy means test scores for all surveyed households.

The NSER database is linked to the broader National Database and Registration Authority citizen database through the common identifier of the computerized national identity card number. It is linked with the authority for authentication cross-checks, underpinned by a broader government commitment to support e-government and interoperability frameworks for data integration across agencies (although the system does not yet link with other administrative databases such as tax or social insurance ones). BISP is the owner and custodian of the NSER data, whereas the National Database and Registration Authority hosts and manages the service, effectively utilizing its technical expertise in technology-backed registration. BISP can share NSER data (all households that were included in the NSER following the 2011 survey, identifying household heads), or BISP beneficiary data (a subset of the NSER data, identifying female beneficiaries) with other organizations upon request. Several government agencies and nongovernmental organizations have been interested in using the NSER data for targeting poverty alleviation programs and in designing policy questions. Initially they had to purchase the data from BISP, but it is now provided to agencies without any charge.

From 2011 to 2019, Data collection for NSER was periodic and based on a countrywide census-based survey. Although, the targeting accuracy of BISP was estimated to be reasonably good compared to global experience, with about 60 percent of beneficiaries belonging to the bottom 40, the errors of exclusion remained high where 80.6 percent of those living in the bottom 20 were not receiving cash transfers.

Pakistan’s BISP emergency cash program adopted hybrid systems in response to COVID-19, combining emergency assistance for the known vulnerable (vertical expansion) with an innovative demand-based approach for 10.5 million additional vulnerable families through leveraging the NSER (horizontal expansion). The additional families were identified through (a) the NSER (with the criteria of a proxy means test score between 16.2 and 38.0), and (b) families outside the NSER who were enrolled into the program if they did not meet specified inclusion criteria. NSER was updated before the onset of COVID, thereby allowing newly affected households to apply for emergency financial assistance by sending an SMS with relevant national ID information to a designated number. Eligibility was verified through the interoperability of the registry with the National Database and Registration Authority. For new applicants outside NSER, the authority ran a back-office cross-verification algorithm using an affluence test approach (utilizing exclusion filters related to foreign travel and expenditure on mobile phone usage, and so on). This demand-driven system was fully automated, and it enabled the government to provide one-time financial assistance to about 12 million families affected by the pandemic.

To improve beneficiary targeting, BISP is developing a new NSER through the support of Pakistan Crisis-Resilient Social Protection Project since 2021. It is now rolling out updates and registration on demand. Under the project, a multientry localized access system is being developed to ensure more frequent updating of the NSER through
more rapid access to beneficiary data and ensuring interoperability with other agencies for more effective implementation of various social protection programs. The goal of the system mechanism is to (a) provide multiple points of entry (physical registration desks, door-to-door surveys, virtual services), (b) ensure that these access windows are available locally, and (c) ensure that data flows are automated. Updated data will be validated and consolidated into NSER, available for use in facilitating eligibility determination for multiple programs. Current plans to revamp NSER should improve the situation, with expectations that it becomes a dynamic social registry through a combination of follow-up surveys, self-registration, grievance redressal, and data analytics.


Bangladesh is developing its social registry, the National Household Database. Agreements have been signed between the Bangladesh Bureau of Statistics, which hosts the database, and several ministries and agencies, including the Ministry of Disaster Management and Relief and the Ministry of Social Welfare, for use of its data to assess the needs and conditions of key safety net programs. Nonetheless, key challenges include (1) the ability of the database to be updated dynamically and retain its relevance, and (2) the platform's fiscal sustainability (World Bank 2021b). Similarly, the government of Nepal plans to establish a national Integrated Social Registry to be used by all social protection programs (World Bank 2021c).

Although Sri Lanka has no single national database of recipients and potential recipients, it does have an active social registry information system, which can help various programs determine beneficiary needs systematically and objectively. The system data are being verified nationwide and were expected to be fully updated by the end of 2022; an independent verification process found that 73 percent of Samurdhi beneficiaries are fully registered in the system.

The coverage of social registries or management information systems differs widely between and within South Asian countries. This challenges response efforts to quickly identify the most vulnerable. Pakistan's NSER covers an impressive 87 percent of the population and serves 70 different programs. India's Socio-Economic and Caste Census covered all households in 2011, as has Bangladesh's National Household Database since compiling information on all households in the country (approximately 35 million). In contrast, Sri Lanka's social registry information system is populated with data on approximately 2.5 million low-income households, or slightly more than 40 percent of the population.

Coverage of populations affected by disasters and other shocks varies. Sri Lanka is an outlier because of its reliance on the voter-ID database to target beneficiaries during its shock response; this database is annually updated and covers over 95 percent of the adult population and all disaster-prone areas. In Pakistan, Bangladesh, and India, almost all disaster-prone areas and populations are said to be covered. However, it is not clear to what extent this is true in India, as considerable time has passed since the original census and subsequent updates. In Nepal, most disaster-prone areas (both urban and rural) are covered, but the landless and migrant populations are not; consequently, the simulated difference between coverage and the likely-affected population is around 15 percent. The corresponding gap is over 70 percent in Maldives and 50–70 percent (rural) and 30–50 percent (urban) in Afghanistan (Johnson and Walker 2022).
The frequency of data updating varies, when it happens at all, and systematic protocols are not in place. (table 5.9). Volatility of household welfare is high, so countries that target based on less frequent census sweeps struggle to keep pace with poverty and vulnerability (O’Keefe et al. 2024). Pakistan’s NSER was developed during 2010–11 and finished its update in 2021. It is now rolling out updates and registration on demand. So far, 60 such centers have been established. In Bangladesh, the Bureau of Statistics is designing the updating protocol for the National Household Database. The lack of protocols and the varied practices might explain the share of records more than three (or even five) years old in the registry or database, which was 0–15 percent in Sri Lanka, 30–50 percent in Nepal, Maldives, and Afghanistan, 50–70 percent in India, and more than 70 percent in Pakistan’s national registry as of 2021.

**Table 5.9. Is there a protocol for updating social registries or relevant databases?**

<table>
<thead>
<tr>
<th>Protocol adequacy</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>No protocol</td>
<td>Bangladesh, Maldives</td>
</tr>
<tr>
<td>No protocol, but there have been some updates, or the existing protocol has been generally followed, but with some shortcomings</td>
<td>Afghanistan, India, Nepal</td>
</tr>
<tr>
<td>Existing protocol has been followed, which helped update the database completely, but updates are irregular and five-plus years apart</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Update is regular or automatic</td>
<td>Sri Lanka</td>
</tr>
</tbody>
</table>


*Note:* In Sri Lanka, databases and registries on the effects of disasters on the population are created and updated at the divisional secretariats.

Integrated social information systems, which include social registries and management information systems, are not common in the region. India and Pakistan are the best performers, having moved from program-beneficiary registries to integrated systems that collect and manage data on a wider population eligible for multiple programs and services, not only social protection. For example, India’s Ministry of Rural Development has developed NREGAsoft, a workflow-based web-enabled management information system application, for its public works program. The Maldives National Social Protection Agency maintains a robust beneficiary-registry system, the social protection information system, that securely collects and maintains data provided by applicants, determines eligibility, and records subsequent beneficiary transactions. Although the registry contains a comprehensive list of applicants and beneficiaries, it is the product of various registration waves, some occurring prior to the collection of proxy means test data, and these lists have not been harmonized or revised.

A foundational ID system is in place in all countries except Afghanistan, with over 80 percent of the South Asian population above 15 years of age having unique IDs. While overall ID coverage is generally high, many adults remain unregistered in India (32 million), Pakistan (27 million), Bangladesh (20.5 million), and Afghanistan (6 million) (figure 5.6).
Figure 5.6. Share of population ages more than 15 without a national ID, 2018


In many countries, women and the bottom 40 are more likely to be unregistered. In all countries except India, women are less likely to have IDs than men (figure 5.6). This is particularly striking in Afghanistan and Pakistan, where sex coverage gaps are at 46 and 14 percentage points, respectively. Only about 24 percent of Afghanistan’s bottom 40 hold government-issued IDs. India, Nepal, and Pakistan fare better: 60 to 80 percent of the bottom 40 have IDs (box 5.3).

Box 5.3. Status of foundational IDs in South Asia

Afghanistan suffers from particularly poor coverage. Efforts to provide unique IDs began in 2009, and in 2018 an electronic national ID (e-Tazkira) was launched as a unique ID based on biometrics. Presently, about 30 percent of the people hold no e-Tazkira, and they are far more likely to belong to disadvantaged groups. According to the United Nations High Commissioner for Refugees, households reporting no specific vulnerabilities are more likely to report having an e-Tazkira (63 percent) than those with unaccompanied elders (48 percent) or minors (36 percent).

Despite relatively high coverage, governments still face challenges in increasing coverage of vulnerable groups (the poorest, women, undocumented migrants, etc.) and ensuring ID are unique, preferably biometric based, and linked with social registries, bank accounts, program databases, and other digital public platforms. Pakistan and India are models in this regard. For example, India’s biometric-based unique ID, Aadhaar, covers an impressive 95 percent of the population. Nonetheless, the government faces difficulties linking this ID to program databases, social registries, and other digital public platforms. India’s e-Sharm initiative is a promising example of the registry-like potential of linking the Socio-Economic and Caste Census with Aadhaar. e-Sharm is a federal-government-led plan to issue social security cards to unorganized (informal sector) workers, who constitute over 90 percent of the labor force. The cards would be the basis for enrolling in a variety of subsidized social security schemes for informal workers (including pensions, life insurance, and health insurance).
Maldives has a high-coverage ID system in place. More than 80 percent of the bottom 40 is covered by the Maldives national identity card. The card is issued at birth and is used as the unique identifier for registering children in school, opening bank accounts, and applying for all social protection programs implemented by the National Social Protection Agency and the Maldives Pensions Administration Office. The ID card database can be connected to the social protection information system so that the identity of National Social Protection Agency program applicants can be cross-checked against data on the application forms.

Bangladesh, Nepal, and Bhutan are establishing digital, biometrically enabled unique IDs. Bangladesh plans to establish such IDs at birth, using its vaccination and birth-registration processes. Nepal is expanding national ID card coverage and modernizing civil registration; nonetheless, challenges await given the approximately 6.7 million people who do not have citizenship certificates or other legal documentation. Bhutan has provided every adult with a unique identity number and is embarking on the Digital Drukyul Flagship, which aims to provide a national digital identity card. In Sri Lanka, the Department of Registration of Persons has been issuing National Identity Cards, used to verify identification in order to obtain a passport or driver’s license or to open a bank account. However, the program does not include a deduplicated identification system based on biometric verification.

**Sources:** Aadhaar (dashboard), Unique Identification Authority of India, New Delhi, https://uidai.gov.in/; Bashir et al. 2021; Bhandary, Ross, and MoLHR 2020; Bowen et al. 2020; Pandey and Lakhey 2018; Walker, Varadan, and Dorfman 2019; World Bank 2017, 2020b, 2021c.

### 5.2.2. Data protection, data sharing, and privacy

In general, South Asia's legal and regulatory environment for personal data is underdeveloped, unimplemented, and unenforced. Adequate protection—which includes legislation, policy measures, protocols, and the like—is critical to not only the functioning of the delivery system but the credibility of and trust in the system. Without trust, individuals will be reluctant to either engage with it or provide it with necessary information.

Except for Nepal and Sri Lanka, South Asian countries do not have enforced data protection legislation in place (table 5.10). Both Pakistan and India have drafted general data protection legislation, but this is yet to become law. Other data protection frameworks exist in India, but these are not always comprehensive or easily enforceable (MeitY 2018). Moreover, India faces challenges in accessing disaster risk data and issues related to data privacy protocols (Johnson and Walker 2022). By contrast, Nepal has enacted comprehensive data protection legislation in the form of the Privacy Act of 2018. This act seeks to ensure people's right to privacy with respect to their bodies, residence, property, documents, data, and communications. It defines not only how the private information stored by public entities can be used, but also the liability of entities in case of a privacy breach. Likewise, Sri Lanka's Personal Data Protection Act of 2022 was passed in March 2022. It provides for the regulation of how personal data is processed and identifies and strengthens the rights of people in relation to their data. Pakistan's draft Personal Data Protection Bill and Bangladesh's draft Data Protection Act would create user rights and privacy protection provisions such as a right to withdraw consent from use of personal data, a limitation on the uses of collected data, a right to demand correction of inaccurate or misleading data, and the updating of out-of-date data. Pakistan's bill includes protections for children, gender, and caste, and Bangladesh's act includes protection for children.
Table 5.10. Data protection and privacy regulations in South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Regulation</th>
<th>Active?</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Data Protection Act</td>
<td>No</td>
<td>Latest draft is from 2022. It creates a user right to privacy and a right to access, correct, and consent to the treatment of data. Cybersecurity legislation is also in place or in draft form: Digital Security Act (2018), draft Digital Governance Act (2020).</td>
</tr>
<tr>
<td>India</td>
<td>Digital Data Protection Bill and Digital India Act</td>
<td>No</td>
<td>As of September 2022, these were withdrawn from Parliament and are in consultations.</td>
</tr>
<tr>
<td>Nepal</td>
<td>Nepal’s Privacy Act</td>
<td>Since 2018</td>
<td>It seeks to ensure the right to privacy of a person’s documents, data, communication, and character, and it states how the private information that is stored by public entities will be used, along with stating data-breach liabilities.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Personal Data Protection Bill</td>
<td>No</td>
<td>Latest draft is from 2021. It stipulates that data privacy regulations must have strict protocols regarding data sharing with the private sector. However, other government agencies can access and use the data.</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Personal Data Protection Act</td>
<td>Since March 2022</td>
<td>Personal Data Protection Act no. 9 of 2022 was certified in March 2022. It provides for the regulation of processing of personal data in order to identify and strengthen the rights of data subjects to the protection of their personal data.</td>
</tr>
</tbody>
</table>

Sources: ABP Network 2022; Johnson and Walker 2022.

Even if comprehensive data protection regulations exist, South Asian governments lack institutional preparedness to enforce data policies systematically and consistently (Burman 2020). In Nepal, for example, data protection is not taken seriously because people are unaware of data protection legislation. Moreover, existing systems are not properly secured because of technical and financial issues and are thus prone to hacking.

In general, critical trust-building provisions remain unaddressed, including provisions on data misuse and misappropriation. For instance, India’s Personal Data Protection Bill does not provide adequate checks and balances to ensure that the data protection authority and central government use their vast supervisory powers responsibly (Burman 2020).

5.3. Measuring the performance of delivery systems in South Asia

Systematic monitoring and assessment of the performance of delivery systems is almost completely absent in South Asia. And rigorous evaluations are rare and episodic. Proper monitoring and evaluation are limited by low institutional capacity across levels of government and by lack of integrated systems to monitor program implementation. In addition, information systems generally do not have the data quality
or integration required to monitor activity and expenditure. To maximize the impact of social protection programs, it is essential to allocate resources for administrative expenses and for monitoring and evaluation systems (World Bank 2021c).

In Bhutan, data systems are underdeveloped in most programs and insufficient for understanding key indicators, such as the number of beneficiaries and the level and frequency of benefits (Bhandary, Ross, and MoLHR 2020). Afghanistan’s social protection monitoring systems are also weak to nonexistent; evaluation of various social protection programs is fragmented and unsystematic, producing little or no effective feedback for the policy-making process. The recently concluded impact evaluation of the Ministry of Labor and Social Affairs SSN pilot programs stands as a significant exception to the scarce efforts at systematic performance measurement.63

Likewise, in Nepal, systemic monitoring of programs, outcomes, and impacts is weak, and external monitoring and evaluation are ad hoc. The social security allowance program’s monitoring and reporting are clearly defined by Social Security Rule 2076.64 In practice, there seems to be no well-defined monitoring system for the social security allowance at the federal or local level (TTC 2021). In addition, reporting by service delivery facilities and local offices is mostly manual and paper based, and it varies in frequency. The Safe Motherhood Program stands as an exception, evolving over the years as a result of regular evaluations and combining demand- and supply-side payments in various initiatives.65

In Bangladesh, most social protection agencies invest little in budgeting, management, enrollment, delivery, and accountability processes. Key social protection agencies, including the Ministry of Liberation War Affairs, the Ministry of Disaster Management and Relief, and the Ministry of Social Welfare, allocate between 1 and 8.5 percent of their resources to program management (including wages and salaries, administrative expenses, and training).66 With such limited resources, program staff can likely provide only basic supervision of enrollment and payment processes, leaving them little space for meaningful engagement with beneficiaries. Having more qualified staff locally would allow programs to offer behavioral change communication, case management, support for social and economic inclusion, and grievance management.
Notes

1. This chapter focuses on social assistance delivery systems. Delivery systems for labor market programs and social insurance delivery systems are not analyzed in any detail.

2. One exception is Pakistan, where the outreach, registration, and application processes have been integrated so that clients no longer need to apply separately for different programs. Instead, they can apply for multiple programs through a shared process, often using a common application form.

3. For instance, the disabled, people with cultural or linguistic differences, or those with other access barriers.

4. Pakistan initially used multiple communication channels, but now mainly relies on social media.

5. Unless otherwise indicated, Afghanistan content refers to the period before August 15, 2021, when the interim Taliban administration took the reins of government.

6. Including desks at public offices, local FM radio, national television, SMS through Nepal Telecom, official government websites, brochures, and social media (Facebook, Viber, and Twitter) (Johnson and Walker 2022).

7. In terms of particular programs, awareness ranges from around 33 percent for the endangered ethnic allowances, to 56 percent for the child grant, to over 93 percent for old-age and widow allowances (TTC 2021).

8. Ward and municipality officials are the favored information source for eligibility criteria and documents required for application. However, citizens often complain about the unwillingness of ward members to share such information freely (Bhandary et al. 2020).

9. BISP collected information on media habits to identify the most effective communication channels. It combined indigenous and traditional mobilization tools (mosque announcements, interpersonal communication, opinion leaders, community elders, and local BISP Beneficiary Committees) with more systematic public information campaigns and targeted media (radio, education, and communication materials, such as posters and FAQs). The use of visually illustrated resources was fundamental, given the low literacy among potential beneficiaries (Grosh et al., “Revisiting,” 2022).

10. This involves (a) preselection by local authorities, (b) approval of such lists by the union and upazila committees, and (c) for enrollment, collection of additional beneficiary information by local authorities (World Bank 2021b).

11. For example, in 2018, the average time from application to enrollment ran from months to days for social pensions and other cash transfers to vulnerable groups (O’Keefe et al. 2024).

12. Ward committees review applications and make recommendations to the municipality, which then verifies the documents and uploads them to the management information system.

13. According to Social Security Act 2075, the application processing time is seven days. Social Security Act Regulation 2076, however, states that the applicant will begin receiving social security assistance during the month after the application is submitted (TTC 2021).
In one locality, people seeking the child grant were forced to visit ward offices twice, first to register births and then to apply (World Bank 2018).

Including national ID, age, and demographic status (citizenship, disability, poverty, marital, social, and employment.

**Senior citizen allowance:** copy of certificate of citizenship. **Single woman allowance:** copy of divorce certificate and proof of unmarried status (for divorcees), husband’s death certificate (for widows), proof of separation (if legally separated), or confirmation from the local government of unmarried status (for unmarried women). **Disability allowance:** copy of disability identity card, issued by a medical officer. **Endangered ethnicity allowance:** certificate of citizenship, proof of status in an endangered ethnicity group, birth certificate, and guardian’s certificate of citizenship (for children ages less than 16). **Child grant:** birth certificate and guardian’s certificate of citizenship (TTC 2021).


Data of the Center for Monitoring Indian Economy postlockdown survey show that 47 percent of the poor—individuals living on less than US$1.90 a day—are not covered by any of the four targeted cash transfer programs under Pradhan Mantri Garib Kalyan Yojana (World Bank 2020a).

National portability cards were introduced to allow beneficiaries to access the public distribution system from any fair price shop in the country (World Bank 2020c).

However, in Pakistan, people can enroll only if they are in the NSER.

Inclusion criteria were expanded to include those who might be more vulnerable, and requests were sought through an 8171 SMS short-code service and web portal. Interested families could send an SMS with their ID number to the hotline, and those meeting predetermined eligibility criteria, established using data analytics, received a confirmatory SMS.

However, depending on the shock, the variations are announced in the media.

For example, when the government announced COVID-19 cash relief, it created a new, parallel delivery mechanism with new registration and payment processes. Some local governments that face recurrent floods have initiated preidentification of the most vulnerable households to link them with financial service providers in case of disaster (Johnson and Walker 2022).

Horizontal expansion is the temporary inclusion of new program beneficiaries by enrolling more eligible households in existing areas, extending geographic coverage, or altering the enrollment criteria. Horizontal expansion requires important ex ante investments in program delivery systems (Johnson and Walker 2022).

Vertical expansion is the temporary increase of an intervention’s value or duration to meet the additional needs of existing beneficiaries. For expansions to be relevant, programs must already have adequate coverage of the poorest households in the disaster affected areas (Johnson and Walker 2022).

Information for the database is collected by competitively contracted firms assigned to specific geographic areas. Fieldwork supervision is conducted by a separately contracted firm (Bashir et al. 2021).
The proxy means test is based on 13 household characteristics, such as household size, number of dependents, people per room, various assets, and employment sector and status.

Among the cash transfers, the child grant is the only program that de facto disproportionately favors the poor. It covers all Dalit children nationwide and all children in 153 local areas in 25 selected high-poverty districts.

The government of Nepal has been conducting the Poor Household Identification Survey, which aims to identify poor households across the country. The establishment of an integrated social registry is also under way, bringing together demographic and socioeconomic data to assist poverty-based targeting.

The Social Security Act’s transfer to the poor has yet to become operational. See Social Security Act, Act No. 19 of June 2, 2075 (September 18, 2018).

This census collected data on asset and sociodemographic information, increasing the transparency of the assessment process. See SECC (Socio-Economic and Caste Census) (dashboard), Department of Rural Development, Ministry of Rural Development, New Delhi, https://secc.gov.in/.

Prior to the Socio-Economic and Caste Census, India’s social protection programs largely assessed households through regressive paper-based below poverty line cards (World Bank 2020a).

Nonetheless, there is no documented use of this information to target social protection programs (GNHC 2014).

In Bangladesh, estimations using Multiple Indicator Cluster Survey (MICS) data for 2019 suggest inclusion errors of 51 (49) percent for allowances, 54 (45) percent for food support programs, and 62 (65) percent for maternity allowances in rural (urban) areas (World Bank 2021b).

Applicants submit their application forms, together with income-verification documentation (letters of employment, pay slips, and bank statements). This information is reviewed and scanned by staff, who then submit it through the social protection information system. The system connects to the national ID database and retrieves relevant data, such as the applicant’s photo and ID number and other biographical information, that can be cross-checked against the application to verify identity (Walker, Varadan, and Dorfman 2019).

Social security allowance registration and distribution procedures can take a substantial amount of time because there are no official timelines for these activities.

Digital transfers or e-payments are operations performed with prepaid cards, debit cards, smart cards, or mobile money or via accounts in financial institutions. The process of payment digitalization is not limited to the virtual provisioning of payments or biometric authentication of beneficiaries (front-end processes visible to users). At its core, it includes the automation of payment administration and the back-end processes that are more visible to program administrators (Karippacheril et al. 2020).

In cash-for-work program of the Citizen’s Charter Afghanistan Project, payments were disbursed to community development councils, which then redistributed them in person through physical cash handouts.

In Nepal, local administrations include six metropolitan municipalities, 11 submetropolitan municipalities, 276 municipalities, and 460 rural municipalities (gaunpalikas).


Based on interviews with agent, network, and management companies (Hernandez et al. 2020).

BISP staff undertake social mobilization, enrollment, admission support, and compliance verification for the Waseela-e-Taleem CCT.

Grievance redress mechanisms are used to (a) respond to queries, suggestions, positive feedback, and concerns about a program; (b) solve implementation problems; and (c) address complaints efficiently and effectively. By giving people the ability to provide feedback to program administrators, a grievance redress mechanism provides beneficiaries and the general public with a voice in the program’s administration and performance management.

However, even for online submission, one needs to visit a BISP office to obtain a ticket issued for follow-up. One cannot submit anything online by computer or mobile phone.

Starting with pilot programs in 2015 for the old-age allowance, vulnerable group feeding, and the Employment Generation Program for the Poorest.

These are information systems that automate functional processes and support decisions on eligibility determination, enrollment, level of benefits and services, and support program administration.

See SECC (Socio-Economic and Caste Census) (dashboard), Department of Rural Development, Ministry of Rural Development, New Delhi, [https://secc.gov.in/](https://secc.gov.in/).

The department is responsible for the management and administration of the social security allowance program (TTC 2021).


Coverage rates of the three state social registries in India range from 70 percent by Rajasthan’s Bhamashah to almost 90 percent at People Hub in Andhra Pradesh.

In Pakistan, the update of the NSER was completed in 2021. The transition to a dynamic system is now under way.

Current plans to revamp NSER should improve the situation, with expectations of it becoming a dynamic social registry through a combination of follow-up surveys, self-registration, grievance redressal, and data analytics (PASSD 2021).

Recognizing that regular updating is essential for success, the proposed protocol includes both ongoing and dynamic on demand in-person registration at union offices and en masse registration campaigns.

In Nepal and possibly elsewhere, regular updates are a challenge because of a staff crunch and limited staff information technology skills. Updating is not a priority because of limited motivation and limited human and financial resources (Johnson and Walker 2022).
Increasing the interoperability with other systems could aid social protection delivery by improving coordination across programs, thereby simplifying program administration, reducing inefficiencies, and ensuring greater coverage.

The software allows the recording of all transaction details across processes in the implementation of MGNREGA, making much of the information available online directly to the public (Lindert et al. 2020).

It is thus not possible to track the continued eligibility of beneficiaries based on income or proxy means test scores, making it difficult to determine which households receive multiple benefits (Walker, Varadan, and Dorfman 2019).

For Bhutan, Maldives, and Sri Lanka, more than 80 percent of the bottom 40 hold government-issued IDs. There is no information on ID coverage by wealth quintile in Bangladesh (Johnson and Walker 2022).

This subsection draws extensively on Bashir et al. (2021) and Johnson and Walker (2022).

In Pakistan, application programming interfaces were recently developed for BISP that will help make data sharing more secure.

The new law creates special categories of sensitive data that receive heightened protection (information related to ethnicity, political affiliation, biometrics, and genetics).


According to Rule 22, monitoring the distribution of social security allowance benefits is tasked to the head (chairperson) of the municipal (village) executive. Other departments or ministries may monitor or inspect at the local level as required, including (a) the Department of National ID and Civil Registration and (b) the department in charge of social security in the province or district administration office (TTC 2021).

The program was introduced in 2005 to incentivize safe deliveries. It has evolved over the years to combine demand- and supply-side payments: (a) reimbursement to health facilities in selected districts (2006, renamed the Safe Delivery Incentive Program), (b) universal free delivery (renamed the Safe Motherhood Program in 2009), (c) four antenatal care visits (2012), and (d) free sick-newborn care (2016) (TTC 2021).

The allocations are less than 1 percent, 2.5 percent, and 8.5 percent at the Ministry of Liberation War Affairs, the Ministry of Disaster Management and Relief, and the Ministry of Social Welfare, respectively (World Bank 2021b). By contrast, the Health Services Division and the Ministry of Primary and Mass Education allocate two-fifths and two-thirds of their budgets, respectively, for program management (World Bank 2021b).
References


Chapter 6. Charting the way forward in social protection

The chapter describes life-cycle risks and, in this context, defines the concepts of USP and progressive universalism. The chapter then introduces a framework with key recommendations that seek to promote equity, build resilience and increase opportunity for all, all the while strengthening the region’s social protection systems and financing. The chapter ends by describing, in detail, the recommendations, which can help countries in South Asia to engage in progressive universalism and ultimately achieve USP.

6.1. Introduction

6.1.1. Life-cycle risks

Individuals face multiple life-cycle risks, oftentimes at once, and many of these risks are intertwined and build on each other (figure 6.1). Life-cycle risks are the gravest and most impactful in the early stages of life, when the rate of human capital accumulation is the most rapid. For example, anemia among pregnant women can cause low birthweight, early delivery, and higher incidence of childhood anemia, which can lead to stunting. High stunting rates are negatively correlated with learning ability, which forms an integral part of human capital accumulation and productive capacity during adulthood. A rise in stunting rates of 10 percentage points reduces future productivity by 3.5 percent (World Bank 2023a).
Figure 6.1. Life-cycle risks

Unaddressed risks during the early years manifest themselves during the stage of youth and adulthood, with long-lasting consequences. For example, stunted children of school age are at risk of poor learning outcomes, which can in turn prevent them from undergoing a successful school-to-work transition when they reach working age. Youth in South Asia are at higher risk of unemployment, underemployment, and inactivity than the general population. Prolonged unemployment and idleness reduce the future earnings capacity of youth and, in some cases, can also lead to adverse effects on the mental health and positive development of youth. The working-age populations across the income distribution faces important risks linked to income losses. Whether transitioning from one job to another, experiencing reduced capacity to work because of sickness or disability, or suffering a job loss, individuals of working age are vulnerable to income losses. Because of high levels of informality in South Asia and lack of adequate income protection for this population, risks to income loss are high in the region. Such risks exacerbate other life-cycle risks for other household members, including malnutrition and poor learning outcomes among children.

The elderly in South Asia are also increasingly at risk of impoverishment. Given the relatively low coverage and inadequacy of social pension benefits and the dearth of voluntary contributory schemes, many individuals in South Asia are at risk of impoverishment during old age. Changing social structures and the demise of the nuclear family mean the elderly are increasingly left on their own. Many suffer from social isolation and the rapid
decline in their physical and mental capabilities. Covering the basic risks of the elderly in South Asia becomes even more important in consideration of the already relatively large share of the elderly in the population in, for instance, Maldives and Sri Lanka. The region must be prepared for the rapid aging of society.

**A multitude of diverse shocks exacerbate these life-cycle risks in South Asia.** COVID-19 demonstrates that, while the poor and vulnerable were most at risk, anyone can be affected by a shock at any stage in life. The same is true of other shocks, such as the economic crisis in Sri Lanka and the pre-Taliban conflict and violence in Afghanistan. Thus, because of the economic crisis in Sri Lanka, many people were pushed into or pushed deeper into poverty, and many among the nonpoor lost their jobs, with enormous consequences for overall welfare and human capital development. Shocks during the early years of life are particularly consequential and irreversible, with South Asian children being more at risk than the average child worldwide. A shock of any magnitude during the early years may cause a human capital–accumulation deficit early on, causing in turn a downward lifetime shift in the trajectory of human capital accumulation and utilization (figure 6.2). As a result, children may not realize their human capital potential and will not reach their productive and earning capacity as future workers.

**Figure 6.2. Life-cycle risks and shocks**

South Asia’s shocks are compounded by the likely impact of key megatrends on people, all of which requires governments in the region to rethink the role of social protection. Key megatrends, such as the digital transformation and climate change, offer tremendous opportunities, but they also pose important challenges that, if unaddressed, can compound the impacts of shocks on life-cycle risks and people’s overall well-being and opportunities. Thus, climate change is having a negative impact on human development and people’s overall well-being, but tackling it through, for example, the promotion of renewable energy can generate new and better job opportunities. Similarly, technological innovation is redefining the employee-employer
relationship and requiring people to obtain a different set of skills to find a job and remain competitive in the labor market. Without adequate support, people's skills can become obsolete, potentially leading to the loss of jobs and hindering the ability of individuals to find quality employment. These megatrends, coupled with shocks, are changing the nature and level of life-cycle risks. They require a fresh approach to the provision of social protection in South Asia.

6.1.2. Universal social protection and progressive universalism

Appropriately addressing life-cycle risks has increasingly become an integral part of the role of social protection, as part of its contributions to poverty reduction and shared prosperity (World Bank 2022b). If unaddressed, these life-cycle risks, which are exacerbated by shocks and compounded by key megatrends, can lead to important welfare and future productivity losses. No single program can sufficiently or adequately address the risks or shocks that individuals in South Asia face throughout their lives while equipping people to be prepared for and take full advantage of megatrends.

USP seeks to provide equitable access to social protection for all whenever it might be needed throughout the life cycle. USP refers to the availability of a needs-based package of services spanning social assistance, social insurance, and labor markets for any individual in South Asia, irrespective of level of income and at any point in life. Thus, USP supports all people in managing life-cycle risks and shocks, building their human capital, increasing their productivity, and accessing economic opportunities. The importance of USP is widely recognized, as evidenced by its inclusion in the United Nations 2030 Agenda for Sustainable Development and the launching of the Global Partnership for USP under the co-leadership of the International Labour Organization and the World Bank (World Bank 2022b). USP is promoted in recent World Bank strategic documents, including the 2019 Social Protection and Jobs White Paper and the 2022 Social Protection and Jobs Compass (Packard et al. 2019; World Bank 2022b). This publication seeks to apply the USP framework in those documents to the South Asian context.

USP is a strategic and long-term vision that, for operationalization, requires a progressive approach (figure 6.3). Achieving USP requires the availability of sufficient public resources, high levels of capacity across all layers of government, robust social protection policies, systems and programs, as well as strong political will and commitment, all of which is not developed overnight. Therefore, this publication advances the notion of progressive universalism, which is a phased approach that starts with the poor and continues with the economically vulnerable, or those who are one shock away from poverty. A large majority of people in South Asia is working in the informal sector. Progressive universalism in social protection in the region is therefore intrinsically linked with the particular needs of informal workers. As governments in the region advance in implementing the phased approach, it is critical for them to focus on the disadvantaged demographic groups that have been left behind by social protection systems, namely, children, youth, and women.
Progressive universalism is country specific and must rely, at least in the beginning, on a country’s existing social protection architecture. The level of development of social protection architecture across South Asian countries varies significantly, so the pathway, priorities and specific entry points or low-hanging fruits to engage in progressive universalism will vary greatly from one country to another. In addition, in the short to medium term, countries in South Asia will need to first leverage and strengthen their existing social protection architecture. However, countries will need to develop and implement new and innovative social protection approaches along the universalism path, to ensure unmet or under-met risks are covered for all, when needed. Progressive universalism does not mean that South Asian countries neglect the needs of individuals who are more well off in the short to medium term. Instead, and insofar as possible, progressive universalism calls for South Asian countries to initially prioritize the poor and vulnerable when using their limited public resources.

6.2. Recommendations for progressive universalism

This publication proposes a set of recommendations to guide governments in South Asia in their efforts to engage in progressive universalism. The recommendations, organized in a four-pillar framework, seek to promote equity, build resilience, and increase opportunity for all, while strengthening social protection systems and financing (figure 6.4). The first three pillars focus on the what, or interventions targeted to intended beneficiaries, while the fourth pillar puts an emphasis on the how, or measures that will enable the effective and efficient delivery of said interventions. The first pillar, on equity, seeks to ensure that the poor and vulnerable have a basic minimum level of consumption, thus preventing negative coping mechanisms that can affect human capital development. The recommendations are related to social assistance. The second pillar, on resilience, aims
at enabling people to cope with shocks and to prevent them from falling into or falling deeper into poverty. Its recommendations are primarily linked to social insurance. The third pillar, on opportunity, promotes increased access to income-generating opportunities for all. It includes recommendations on improving the functioning of labor markets. The fourth pillar focuses on social protection systems and financing, and its recommendations emphasize sound strategic, financing, and delivery mechanisms.

**Figure 6.4. Framework and recommendations: engaging in progressive universalism**

<table>
<thead>
<tr>
<th>Equity</th>
<th>Resilience</th>
<th>Opportunity</th>
<th>Social Protection Systems and Financing</th>
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<tbody>
<tr>
<td>• Increase coverage and adequacy of benefits of social assistance programs.</td>
<td>• Promote Voluntary Saving Schemes (VSS) and increased access to financial and non-financial services for non-poor informal workers, gig workers and the self-employed.</td>
<td>• Scale up economic inclusion programs for the poor and vulnerable.</td>
<td>• Develop, finalize and/or update comprehensive and integrated SP strategies/frameworks</td>
</tr>
<tr>
<td>• Make social pension schemes targeted to the poor and vulnerable.</td>
<td>• Improve coverage, equity and sustainability of contributory pension systems.</td>
<td>• Strengthen work-based skills training to improve employability &amp; productivity of workers, especially those working informally.</td>
<td>• Strengthen the main building blocks of delivery systems, including outreach and communications, social registries, data protection legislation and beneficiary-operations-management systems.</td>
</tr>
<tr>
<td>• Promote cash plus programs that provide comprehensive support to the poor.</td>
<td>• Establish integrated public-private sector pension schemes that reduce disincentives to public-private sector labor mobility.</td>
<td>• Invest in skills training and employment programs for occupations demanded globally to improve migrants’ access to better jobs and facilitate the re-insertion of migrant returnees in the local economy.</td>
<td>• Enhance SP interoperability with other databases, including those of Disaster Risk Management.</td>
</tr>
<tr>
<td>• Invest further in conditional cash transfer programs for improved human development outcomes.</td>
<td>• Adopt more shock-responsive SP approaches that help poor and vulnerable prepare for and cope with shocks.</td>
<td>• Strengthen job matching and intermediation services to improve the employability of job seekers, especially youth &amp; women.</td>
<td>• Promote increased access to quality data for improved monitoring and inform broader policy and program decisions.</td>
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<tr>
<td>• Expand social care services for improved children’s physical and cognitive development and overall human capital.</td>
<td></td>
<td>• Improve labor protections to address informal workers’ vulnerabilities.</td>
<td>• Expand the digitalization of SP delivery for improved governance, efficiency and effectiveness of service delivery.</td>
</tr>
</tbody>
</table>

**Source:** World Bank elaboration.

This set of recommendations recognizes the difficult macro-fiscal situation many countries in South Asia face. The recommendations place particular emphasis on the promotion of efficiency gains and the development or scale-up of targeted interventions and innovative social protection solutions that encourage self-reliance. For example, key recommendations across the four-pillar framework are to expand the coverage of existing
poverty-targeted programs through improved and more efficient delivery mechanisms and make existing programs poverty-targeted. In addition, the publication proposes that governments in South Asia shift away from universal and inefficient subsidies and, instead, reinvest some of the savings in targeted social protection programs. It also proposes the development of innovative programs, such as voluntary savings schemes (VSS), which rely on beneficiary contributions to manage life-cycle risks and cope with future risks. All the while advocating for the prioritization of social protection in budgeting decisions and the improvement of domestic revenue mobilization.

**Pillar 1: Promoting equity**

The promotion of equity should be at the heart of progressive universalism and the ultimate achievement of USP, and the expansion of social assistance coverage to all the poor is an essential first step. Social assistance coverage in South Asia, defined as the share of people in the bottom 40 receiving benefits, is significantly below the global and lower-middle-income country averages. Countries in South Asia must therefore ensure that social assistance covers all those people who are deemed poor, in this case, the bottom 40. Countries in South Asia may need to determine social assistance eligibility cut-offs for the purposes of achieving full coverage of the poor, based on each country’s poverty definition and measurement.

Broadly speaking, however, increased and eventually full social assistance coverage of the poor relies on having a robust social protection system. The design and effective rollout of a comprehensive communications campaign, the establishment of a robust and interoperable social registry with data on all potential beneficiaries of social assistance programs, and the use of transparent and unbiased targeting methods are all critical for increased and eventually full coverage of the poor. The poverty and vulnerability situation of families evolves constantly. Therefore, their eligibility for social assistance programs needs to be regularly reassessed. This means that countries in South Asia should ensure their social protection systems are dynamic, whereby the welfare situation of all families is reassessed through recertification every two or three years. This would ensure proper social assistance coverage of the poor, as those current families that are still deemed poor will continue to receive benefits, new families that were pushed into poverty would now be eligible to receive assistance, while others who are no longer poor will graduate from social assistance, and their benefits will cease. Those who exit social assistance would still be eligible for other social protection programs as part of progressive universalism and the eventual achievement of USP.

With regard specifically to social pensions, to achieve increased coverage of the poor, South Asian countries should consider targeting this form of social assistance on the poor. This is the case of India’s main social pension scheme, the Indira Gandhi National Old Age Pension Scheme, which is a noncontributory program providing income support to individuals ages 60+ who are living below the poverty line. However, other social pension schemes in South Asia, namely, in Afghanistan, Maldives, and Nepal, involve a flat transfer to most elderly adults. Governments in South Asia should therefore target social pensions on those elderly who are living in poor households. The same applies to Bhutan and Pakistan, which do not currently have social pensions, in case the governments there ever decide to introduce social pensions to complement existing social assistance benefits as part of a quest for progressive universalism. Governments that have established poverty-targeted social pensions with relatively low coverage, such as in Sri Lanka, should consider strengthening targeting efforts and improving the coverage of the elderly poor, provided this does not come at the expense of other, poorer vulnerable groups.
Increased social assistance coverage could also de facto provide support to the informal poor. Most of the workforce in South Asia is employed in the informal sector. The poor are more likely to be in informal jobs and earn less than nonpoor informal workers. Therefore, expanding social assistance coverage may be sufficient to protect some of the region’s informal workers.

Social assistance in South Asia must also provide adequate levels of benefits to the identified poor. Social assistance benefits are lower in South Asia than in low- and middle-income countries and significantly lower than what global evidence indicates is needed to ensure resilience. It is thus critical for countries in South Asia to set the levels of benefits at or above the country’s poverty line, or at least at a minimum subsistence level as defined by each country, to enable poor people to meet their daily consumption needs and promote minimum levels of welfare. In addition, when setting the levels of benefits, South Asian countries should do so by looking at the design of social assistance instruments in a holistic manner, to ensure that, when benefits are combined, they are sufficient to enable the poorest and most vulnerable to successfully manage life-cycle risks. For example, Sri Lanka’s main social assistance programs consist of Samurdhi, a means-tested poverty-targeting program; an elderly allowance; a noncontributory pension to public sector employees, and small categorical allowances targeted at certain vulnerable groups such as the disabled and chronic-disease patients. The total combined value of the country’s social assistance program benefits as a share of average consumption in the poorest decile is only a little over 9 percent. This is low compared with Indonesia, for example, where the share reaches 50 percent (figure 6.5).²

**Figure 6.5. Total social assistance benefits**

<table>
<thead>
<tr>
<th>Welfare decile</th>
<th>Value of benefits (% median consumption)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% (poorest)</td>
<td>PKH</td>
</tr>
<tr>
<td>20%</td>
<td>Sembako</td>
</tr>
<tr>
<td>30%</td>
<td>PIP</td>
</tr>
<tr>
<td>40%</td>
<td>PBI-JKN</td>
</tr>
</tbody>
</table>

**Sources:** World Bank calculations; BPS 2018; National Socio-Economics Survey 2018, Indonesia; 2022 Household Income and Expenditure Survey, Sri Lanka.

**Note:** The ratio of social transfers received by a household to the household aggregate consumption is averaged across welfare deciles.
Governments in South Asia must also ensure that the benefit adequacy of social assistance is regularly reassessed and that benefits are set at a value that reflects changing economic and social conditions. In many South Asian countries, social assistance benefits have eroded over time as a result of inter alia deteriorating macro-fiscal and economic conditions. For example, in Sri Lanka, social assistance benefits are now largely more inadequate than before due to the country’s historical high levels of inflation stemming from the recent economic crisis. For this reason, some countries in South Asia, such as Pakistan, have already announced that they will review benefit amounts considering inflation, as they did with their flagship program (BISP) in 2019. At the beginning of the progressive universalism path, it will be challenging for many countries in South Asia to achieve both full coverage and adequate benefit levels. However, the coverage-adequacy tradeoff should no longer be as relevant as countries secure increased resources for social assistance (see pillar 4 below).

Particular attention must be paid to the specific challenges and needs of children from poor and economically vulnerable households, by implementing cash plus programs that provide integrated and comprehensive support. Children in South Asia experience higher levels of poverty than other population groups, and face important human capital challenges, including malnutrition. Therefore, and considering the multi-dimensional nature of poverty, social assistance in South Asia should pay particular attention to the needs of children from poor and economically vulnerable households. For example, cash transfers can be combined with complementary services (case management, counseling, referrals). They can also be paired with behavioral interventions to increase the use of services, and improve health and nutrition practices and responsive parenting behaviors (including early stimulation and responsive feeding), especially in rural areas and urban slums (Little et al. 2021). One example is the child wellness grant in Pakistan, a CCT program that combines a cash transfer with behavioral change communication and food supplements for both mother and child. An impact evaluation in 2019 found that children whose households had received cash with food supplements and behavioral change communication faced a reduced risk of stunting and wasting relative to a control group (Khan et al. 2019).

South Asian governments should strengthen their efforts to enhance human capital accumulation, especially among the poor, through increased investment in health (with a focus on the first 1,000 days of life) and education CCTs. There is strong evidence that the first 1,000 days remain the most instrumental in lifelong development of cognitive and noncognitive skills and subsequently in lifelong earnings. Dewey and Begum (2011), using data from Guatemala, show that, in the long term, stunting can harm cognitive development, educational attainment, economic productivity, and maternal reproductive outcomes. Undernutrition and diseases in childhood can also lead to impaired cognitive and brain development, lower socioemotional skills, worse educational outcomes, and ultimately lower incomes (Galasso and Wagstaff 2018). CCTs are often used to enhance human capital formation. Some South Asian countries, such as Bangladesh and Pakistan, have already introduced health, nutrition and education CCTs. These programs can be strengthened and scaled up. Other countries in the region can follow suit and encourage greater investment in prenatal and postnatal health care as well as increased school enrollment and retention.

Governments in the region should support the expansion of social care services by enabling, for example, low-income households to gain access to early childhood development programs. Early childhood development programs that focus on children’s social and emotional development need to be mainly targeted at poor and disadvantaged children, who start primary school with enormous learning disadvantages and thus need support to help close the gap with their peers. In South Asia, challenges in accessing quality early childhood development programs, whether through community-based centers, daycare facilities, kindergartens,
preschools, persist because of availability, affordability, and quality issues (World Bank 2022c). Few countries in South Asia provide financial support to low-income parents for childcare or to childcare providers, which impacts childcare supply and demand. Providing financial support to low-income parents or providers is therefore important. Such support takes a variety of forms, including subsidies, allowances, reimbursements, and one-time grants.

**Pillar 2: Building resilience**

**Building resilience is as important as promoting equity for engaging in progressive universalism and achieving USP.** South Asia is prone to a plethora of diverse shocks that can exacerbate many of the risks people face throughout their life. Without adequate coping mechanisms, life-cycle risks and shocks can force people, especially those who are poor and vulnerable, to reduce their food consumption, sell their productive assets and withdraw their children from school. All of which can have serious long-lasting negative consequences in terms of increased poverty, constrained human capital development and decreased future productivity. Risk management instruments such as social insurance are essential to help people smooth consumption and manage life-cycle risks and the negative impacts of shocks on welfare and their overall well-being. The World Bank’s Social Protection White Paper proposes a risk pooling mechanism that is publicly financed through tax revenues to provide social insurance for all, when needed (Packard et al. 2019). However, the provision of universal social insurance, which is critical for USP, is a complex undertaking that depends on governments’ commitment and ability to carry out a series of reforms and interventions (see pillar 4).

**Countries in South Asia should start their quest for progressive universalism under this pillar by expanding coverage of social insurance to the region’s nonpoor informal workers, gig workers, and the self-employed.** Informality is the engine of South Asian economies as well as the main source of employment in the region. However, informal workers in South Asia lack protection from contributory social insurance instruments, which are based on the existence of employee-employer relationships and require monthly contributions. Many informal workers also do not qualify for poverty-targeted programs. Therefore, countries in South Asia should develop tailored social insurance instruments for nonpoor informal workers, gig workers, and the self-employed, that is, the economically vulnerable or **the missing middle**. This pillar focuses on old-age savings and insurance mechanisms, and does not discuss other types of social insurance programs that are also important for achieving progressive universalism, including unemployment and disability insurance. The section does not either discuss approaches to formalization.

**Social insurance instruments for the missing middle must consider the specific challenges and needs of this segment of the population.** Nonpoor informal workers, gig workers, and the self-employed face similar risks to those in the formal economy, but their low, irregular and unpredictable income as well as limited financial awareness prevents them from effectively handling life risks and shocks. If they do have some coping abilities, it would likely be to manage short-term life risks related to health, unemployment, and sickness rather than long-term life risks linked to old age. Therefore, to be successful, the design and implementation features of social insurance programs for the missing middle ought to consider their specific characteristics, behaviors and incentives.

**A promising social insurance instrument for the missing middle are voluntary savings schemes (VSS).** These schemes, which do not rely on formal employment like contributory social insurance, seek to encourage savings among the missing middle. VSS aim at providing tailored and flexible solutions to participants over a few avenues. First, they protect participants from both short- and long-term risks. VSS offer built-in flexibility for the timing of contributions and early withdrawals in the case of urgent social needs (housing, education,
health), and severe injury, illness, or other catastrophic risks and shocks. This is the case of programs in Kenya and Rwanda (World Bank 2022a, 2023b). Effective VSS also combine lump-sum payouts at retirement age with either an annuity or phased withdrawals to enable retirees to receive some of their retirement savings immediately, while still ensuring adequate benefits during retirement. Second, to encourage participation, VSS can provide bundled services to cover various life-cycle risks. For example, Beneficios Economicos Periodicos (BEP), a VSS in Colombia for informal workers, provides health insurance and a one-off payment in the case of a hospital stay of more than five days, with proof of the stay, as well as in the case of health conditions such as cancer and HIV/AIDS (Guven, Jain, and Joubert 2021). Third, VSS for the missing middle could also ease the portability of benefits across jobs through a national system of individual accounts and offer competitive and guaranteed rates of return to encourage up-take and offer risk protection. As governments in South Asia develop VSS, they may wish to pay particular attention to those nonpoor individuals who are unable to access poverty-targeted social assistance, including social pensions, but who are approaching old-age and who would not have had time to benefit from VSS sufficiently or at all.

**Increased coverage of social insurance through VSS for the missing middle may require fiscal incentives.** For example, BEP allows participants to save however much they can afford whenever possible, all the while providing a matching contribution of 20 percent to encourage savings. In South Asia, Pakistan recently launched the BISP savings scheme for the informal sector, which is built on the infrastructure of the country’s social registry (the NSER) and also provides matching contributions to its participants. The provision of these incentives by governments will require, at least initially, some public resources. However, VSS can be financially viable if the revenues collected through investments of interest rates or transaction fees can finance the operating costs of the scheme. Governments in the region should regularly evaluate the impact and fiscal affordability of these incentives (such as in the case of Rwanda) and adjust design and implementation parameters accordingly.

**Strong communications and behavioral interventions embedded in VSS can also support the expansion of social insurance to the missing middle at lower cost.** Governments in South Asia must develop and roll out a comprehensive communications campaign to increase awareness, participation, and overall savings among possible and actual VSS participants. In addition, nudging program beneficiaries to save through interventions that seek to change behavior and attitudes toward financial inclusion and savings may be important for increased effectiveness and overall sustainability of VSS. Indeed, international evidence suggests that behavioral approaches such as automatic enrollment, planning aids and reminders, can have a much greater impact on savings outcomes than do financial incentives, and often at a much lower cost (Guven, Jain, and Joubert 2021). Results and lessons learned from the provision of both financial and behavioral interventions have demonstrated that they are effective at increasing take-up rates of VSS (Guven, Jain, and Joubert 2021).

**VSS could be complemented by greater access to financial and nonfinancial services among program participants.** VSS can strengthen financial inclusion and instill a culture of savings among participants. However, additional measures could be included in VSS to complement these positive finance-related outcomes. For example, VSS participants could be linked to microfinance institutions that offer both financial and nonfinancial services specifically tailored for the missing middle. The VSS short-term savings accounts could be used as collateral, and the application screening process of microfinance institutions could be facilitated by VSS implementation arrangements. These additional services could encourage VSS up-take and have important positive spillover effects in improved welfare and increased resilience among participants.

**The promotion of VSS for the missing middle, which requires robust implementation arrangements, can contribute to building inclusive social protection systems** (see pillar 4). The activity of the informal economy in South Asia is, for the most part, unobserved and unrecorded in government systems. This invisibility of the
informal economy can make it hard for governments in South Asia to reach out to this segment of the population and provide targeted assistance to help them manage life-cycle risks and cope with shocks. This became apparent in the aftermath of COVID-19. The promotion of VSS in South Asia can address these challenges through the creation of a platform with data on the missing middle, which can then be interoperable with other government databases, including those related to other social protection programs. The inclusion of the missing middle in government systems would enable the government to ensure the future resilience of this segment of the population through the provision of adequate and time support. While building this platform, it is important for South Asian countries to promote the development and use of digital systems, especially mobile money, to increase the effectiveness, efficiency, and financial sustainability of VSS. Strong institutional arrangements with clearly defined roles and responsibilities are essential to building trust in the VSS and ensuring the smooth functioning of the program.

**Countries in South Asia should also encourage the missing middle to participate in contributory pension schemes.** For example, the flat pension in China, which benefits workers with less education, employment and income usually found in the informal economy, provides a flat defined benefit pension after a vesting period or through family binding provisions requiring the adult children of retirees to contribute (Zhao and He 2021). Similarly, in South Asia, India’s Pradhan Mantri Shram Yogi Maan-dhan is a voluntary and contributory guaranteed minimum pension scheme for unorganized workers. Both of these programs provide a matching contribution/subsidy to their participants. A review of international experience finds that including a matching contribution in pension schemes increases savings plan participation and beneficiary contributions (Guven, Jain, and Joubert 2021).

**As countries in South Asia shift toward building the resilience of those people at the higher end of the income distribution as part of their progressive universalism efforts, it will be critical to strengthen the coverage, equity and sustainability of formal contributory pension schemes.** Increased coverage of sustainable contributory pension schemes is important for progressive universalism, as it protects formal sector workers from old-age risks. For example, the UK, New Zealand, Turkey and several others are using auto-enrollment into formal pension plans to help people increase savings for retirement. This can be complemented by the application of behavioral economics tactics and the use technology to separate funds into different accounts, then set up nudge mechanisms such as automatic contributions or reminders. With regards to equity, defined benefit schemes in the region that calculate benefits based on the final wage should instead use a multiyear wage average, adjusted by the growth in average wages. In addition, it is advisable for South Asian countries to link contributory pension benefits to the consumer price index. Pensions should be automatically indexed to the consumer price index to ensure adequate protection of scheme participants. Most OECD countries use price indexation to protect the purchasing power of pension salaries (Guven, Jain, and Joubert 2021). To promote sustainability, South Asian governments should increase the retirement age in pension schemes. Specifically, Bhutan, India (Employees’ Provident Fund), Nepal, and Sri Lanka should transition to a retirement age of 65. This transition should be gradual to ease the adjustment of workers nearing retirement age. More than half of OECD countries will require today’s workers to continue working beyond the age of 65, and, in some OECD countries, the pension age is already 67 (Rusconi and Pick 2020). Countries in South Asia should limit new hiring as well as real wage increases of civil servants. This would help to contain overall contributory pension scheme costs.

**The substantial disincentives to public sector–private sector labor mobility in five of seven countries in the region need to be removed.** Such measures include reviewing and, in most cases, adopting rules for the preservation of rights and for lowering the number of years required for vesting. Over the medium term, an even better solution would be to establish integrated public sector–private sector schemes, which could not only improve public sector–private sector labor mobility but improve the efficiency of pension administration, reduce administrative costs, and increase the potential for effective supervision and accountability.
To support resilience in a systematic way, countries in South Asia should adopt more adaptive approaches to social protection. Adaptive social protection helps build the resilience of poor and vulnerable households by investing in their capacity to prepare for, cope with, and adapt to shocks in a manner that protects their well-being and helps them protect the human capital of their children. Adaptive social protection evolved out of the rising need for social protection as a tool to build the resilience of poor and vulnerable households to covariate shocks (Bowen et al. 2020). Given the increase in the frequency and depth of shocks South Asia is experiencing today and is expected to face in the future, countries in the region can significantly benefit from investing in adaptive social protection.

The promotion of adaptive social protection requires efforts at the program, system and institutional levels. First, at the program level, South Asian countries must invest in economic inclusion programs (see pillar 3) that help poor and vulnerable households diversify their assets and increase their savings. This would in turn help them to cope with the immediate impact of shocks. Households’ capacity to cope with a shock is highly correlated to their capacity to prepare for shocks, including resisting negative impacts on their well-being and enabling households to bounce back to their pre-shock state as quickly as possible (Bowen et al. 2020). Second, at the system level, investing in robust social registries (see pillar 4) is essential for a swift and impactful response to shocks. Indeed, ensuring that social registries have robust data, including of high-risk areas, are regularly updated and are interoperable across government databases would make such a response more effective and efficient. In addition, adopting vulnerability indicators, such as spatial vulnerability to climate shocks, for targeting social assistance is key. Niger, for example, relies on vulnerability to climate shocks for the geographical targeting criteria of the country’s safety net program, in addition to food insecurity and poverty (Bowen et al. 2020). Third, given the high level of cross-sectoral coordination necessary to respond to shocks, adaptive social protection requires working with multiple institutions spanning national and sub-national governments as well as humanitarian and developments actors. It is thus important for South Asian countries to clearly (1) define roles and responsibilities of all stakeholders, (2) develop in advance appropriate coordination mechanisms and data exchange protocols, and (3) sequence interventions.

Adaptive social protection also requires important investments and disaster risk financing. Adaptive social protection financing is critical to ensuring that efforts at the program, system, and institutional levels are successfully carried out. Disaster risk financing would require that South Asian countries have contingency financing to prepare for, respond to, and recover from a shock. This is instrumental in ensuring the timeliness and effectiveness of the response of South Asian countries to shocks, as it enables the rapid disbursement of resources for existing social assistance programs that can be expanded to protect those poor and vulnerable households affected by a crisis (World Bank 2022b). Disaster risk financing in support of early response can lower the overall cost of a disaster, compared to scenario of late response. For example, the timeliness of funding to Ethiopia’s drought in 2016 created savings of over $6 million (Cabot Venton and Sida 2017).

Pillar 3: Increasing opportunity

Increasing opportunity in the labor market is essential for supporting resilience and promoting equity. Most workers in South Asia are in low-productivity and low–value added jobs (either as informal wage workers or in self-employment), with no prospects for economic mobility and no access to social insurance. Moreover, youth and women are particularly vulnerable, facing multiple constraints and requiring tailored solutions so that they are not only able to enter the labor market but also realize their full potential. In this context, the opportunity pillar of this publication proposes high-impact labor market interventions focused on both improving supply and demand of quality jobs for vulnerable groups, all the while strengthening protections for
vulnerable workers. Many vulnerable workers are in the bottom end of the income distribution and, as such, most of the proposed recommendations are highly aligned and will contribute to the quest of South Asian countries for progressive universalism and the achievement of USP. However, some of the recommendations included under this pillar, especially those from the demand side, tackle broader labor market challenges not necessarily specific to vulnerable groups. It will thus be important for these proposed interventions to include an equity dimension.

A first good entry point for increased opportunity as part of the quest of South Asian countries for progressive universalism is the introduction and scale-up of economic inclusion programs for the poor and most vulnerable workers, namely, youth, women, informal, and rural workers. Economic inclusion programs in South Asia are on the rise, but these are largely insufficient given the region's poverty and vulnerability levels. Therefore, countries in South Asia should consider expanding economic inclusion programs for increased coverage of the poor and vulnerable, building on ongoing income-support programs implemented by the government or other stakeholders. For example, economic inclusion programs in the region (that is, Bangladesh and India) with successful track records should be scaled up and adapted to address ongoing challenges related to informality, urbanization, demographic transitions, and so on. Such programs can address multiple constraints simultaneously and can also be tailored according to the needs of the target population as well as the existing value chains. Economic inclusion programs that focus on disadvantaged women and provide them with vocational and business skills training, microcredit, and support to launch micro-enterprises have proven impactful (Ibrahim 2016; Lombe et al. 2012). In South Asia, the labor market impacts of skills training and other training interventions measured by labor force participation rates and indicators of self-employment have been found to be between 6 and 13 percentage points (World Bank 2021b). Bundled interventions that offer an asset transfer (among other complementary services, such as training, mentorship, and health facilities) have also resulted in positive outcomes for low-income women. The implementation of economic inclusion programs is challenging and requires substantial capacity and coordination.

South Asian countries should also implement work-based skills training and employment programs to improve the employability and productivity of many workers who remain locked in informal jobs. The rates of workers who are NEET are high. Young workers suffer from long periods of unemployment, indicating a difficult school-to-work transition and other entry barriers, such as lack of information and social networks and limited work experience. Among those working, most are locked in informal and low-productivity jobs. Expanded support for work-based skills training (also known as on-the-job training) in South Asia can help workers acquire job-relevant skills to improve their employability, productivity, and linkages to the labor market. Such schemes have shown positive labor market impacts on earnings for completed apprentices in developing countries. Some countries in South Asia, such as Nepal, have a wide variety of public and private technical and vocational education and training programs, as well as apprenticeship schemes available to youth. However, many remain fragmented, cater to more well-educated workers, and tend to be longer in duration with more specialized trainings. Work-based skill training takes less time and involves employers who are more highly engaged in design and implementation to ensure that workers acquire hands-on skills relevant for the job. Some of these schemes may also include support for small and medium firms through temporary wage subsidies to meet initial hiring and training needs. Jordan’s Employment Subsidy Scheme may provide a useful model for many South Asian governments for pilot projects that may be scaled up.
South Asian countries should develop skills training and employment programs that prepare workers for new emerging types of work, including those in technology and the green economy. Technology adoption in South Asia is likely to increase the demand for high-skill labor in nonroutine cognitive jobs (technical and analytical) and reduce the demand for usually lower-paying jobs involving routine tasks, such as providing information over the phone, recording data, or performing repetitive assembly line operations. In this context, South Asian countries should strengthen their training offering for nonroutine cognitive jobs. Similarly, investments in digital skill-development programs and digital infrastructure will prepare youth for emerging types of gig work, especially in urban areas, and to take full advantage of the income-generating potential of digital labor platforms and e-commerce. Government efforts with regards to green jobs should be informed by analytical work that estimates the incidence of green jobs in the region, examine the profile of workers who will likely bear the biggest adjustment costs related to the transition from brown to green jobs, and discuss appropriate mitigation strategies to ensure that workers are adequately skilled for jobs in the green economy.

South Asian countries should also further develop training and employment programs focused on those skills that have a higher demand in the global economy and can open up access to higher quality jobs for many migrants in South Asia, as well as support the reassimilation of migrant returnees in local labor markets. South Asian countries only create a limited number of jobs each year, which are not enough to accommodate all those entering the working age population. In this context, preparing the workforce for jobs available in the global economy can increase access to jobs both in terms of quantity and quality. Currently, workers from South Asia who decide to migrate are mostly in Gulf countries engaged in low-skill jobs, but there are opportunities available in other sectors that require high-skill labor. For example, because of the pressure that the pandemic placed on health care systems around the world, demand for various occupations within the care economy is increasing. Intensively focusing on training health care workers and facilitating their migration may be an effective way for South Asian countries to diversify the opportunities available to workers. Skill development programs for returning migrants, who may have a vastly different skill profile compared to the skills demanded in the domestic labor market, are also needed. Bangladesh’s recent efforts to provide integration services to its migrant returnees may serve as a useful reference for other countries in the region (World Bank 2021c).

South Asian countries should strengthen job matching and overall labor intermediation services to facilitate the mobility and employability of vulnerable job seekers. Workers in South Asia are also often underemployed or employed in jobs that require a lower level of skills. By improving job matching services, their labor market outcomes can be improved significantly. Job matching and other labor market intermediation systems can also reduce labor market search costs for firms. Indeed, empirical evidence suggests that small firms in developing countries face high labor market search costs (Hardy and McCasland 2023). Since women face additional constraints related to social norms (see below) and, oftentimes longer absence from the labor market, labor intermediation systems could incorporate woman-specific services, similar to the idea behind the self-help groups that emerged in India in the mid-1980s. These groups offer multiple services to groups of women, such as assistance with job applications, access to low-interest loans, group monitoring, peer support, and group discussions on current social issues.10

Given the pervasiveness of informality, especially among low-income and vulnerable workers, introducing labor protections would significantly improve the quality of the jobs of these workers. Most workers have no access to social insurance and often work in hazardous conditions, which makes them especially vulnerable. Thus, countries in South Asia should: (i) introduce savings schemes for informal workers (see pillar 2); (ii) enhance the enforcement of occupational safety protocols to protect workers;11 (iii) create platforms that give voice to informal workers to help raise their bargaining power;12 and (iv), enact labor regulations on the digital economy.13
On the demand side, because most employment in South Asia is in microenterprises and small firms, countries in the region should address constraints to firm entry and growth, which would help create more and better jobs for all, but especially for low-income workers. Some of the main obstacles to firm entry and growth are access to credit and markets and lack of management skills. Microcredit organizations can play a key role by providing microloans. There is mixed evidence on the impact of such loans on firm profits, but, if microloans are targeted at high-potential entrepreneurs, they do lead to increased incomes (Hou 2018). However, microloans are costly and carry high interest rates, which makes them expensive for low-income borrowers. These risks and costs can be reduced through product and market innovation, including credit-scoring systems, dynamic incentives, such as the promise of larger loans or threat of credit denial, and social pressure (Fahey 2018). Moreover, innovations in product design (for example, introducing flexibility in timing and frequency of loan repayment) to better respond to borrower needs could enhance the impact of loans (Hou 2018). Microenterprises and small firms also lack management capacity. So, providing management training can improve strategic and operational decision-making, while increasing productivity, profitability, and employment (Bruhn, Karlan, and Schoar 2018). Supporting the access of small firms to digital platforms and e-commerce can also help improve the earnings and productivity of these firms (World Bank 2021a).

Among larger, more productive firms, South Asian countries should promote policies that encourage innovation and technology adoption because these will help in creating more quality jobs, given their role in improving productivity. Roughly half of all cross-country differences in income per capita are thought to be attributable to differences in total factor productivity (Hall and Jones 1999; Jones 2016; Klenow and Rodríguez-Clare 1997). Although better allocation of factors of production across firms is an important factor in productivity growth (Hsieh and Klenow 2009; Restuccia and Rogerson 2008), a potentially larger factor is improved efficiency and product quality within firms and among newly entering firms (Collard-Wexler and De Loecker 2015; Restuccia 2016). These gains in productivity growth reflect innovation in production technique, product design, delivery processes, and business organization. The ability to identify, absorb, and adapt technologies has also played a crucial role in innovation in developed countries, and this can lead to greater productivity and associated social benefits, such as better jobs, firm growth, and diversification (Cirera and Maloney 2017). Cirera, Comin, and Cruz (2022) provide a comprehensive review of what those policies to encourage innovation might be, as follows: (1) business advisory and technology extension services; (2) grants, vouchers, and loans to facilitate the purchase and adoption of technologies and digital solutions; and (3) training for improved management and organizational practices.

While these interventions would help improve the quality and quantity of jobs, to increase female labor force participation, South Asian countries will have to undertake measures that address constraints specific to women, such as social norms, safety, and mobility. Many urban women in South Asian countries engage in home-based work that does not improve their economic mobility and earning potential. However, policies on the demand side can help to increase female employment. For example, Sri Lanka offered fiscal incentives (through the 200 Garment Factories Program) to encourage factories to locate closer to rural areas in order to make them accessible to women. In India and Pakistan, where there is a restriction on night work for women, labor reforms can focus on removing such restrictions and instead focusing on development of facilities that ensure the security and well-being of women workers, such as gender-specific toilets, daycare facilities, and safe transportation (Lopez-Acevedo and Robertson 2016). Similarly, policies to alleviate social norms can operate at multiple levels and require shifting away from policies that are blind to norms policies and progress toward policies that address the reasons some norms may persist (Bussolo et al. 2022). These policies should include reforms in labor regulations that can incentivize women to enter the labor market, information interventions that correct misperceptions of what others do or think about a norm, role models that show that norm deviation is
possible, and education programs that engage adolescent girls and boys in classroom discussions about gender equality and societal norms (Bursztyn, González, and Yanagizawa-Drott 2020; Dhar, Jain, and Jayachandran 2022). The success of interventions on norms must be anchored in (1) policies that change systemic structures that prevent women from accessing the labor force, (2) adequate infrastructure investments (provision of sufficient quality childcare, access to affordable and safe transportation), and (3) an enabling environment (prohibition of sexual harassment in the workplace, labor market regulations).

### Pillar 4: Strengthening social protection systems and financing

The last pillar of the framework calls for the development of comprehensive social protection frameworks or strategies, underpinned by robust and integrated delivery systems, and enabled by the necessary financing. This final section focuses on the how of progressive universalism. It identifies three key preconditions for successfully delivering equity, resilience, and opportunity interventions. First, countries in South Asia must ensure their goals to achieve USP and related progressive universalism paths are guided by an overarching social protection framework or strategy anchored on equity, resilience, and opportunity for all. Second, this vision must be supported by robust and integrated delivery systems that allow for the effective and efficient delivery of programs and the operationalization of USP and progressive universalism. Third, South Asian countries must create fiscal space to finance USP and progressive universalism, through efficiency gains from social protection system strengthening efforts, the passage of difficult reforms and the ensuing reallocation of government resources for social protection, and increased domestic revenue mobilization whereby social protection is prioritized.

**Countries in South Asia should develop social protection strategies/frameworks that are designed to provide comprehensive support to people.** Countries in South Asia are in different stages in the development and approval of social protection strategies and frameworks. While a strategy or framework is important to guide the development of social protection systems and programs in South Asia, there is no one size fits all, as each country has its own context and is at various points of the progressive universalism trajectory. Among those countries that have already approved strategies and frameworks (Bangladesh, Maldives, Nepal, and Pakistan), it is critical to review and monitor implementation periodically and adapt to reflect the progress to date, overall capacity, and changing conditions within countries and globally (that is, megatrends, macrofiscal, poverty profiles, and so on). The same applies to those countries in South Asia that are drafting strategies and frameworks (Bhutan and Sri Lanka), which, in addition, must leverage recent lessons learned (COVID-19, country-specific shocks) to ensure the vision for social protection is inclusive and resilient and to provide opportunities for sustainable livelihoods. Either way, the adoption of comprehensive social protection strategies and frameworks can provide a good platform to engage in progressive universalism and achieve USP.

**Social protection strategies and frameworks must be anchored in and supported by robust delivery systems that will allow for the operationalization of USP and progressive universalism.** Social protection delivery systems have evolved enormously in the last two decades, and virtually all South Asian governments are working to improve one or more of the core building blocks of their systems. Standards in these systems are rising, in part because of technology and connectivity. Growing aspirations for delivery systems in South Asia also result from rising institutional and governance capacities in the social protection sector. Delivery systems should be designed with the necessary capacity to facilitate core processes that are shared across several programs, thus enabling a systems approach. Given the diverse sociopolitical and economic context and the level of maturity of social protection delivery systems in the region, it is difficult to recommend a single set of measures, but some broad principles are relevant across all South Asian countries.
Delivery systems in South Asia should move from fragmentation to integration. At the policy level, the entire social protection portfolio should be coherently aligned to support national objectives and social contracts as defined by national social protection strategies and frameworks. At the program level, South Asian governments should ensure that the design and implementation of each program is coherent and complementary to other programs within social protection and beyond, which requires policy and technical coordination and the identification of clear roles and responsibilities for the various government institutions involved in the delivery of social protection. Similarly, at the administrative level, the move from fragmentation to integration requires the development of key building blocks that enable the provision of integrated benefits and services through various programs that address needs across the life cycle. Ensuring that different programs cover different aspects of household needs and income distributions can increase the effectiveness and efficiency of interventions. For example, programs can be layered together in ways that provide differentiated support to households across the income distribution. In Malawi, for instance, the poorest 10 percent of households are eligible for cash transfers and school feeding; the next poorest 15.5 percent are eligible for public works and school feeding; and the next 26.2 percent are potentially eligible for various programs, including economic inclusion programs.

South Asian countries require varying degrees of efforts to strengthen different elements of delivery systems, especially in light of progressive universalism and USP. Major efforts are required to strengthen the beneficiary operations management systems across South Asian countries, while significant efforts are needed to strengthen communications, outreach, social registries, information systems, and data protection. Minor efforts are needed across South Asia with regards to payments because much progress has already been made in digitalization. South Asian countries should (1) adopt tailored and innovative approaches for communications and outreach that go beyond traditional modalities; (2) develop and regularly update social registries and information systems; (3) invest in interoperability links to other government systems, for instance, by establishing unique and biometric-enabled IDs and strengthening linkages to disaster risk management for improved shock response; (4) design, finalize, and enforce data protection legislation, while adopting a privacy-by-design approach; and (5) invest in beneficiary operations management systems, which includes developing grievance redress and referral mechanisms.

First, there is no one-size-fits-all strategy for communications and outreach; tailored approaches are needed. To raise awareness, there should be significant efforts to advance beyond the use of traditional announcements through limited channels. Various outreach modalities and operating models for delivery systems should be adapted to the communications habits and contexts of specific population groups. This is critical for USP, as it will ensure that all those individuals who may qualify for support are aware of and can apply for available government services. Pakistan’s tailored outreach modality for BISP serves as a good example. The BISP communications team studied various socioeconomic and cultural aspects and media habits of beneficiaries before designing the outreach modalities. They found that only 4 percent of the beneficiaries were literate, and more than two-thirds were living below the poverty line and lacked mobility. This was in addition to the prevailing cultural and language barriers (Sagheer and Khan 2018). Most of them relied on word-of-mouth, were only acquainted with vernacular informal outreach tools (such as mosque announcements), and had minimum use of radio. They also displayed low recall of information and communications material, and a limited level of financial literacy and knowledge of the operation of electronic payment systems. Pakistan thus designed a participatory outreach model that engaged beneficiaries with local leadership, and targeted communication channels such as town hall meetings, mosque announcements, and automated voice calls for the illiterate and semi-literate populations ensured a high level of success. The government encouraged digital requests for COVID-19–related emergency relief assistance to be lodged through mobile apps, WhatsApp, or websites. The result of this use of mass media was that 72 percent of adults were aware of the government cash transfer scheme implemented to respond to the COVID-19 crisis.
Second, South Asian countries should put significant effort into strengthening and regularly updating social registries, given their essential role in identifying potential beneficiaries of social protection programs, delivering integrated services as well as engaging in effective shock response. Social registries can work as unified gateways to a menu of programs that offer protections against risks across the life cycle, both within the social protection system and beyond. Chile, for example, has the Integrated Social Registry (Registro Social de Hogares), which serves as a gateway for determining the eligibility for some 80 programs. In South Asia, only Maldives and Pakistan use well-established social registries for beneficiary identification and the delivery of a wide range of services (box 6.1). Other South Asian countries generally have various registries for various programs, hindering effectiveness and efficiency of service delivery. Robust social registries are the springboard for government response during shocks. For example, during COVID-19, governments that had invested in delivery systems (such as social registries) were able to assist affected populations rapidly and efficiently. Thus, while India and Pakistan responded within weeks after the lockdowns started, Afghanistan faced challenges because of limited technology and flawed institutions (Sherburne-Benz, Paternostro, and Majoka 2020). It is critical that countries in South Asia ensure that social registries are dynamic to provide support to those most in need. This requires clear data updating protocols, the definition of the frequency of data collection, and updating points of data entry or access (door-to-door, one-stop shop, online, and so on).

**Box 6.1. Maldives: a sustainable and integrated social protection landscape**

The social protection system in Maldives was built over several years in which the country took active steps in integrating delivery systems to achieve more inclusive services and efficiency gains. The Maldives social protection system offers an array of social protection programs, from social insurance and social pensions to cash transfers and active and passive labor market programs.

In 2009, the Maldives Pensions Act established the Maldives Pensions Administration Office and (a) introduced the new Maldives Retirement Pension Scheme (MRPS), (b) set a retirement age and forwarded pension credit for past years of public services, (c) legalized voluntary contributions from workers and employers to finance retirement savings schemes, (d) introduced the Old Age Basic Pension (OABP), and (e) defined a blueprint to administer the MRPS and the OABP and manage pension funds. The MRPS system is a good example of a cost-effective social insurance program.

A pension information system was developed, integrating MRPS and OABP with public sector human resources and other government systems to process pension payments. The pension system enhancement included setting up application programming interfaces for data verification. During the last decade, the Pensions Act has been revised five times to accommodate various requirements. Contributing members can collateralize MRPS Funds for the Housing Finance Scheme and use pension funds for the obligatory Hajj. The Maldives Pensions Administration Office also commenced a scheme for disability and critical illnesses. The office recently commenced legal and other background work to introduce a new unemployment insurance scheme. Introducing an unemployment insurance scheme would provide a good example of advancing toward the design of a passive labor market program. The Maldives Pensions Administration Office payment system is well developed and processes payments for all schemes under its administration via electronic transfers to beneficiary bank accounts.
Third, robust social registries require high levels of interoperability with other government systems, including with those of disaster risk management, underpinned by robust ID systems. Social registries (or management information systems) should be linked to the national ID system for authentication, cross-checks and data integration across government agencies. Further efforts are needed by South Asian countries to establish unique and biometric-enabled foundational ID systems; expand ID systems to cover groups left behind, and link ID systems with social registries, bank accounts, program databases, and other digital public platforms. To support the resilience-building efforts in the region, South Asian countries should establish links between social protection and disaster risk management. Indeed, a rapid and coordinated disaster response calls for embedding social protection in disaster risk management policies and institutional frameworks. It also requires that: (1) social protection and disaster risk management systems are interoperable; (2) data are robust and are shared in real time, and (3) implementation arrangements are well defined. In 2015, the government of Chile reviewed the country’s disaster risk management system, improved data systems to ensure coordination across 19 agencies, and defined the roles and responsibilities of the agencies in the operational phases, that is, alertness to covariate shocks, response to shocks, and rehabilitation. The Ministry of Social Development coordinated the application of an ex post household-specific needs assessment: ficha básica de emergencia (basic emergency factsheet). The assessment was developed and carried out with mobile apps and is linked to the country’s Integrated Social Registry, thus reducing data collection efforts and increasing the speed of the shock response. It also made the system more agile by facilitating decision-making on how to assist affected populations in the aftermath of emergencies and shocks. For example, data collection during the government’s response to the Coquimbo earthquake in 2015 took 27 days using the ficha básica de emergencia, in contrast to the response to the Tarapacá earthquake in 2014, which took 115 days (Beazley, Solorzano, and Barca 2019).

Fourth, South Asian countries should improve the legal and regulatory environment for personal data protection to facilitate coordination across programs. In South Asia, few countries have personal data protection, privacy legislation, and data-sharing protocols in place. Only Nepal and Sri Lanka have passed data protection legislation. Others are still in the drafting stage. In designing, finalizing, and enforcing data protection
legislation, South Asian countries should take a privacy-by-design approach that would (1) develop proactive systems taking a preventive (not remedial) approach; (2) make privacy the default setting, embedding it in the technical design from the start (rather than retrofitting it); (3) develop end-to-end security with a view to providing full life-cycle protection; and (4) keep the systems open and user-centric to respect user data privacy.

Fifth, to improve governance, reduce errors and monitor service delivery, South Asia’s beneficiary operations-management processes need to be equipped with multi-channel grievance redress mechanisms. This includes investments to establish integrated appeal and grievance mechanisms to systematically register, track, and resolve complaints and grievances. A well-designed grievance redress system can promote citizen empowerment, ensure transparency, and lead to effective program implementation. The Pantawid Pamilyang Pilipino Program in the Philippines features a systematic, professional, and rules-based procedure for handling grievances and appeals. The grievance redress mechanism is characterized by well-designed structures, clear business processes, robust standards, and well-trained staff. Between 2009 and 2013, nearly 500,000 grievances were resolved through the mechanism (Nishikawa Chávez et al. 2020). The mechanism not only resolves grievances, but allows program management to learn from the grievances to refine program policies and improve implementation. Referral mechanisms should be established to allow individuals or households to migrate across programs as conditions evolve. Programs, such as Chile Solidario in Chile, Puente in Costa Rica, and Unidos in Colombia, have well-developed referral systems that offer bundled programs. Thus, social workers help households develop a plan of action, provide them with psychosocial support, and refer and help them access the programs for which they qualify (World Bank 2022b).

To ensure that South Asian countries are on track in their quest for progressive universalism and the eventual achievement of USP, it is important to strengthen the monitoring and evaluation capacities of government entities. Data on program performance and impact are important to understand how programs work and at what cost. They help identify challenges and opportunities, detect and rectify errors, fraud, and corruption, and improve overall effectiveness and efficiency. South Asian countries should allocate increased resources for strengthening monitoring and evaluation systems to facilitate systematic monitoring of programs, outcomes, and impacts and for assessing the performance of delivery systems, thereby providing effective feedback into the policy-making process. For example, in 2011, to reduce the inclusion errors in its guaranteed minimum income program (Ajutor Social), the government of Moldova launched the Social Inspection Agency with the mandate to minimize error, fraud, and corruption in the social assistance system. The agency developed and applied risk profiles in 2016, which improved the performance of Ajutor Social. Inclusion errors fell from 60 percent in 2011 to 40 percent in 2016, and benefit coverage doubled during the same period (Raimondo et al. 2020).

South Asian countries should promote increased access to quality data because this is a precondition for effective monitoring and informed policy and program decisions. Regional monitoring of monetary and economic deprivation has been severely challenged by the lack of regular and timely household expenditure surveys in India, Nepal, and, more recently, Afghanistan. These surveys are the basis for monitoring and assessing trends in welfare, understanding patterns of socioeconomic vulnerability to shocks, and identifying the drivers of and challenges to poverty reduction. The lack of expenditure surveys in India (and Nepal) over the last decade has made it increasingly difficult to assess the targeting efficiency of social protection instruments, identify gaps in the social protection infrastructure, and address emerging needs (a shifting demographic composition for instance, as some parts of the region are beginning to age faster than others). More generally, a distributional assessment of fiscal instruments for redistribution is also extremely difficult, and much needed, at a time when many countries are facing tough choices in the face of reducing fiscal space (see below).
Beyond these imminent priorities, South Asian governments should seek to digitalize payments through the development of integrated payment systems. The evolution of G2P payments is not linear, and many countries and programs have multiple payment modalities. The adoption of digital payments in the region is still limited by low financial inclusion globally. Adoption of digital payments through the development of integrated payment systems in South Asia will require enhanced efforts to build trust and awareness of electronic payments and to enhance digital literacy and provide financial education, particularly among the poor and in rural areas. Digitalization could substantially increase overall financial inclusion in South Asia. Expanding the network of payment-access points will help reduce the beneficiary costs of cashing out transfers.

**Digitalization will continue to offer opportunities to enhance inclusion, effectiveness, and efficiency, but will also present important challenges.** Beyond payment systems, digital ID systems, electronic registration, and interoperable information systems all have the potential to revolutionize social protection. Technological change—particularly the digital revolutions of communication, identification, financial inclusion, and mobile phones—could transform social protection delivery systems. However, there is low institutional capacity across levels of government in South Asia in terms of both technology infrastructure and limited financial and human resources (especially for case management and client interfaces). Getting the optimum benefit from technological innovations will require addressing these capacity constraints, including enhancing access to fixed internet and increasing digital literacy, particularly in rural and hard-to-reach areas. This will be accompanied by challenges, including in relation to data privacy and protection. Tackling these challenges will be key for South Asian countries to reap the full benefits of digitalization.

**The path to progressive universalism and, ultimately, the achievement of USP also requires South Asian countries to allocate sufficient funding to deliver equity, resilience, and opportunity interventions and strengthen the delivery systems.** This publication proposes three key short- to long-term actions that can support South Asian countries in finding the necessary fiscal space to engage in progressive universalism and achieve USP. First, despite significant progress, South Asia’s social protection delivery systems face important challenges that, if addressed, could help these systems yield important efficiency gains that could improve social protection performance in the region. This would require some public investments in the short term, which can have a favorable cost benefit. Second, in the medium term, governments in South Asia can engage in subsidy reform that can result in significant savings, part of which could be reinvested in social protection interventions that are more equitable, effective, and efficient. Third, improved domestic revenue mobilization and a corresponding increase in public budgets for social protection are essential to ensuring a sustainable approach to financing progressive universalism. This option is also highly viable given the low tax collection and redistributive capacity of South Asian financial systems.

**Evidence and international good practice suggest that countries that invest in strengthening social protection systems improve governance and effectiveness in service delivery and increase the efficiency of spending.** For example, improved efficiency in the intake and registration process of social protection could lead to reduced application time, decreased administrative cost, and more effective use of resources. Turkey’s Integrated Social Assistance System is a good case. This is an integrated social protection information system that includes a social registry component that electronically facilitates all steps needed to manage several social protection programs, including the intake and registration steps, assessment of needs and conditions, and eligibility and enrollment decisions. Before the system was introduced, the overall application process for any social protection program was entirely paper based, and the application process alone took from 15 days to a month (Lindert et al. 2020). The system has reduced the application time to a matter of minutes. Furthermore,
the eligibility period to assess disability benefits and old-age pensions decreased to less than a month from 1.5 years, and fewer staff were required to manage the programs, thereby decreasing administrative costs (Lindert et al. 2020).

**Digitalizing payment administration could also considerably reduce the government’s administrative time and cost, enabling South Asian countries to deliver assistance more effectively and efficiently.** Countries such as Ghana have made the leap from a Microsoft Excel-based administrative process to a fully automated payment administrative process. For example, in Ghana’s cash-for-work program, Excel-based daily-attendance sheets were printed and distributed on site after 14 days of work and delivered physically to the local implementing authority. It took up to four months to reconcile payroll and to transmit payments to beneficiaries (Karippacheril et al. 2020). The payment administration module was automated by building a software application and introducing a biometric application to automate the recording of attendance. This automation has allowed the system to load up to 500,000 smart cards per hour with wage payments, significantly reducing administrative time and cost. In Bangladesh, the introduction of a G2P scheme cut processing time to 10 days from 60–180 days by eliminating administrative layers. It also facilitated authenticated and secure payments (World Bank 2021a).

**Building inspection and monitoring systems to curb error, fraud, and corruption in social protection programs is a promising way to improve delivery effectiveness, at a relatively low cost.** To curb error, fraud, and corruption, Romania gradually developed an end-to-end mitigation system in 2014, with good results. For example, the cost of verifying and identifying cases fell to close to zero (Nishikawa Chávez et al. 2020). In the United Kingdom, thanks to the effective monitoring system, the government was able to rank programs in terms of their error, fraud, and corruption losses and budget size. This enabled the country to focus their risk management and mitigation efforts on those programs with the highest risks, thus leading to efficiency gains and overall improved management (Nishikawa Chávez et al. 2020).

**Subsidies face significant challenges that undermine their effectiveness and efficiency.** Subsidies come at sizable fiscal cost (leading to higher taxes, more borrowing, or lower spending), promote inefficient allocation of an economy’s resources (hindering growth), encourage pollution (contributing to climate change and premature deaths from air pollution), and are not targeted at the poor (they mostly benefit higher-income households). For example, half of all spending on energy subsidies in low- and middle-income economies goes to the richest 20 percent of the population who consume more energy. The same applies to South Asia, where energy subsidy spending on direct energy subsidies is similarly highly regressive. The next few paragraphs focus on energy subsidies, but a similar argument can be made for other nonenergy subsidies in South Asia.

**Reforming (or removing) subsidies and using the revenue gained for better-targeted social spending is therefore essential to compensate affected households and increase overall social assistance coverage of the poor.** In the current context of large-scale economic shocks, countries need to shift away from general price subsidies, price caps, and trade restrictions (Amaglobeli et al. 2023). Fiscal policy needs to be targeted to protect vulnerable segments of the population from increases in energy and food prices without adding to public-debt vulnerability or undermining longer-term recovery (IMF 2022). Policy makers should focus on the quality of government spending by, for example, providing targeted income support for vulnerable households that are struggling with higher food and energy costs, rather than continuing general price subsidies that tend to benefit wealthier households and deplete public resources.
Driven by fiscal distress and aware of the costs of subsidies, many countries have reformed subsidies (the Dominican Republic, the Islamic Republic of Iran, Jordan, and Tunisia) to achieve fiscal savings and shift toward targeted transfers and other productive investments. Fiscal savings—while a key criterion and motivator of reform—ought to not be the sole objective of subsidy reform. Ultimately, when observing the impacts of subsidies on the general population, reform should also attempt to ensure better economic prospects, greater economic efficiency, and more equitable distribution of benefits. For instance, a 2002 reform in Indonesia was estimated to have saved 2.5 percent of GDP, while the compensation package that included targeted cash transfers costed only around 0.2 percent. However, and beyond compensating affected households, at least part of the reform’s savings (2.3 percent of GDP) could have been used for the expansion of social protection, laying the ground for progressive universalism. In 2015, Indonesia removed gasoline and diesel subsidies, which freed up around US$15.6 billion (1.8 percent of GDP) that was used for special programs, including poverty eradication, human development, infrastructure development, and social welfare, including assistance to poor students and cash transfers.

Establishing robust social protection systems is critical to ensure successful subsidy reform, in addition to future risk management across the life cycle. Cross-country studies have highlighted the importance of government administrative capacity to design and implement better-targeted social assistance to accompany subsidy reforms. Shifting away from generalized price subsidies to targeted cash transfers requires increased implementation capacity and strengthened delivery mechanisms. Indeed, governments with well-established social protection delivery systems, including a robust social registry and targeting methods, as well as a dedicated payment platform have been the most effective and efficient in delivering support following subsidy reform (namely, India, Indonesia, the Islamic Republic of Iran, Jordan, the Philippines, and Ukraine). Energy subsidy reform and improvements to social protection can occur independently or spur one another (for example, in Jordan, the need for reform paved the way for improvements in social protection).

A precursor to all energy reform efforts is a favorable political economy. A growing body of literature shows the importance of political economy when countries plan or execute subsidy reform (Ciminelli et al. 2019; Inchauste and Victor 2017). Gradually sequenced price increases, together with effective communication, appropriate compensation packages set up in advance, and assessment of potential impacts on various stakeholders, appear to make successful reform more likely, especially if implemented during favorable economic conditions rather than during economic crisis (Clements et al. 2013). Compensation mechanisms to support those most affected by price increases—whether targeted or universal compensation, depending on the objective of the government—ahead of the increases can mitigate some of the political economy risks (Ciminelli et al. 2019). It is also essential to build the population’s trust in order to let people see that the reallocation has been carefully thought through and to reinforce (or build) a social contract. In the Dominican Republic, Indonesia, the Islamic Republic of Iran, Jordan, Tunisia, and the Republic of Yemen, cash transfers were introduced to mitigate price impacts and were helpful in gaining public support for subsidy reform. In contrast, removing universal subsidies without compensating those who lose from the removal can harm poor and middle-income households. Indeed, when countries attempt to reform energy subsidies without instituting adequate mitigation measures, the impact on households can be significant, which can lead to opposition to reform measures. In some cases, the opposition can culminate in protests, ultimately forcing governments to roll back the reforms, undoing months of progress and damaging the credibility of the reform process. Between 2006 and 2019, attempts to raise gasoline prices were followed by protests in at least 24 countries, largely driven by loss of trust in the process and by lack of communication and mitigation measures.
Several countries in South Asia have initiated subsidy reforms, including Nepal (electricity-sector reform and restructuring in 2015), Pakistan, and, more recently, Sri Lanka. Maldives has also indicated strong interest. However, it is important for South Asian countries not to focus exclusively on liberalizing energy prices given the current inefficiencies in the sector, as this would lead to excessively high electricity costs that will put added stress on the poor and most vulnerable. Rather, increasing the efficiency of the energy sector should be the main priority, together with (1) gradually increasing energy prices, (2) targeting assistance to mitigate the impact on consumers, and (3) using additional savings from energy subsidy reform to scale-up and out social protection, to help countries in the region engage in progressive universalism and achieve USP.

The multiple shocks affecting the world since 2020 have reduced growth and increased public debt to unsustainable levels in South Asia (figure 6.6). Bhutan, Maldives, and Sri Lanka are at high risk of debt distress, with a general government gross-debt-to-GDP ratio of over 114 percent. Particularly noteworthy is the dramatic three-year increase in the ratio in Maldives and Sri Lanka, by 35.6 and 32.9 percentage points, respectively. India and Pakistan, with lower ratios, still face high levels of public debt. Increased public spending and debt burden are the result of higher COVID-19 spending (including in social sectors and subsidy bills), economic deterioration during the pandemic, and the recent hike in global food and fuel prices.

Figure 6.6. General government gross debt, % of GDP

![Figure 6.6](https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/OEMDC/ADVEC/WEOWORLD)


High levels of public debt have been exacerbated by several macroeconomic factors. For example, the resurgence of inflation globally and central bank action to raise interest rates have elevated debt-servicing costs for countries with external commercial borrowing, including bond placements. Exchange rate depreciation has also compounded the problem for highly indebted countries from the perspective of local-currency balance sheets (figure 6.7), and low reserve buffers in several countries have raised the stakes of rolling over external obligations (figure 6.8).
All of this is compounded by low domestic revenue mobilization, which hinders the availability of sufficient resources for inter alia social protection. According to analyses by the World Bank, governments should collect at least 15 percent of GDP in taxes to meet the basic needs of citizens and businesses. Achievement of this goal is uneven across South Asia and has been a struggle for decades (figure 6.9). As of 2018, only Nepal and Bhutan exceeded the recommended threshold of tax collection. Simplifying and digitalizing the tax system can lead to increased efficiency and improved tax-collection rates, which can in turn lead to improved domestic-revenue mobilization and, therefore, increased investments in social protection.
**Figure 6.9. Tax revenues to GDP**

![Figure 6.9. Tax revenues to GDP](image)


**Increased investments in social protection stemming from higher overall fiscal space following either subsidy reform or improved domestic revenue mobilization requires governments in South Asia to prioritize social protection in budgeting decisions.** Prioritizing social protection in government budget decisions requires countries to acknowledge the importance of social protection for their social contracts and country national development strategies. Given the limited public resources of countries, it also requires governments to make important trade-offs that are country specific and often intrinsically linked to complex political economies. However, recent shocks, including the COVID-19 pandemic, have contributed to a rising awareness among governments of the importance of having robust social protection systems and programs to help people, especially those who are poor and vulnerable, cope with such shocks. In South Asia, shocks like those of Sri Lanka’s economic crisis and Pakistan’s floods, have further contributed to the (good) positioning of social protection in national priorities. Moving forward, continued prioritization of social protection in budgeting decisions, including as part of increased fiscal space through subsidy reform and improved domestic revenue mobilization, will be essential in the quest of South Asian countries for progressive universalism and the ultimate achievement of USP.
Notes

1 Social assistance includes cash transfers, assistance in kind, social pensions, and public works programs.

2 Indonesia has four main social assistance programs: Pemutusan Hubungan Kerja (termination of employment), a poverty-based conditional cash transfer program; Program Indonesia Pintar (Smart Indonesia Program), a poverty-based cash transfer program targeted at students in lower-income households and aiming to lower the cost of attending school; Simbako, a food ration program that aims to boost food security and improve nutrition; and a health service fee waiver through Jaminan Kesehatan Nasional (the national health insurance).

3 The Bolsa Família CCT program encourages disadvantaged households to invest in the health and education of young children to break the intergenerational cycle of poverty. Evidence indicates positive impacts on the health, nutrition, and survival of targeted individuals, including significant reductions in the under-5 mortality rate and declines in the incidence of low birthweight among beneficiary children (World Bank 2020).

4 The government of Sri Lanka, with financial support from the World Bank, has implemented programs to improve the quality of and expand equitable access to early childhood development services. Since 2016, more than 1.35 million children ages 3–5—half of whom are girls—have benefited from these services, and, as of 2020, 4,136 early childhood development centers had met national quality standards, compared with only 1,000 in 2015 (World Bank 2020).

5 Covariate shocks are shocks that affect large numbers of people or communities at once. They may be natural, economic, or political.

6 For example, in Pakistan, a program that provides business training and loans, accommodates women with low-literacy backgrounds, and includes visual and stimulation-based training material was found to have an impact of 6.2 percent of a standard deviation in the increased likelihood of women starting new businesses (Giné and Mansuri 2021).

7 A review of 16 studies that examines the labor market impact of asset transfer interventions implemented in South Asia finds that farm and nonfarm employment increase for most women, and women spend additional time on productive activities, including agriculture (Zahra, Javed, and Muñoz-Boudet 2022).

8 Recent evidence shows that on-the-job training and apprenticeships have positive labor market impacts on earnings among apprentices (Frazer 2006; Monk, Sandefur, and Teal 2008). An evaluation of on-the-job training programs in Argentina, Chile, Colombia, the Dominican Republic, Mexico, Panama, and Peru found that employment effects range from modest to meaningful. The programs raise the employment rate from about 0 to 5 percentage points, although the increase is higher and more significant among some groups, such as women in Colombia and Panama, at up 6 to 12 percentage points.

9 See Employment Subsidy Incentive (web page), Ministry of Digital Economy and Entrepreneurship, Amman, Jordan, https://www.modee.gov.jo/En/Pages/Employment_Subsidy_Incentive#--text=The%20Employment%20Subsidy%20Incentive%20will,for%20the%20public%20sector%20employees.

10 Evidence shows that programs involving self-help groups are associated with the likelihood that participants are employed outside the household is in the range of 3.7 to 42.0 percentage points (Javed, Zahra, and Muñoz-Boudet 2022).
11 The 2013 collapse of the Rana Plaza factory in Bangladesh, which killed over a thousand workers and injured about 2,500 others, brought this issue to the fore. Following the accident, the government enacted high-profile, but voluntary safety audits. At the same time, international retailers became hesitant to buy from factories that subcontract or seem unlikely to abide by labor regulations. Because of more scrutiny of foreign-owned factories, the enforcement of labor regulations, including the minimum wage, improved.

12 Informal workers face multiple challenges to organizing and engaging in negotiations with employers, which adversely affects their wages and working and living conditions. Organizations, such as the Self-Employed Women’s Association in India, work with informal women workers and help them improve economic security. Many women have increased their incomes through collective pressure and by creating alternative employment opportunities (Blaxall 2004).

13 Labor regulations on digital labor platforms need to be reexamined. Most such platforms do not consider platform workers as employees, but as independent contractors, who are not covered by labor regulations and do not receive the social security benefits applicable to employees.

14 Policies that are blind to norms are those that focus solely on equipping women with skills, assets, education without addressing social and logistical constraints, such as household work, family obligations, and childcare.

15 For example, granting land inheritance rights to women in India increased education among girls, presumably because the empowered mothers were ensuring better education among their daughters (Deininger, Goyal, and Nagarajan 2013; Roy 2015).

16 Sivasankaran (2014a, 2014b) finds that more employment stability, such as a fixed-term contract instead of a daily contract, leads girls to marry later and to a better chance they will have a say in choosing the husband.

17 Beneficiary operations management refers to processes for beneficiary compliance, updating, grievances, exit notifications, and case outcome tracking.

18 The modalities include direct outreach, community-based outreach, and outreach via intermediaries, information tools, and technology. The operating models include one-program or multiprogram systems and on demand or administrator-driven approaches.

19 Gooptu (2018) provides guidance on the space available to a government for the higher fiscal deficits and public debt needed to finance the transition during the initial stages of an energy subsidy reform program, while maintaining fiscal sustainability. In introducing or expanding social assistance measures, a government should obtain a clear sense of the short- and long-term costs of the social assistance and ensure that fiscal space is available for the program.

20 There was no formal reallocation of subsidies, but a comparative analysis of the budget before and after reform shows that there were major budget increases in three areas: (a) an additional US$1.6 billion in transfers to regional governments and villages; (b) an additional US$12 billion in increased budgets for ministries, including special programs in areas such as health insurance, housing for low-income groups, and clean water access; and (c) an additional US$4.1 billion to state-owned enterprises for investments in infrastructure.
References


## Table A.1. Main social assistance programs, Afghanistan, FY 2019

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
<th>Status since August 2021</th>
</tr>
</thead>
</table>
| Ministry of Martyrs and Disabled Pension Program | Unconditional cash transfer that mainly serves the following:  
- People with disability due to armed conflict, or with congenital disability  
- Former freedom fighters  
- Relatives of martyrs or disappeared individuals | Based on categorical vulnerability:  
- For the disabled, if depends on the severity of disability.  
- Others must prove to be former freedom fighters or relatives of martyrs or disappeared individuals | Around 216,000 individuals (0.57% of the population). Coverage: nationwide | Af 400–Af 500 (US$5.20–US$6.50) per month | Us$177 (0.94% of GDP)                        | Active. Assistance to former beneficiaries has not been discontinued, but the number of planned beneficiaries is unknown. The program has revised criteria to include (a) the families of suicide bombers; (b) other, interim Taliban administration affiliated households; (c) disability due to natural disaster. |
| Maintenance and Construction Cash Grant Citizens Charter Afghanistan Program subcomponent | Cash grant provided to selected communities, to rehabilitate existing or construct new public infrastructure subprojects. At least 60% of the grant should be used for paid labor for the approved subprojects. | Based on a community well-being analysis. Households within a community are ranked according to vulnerabilities. Eligibility depends on poor or very poor status. | Around 207,000 individuals (0.54% of the population). Coverage: 1/3 of each province’s rural districts and 5 major urban centers (12,000 rural communities and 850 urban community development councils) | Af 350 a day for unskilled labor wages, and Af 650 a day for skilled labor.  
40 working days, spread out over three months of the lean season | Us$17.56 million (0.09% of GDP) | The administration has stopped working through community development councils. The program, at the moment, seems to have been discontinued. |

### Table A.2. Main social assistance programs, Bangladesh, FY 2019–20

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Liberation War Affairs</td>
<td>Honorarium for freedom fighters</td>
<td>Honorarium for freedom fighters and injured freedom fighters</td>
<td>Those who are certified as freedom fighters by the Ministry of Liberation War Affairs, Parliament, or the Muktibarta Red Book. After a freedom fighter’s death, descendants (spouse, parents, or children) are eligible to receive an honorarium.</td>
<td>0.22 million (0.13% of population)</td>
<td>Tk 12,000 (US$142) a month</td>
<td>US$386 (0.13% of GDP)</td>
</tr>
</tbody>
</table>
| Department of Social Services, Ministry of Social Welfare | Old-age allowance | Unconditional cash transfer. Objective: provide financial support to the poor and vulnerable elderly | Means test, age-based selection:  
• Age 62: women, age 65: men  
• Yearly income < Tk 10,000 (US$120)  
Priority to the oldest and landless (own less than 0.5 acres) or the destitute | 4.4 million (2.7% of population). Coverage: national | Tk 500 (US$6) a month | US$312 (0.09 % of GDP) |
| Allowance for widowed and destitute women | Unconditional cash transfer. Objective: provide cash transfers to poor and vulnerable widowed women | Means test, age-based selection:  
• Bangladeshis permanently residing in Bangladesh  
• Age minimum: 18  
• Yearly income < Tk 12,000 (US$145)  
Priority to the oldest, the childless, households with children ages under 16 and unable to work, ill, landless, or destitute | 1.7 million (1.04% of population). Coverage: national | Tk 500 (US$6) a month | US$121 (0.03 % of GDP) |
| Disability allowance | Unconditional cash transfer. Objective: provide cash transfers to persons with disabilities who live in poverty | Means test, age-based selection:  
• Those with registered disabilities  
• Age minimum: 6  
• Yearly income < Tk 36,000 (US$439)  
Priority to the oldest who are affected by multiple disabilities; children with intellectual disabilities; women; the landless or destitute; the extreme poor, or residents of remote areas | 1.8 million (1.1% of population). Coverage: national | Tk 750 (US$9) a month | US$169 (0.05 % of GDP) |
| Department of Disaster Management, Ministry of Disaster Management and Relief | Employment Generation Program for the Poorest | Public workfare program. Objective: employ the able-bodied and the unemployed poor for 80 days per year in two phases during the lean season to reduce poverty and enhance disaster resilience | Means test, with a geographic-target approach. Beneficiaries should  
• Be able-bodied and ages 18–60  
• Have less than 0.1 acres of land  
• Have monthly income < Tk 4,000 (US$47)  
• Not receive other benefits or SSNs  
• 1/3+ of beneficiaries must be women | 2.65 million (1.59% of population) | Tk 200 (US$2) a day | US$195 (0.06 % of GDP) |
<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food for work, work for money, and test relief</strong></td>
<td>Public workfare programs. Main objectives: • Seasonal employment • Build, repair, or strengthen agriculture infrastructure • Reduce damage and human losses because of natural disasters</td>
<td>Means test, with a geographic-target approach benefiting poorer and more densely populated areas. Eligible households: • Landless due to natural disaster • Own less than 0.5 acres of land</td>
<td>4.29 million (2.63% of population). Coverage: rural areas</td>
<td>8 kg for seven hours of work or cash equivalent</td>
<td>US$479 (0.14 % of GDP)</td>
<td></td>
</tr>
<tr>
<td><strong>Vulnerable group feeding</strong></td>
<td>Food transfers for religious festivals and disaster relief. Main objectives: • Ensure food security for the poor and destitute • Prevent diseases in disaster affected areas</td>
<td>Beneficiaries must meet at least 4 of 12 criteria, including • The poor or extremely poor • People affected by natural disasters and in extreme need of food and support • Unemployed who are food insecure • Malnourished children 70% of beneficiaries should be women</td>
<td>8 million (4.91% of population)</td>
<td>10–30 kg of rice per month per household, with provisions for specific vulnerabilities</td>
<td>US$132 (0.04% of GDP)</td>
<td></td>
</tr>
<tr>
<td><strong>Ministry of Women and Children Affairs</strong></td>
<td>Mother and Child Benefit Program (previously, Maternity Allowance Program and Allowances for Urban Lactating Mothers)</td>
<td>Main objectives: • Reduce infant and maternal mortality • Raise use of prenatal care and delivery services • Improve breastfeeding and family-planning services</td>
<td>Beneficiary women must • Be 21+ years old • Be pregnant with first or second child during the enrollment period • Household monthly income below Tk 1,500 (urban areas &lt; Tk 5,000) • Not be a previous/existing beneficiary of similar programs • Be working (in urban areas)</td>
<td>0.95 million (0.58% of population). Coverage: national</td>
<td>Tk 800 (US$9)</td>
<td>US$123 (0.04% of GDP)</td>
</tr>
<tr>
<td><strong>Ministry of Local Government, Rural Development and Cooperatives</strong></td>
<td>Income Support Program for the Poorest</td>
<td>Conditional cash transfer aiming to provide income support to poor mothers in selected locations. Main objectives: • Increase mothers’ use of child nutrition and cognitive-development services • Enhance local capacity to deliver SSNs</td>
<td>Women must be pregnant or mother of child under age 5 and have • Poverty score within bottom 50% of National Household Database or • Landownership less than 0.5 acres and meet any two of the following: 1. Monthly income below Tk 10,000 2. Woman household head 3. Daily wage laborer 4. Housing material made of jute, bamboo, straw, mud, or tin sheet 5. Household does not own television or refrigerator</td>
<td>0.28 million (0.17% of population). Coverage: 43 upazilas with high poverty and child malnutrition</td>
<td>Pregnant women, children 25–60 months: Tk 1,000 (US$12) per visit Children 0–24 months: Tk 700 (US$8) per visit</td>
<td>US$542 (0.02% of GDP)</td>
</tr>
</tbody>
</table>

**Sources:** ASPIRE (Atlas of Social Protection Indicators of Resilience and Equity) (dashboard), World Bank, Washington, DC, [https://www.worldbank.org/en/data/datatopics/aspire](https://www.worldbank.org/en/data/datatopics/aspire); Social Protection in Bangladesh: Data (dashboard), Social Security Policy Support Program, Cabinet Division and General Economics Division, Planning Commission, Dhaka, Bangladesh, [https://app.powerbi.com/view?r=eyJrIjoiMTE4YzA1YTAMDMU0Nj00QDRkLWJmYytkOTVhOTRmNDQ1OTAvIiwidCI6ImIzZTVkYjVlLTI5NDQtNDgzNy05OWY1LTc0ODhhY2U1NDMxIiwImMiOjh9&pageName=Repo rtSectionb6fa96e86610e001b352]; WDI (World Development Indicators) (Data Catalog), World Bank, Washington, DC, [https://datacatalog.worldbank.org/search/dataset/0037712](https://datacatalog.worldbank.org/search/dataset/0037712); World Bank 2021a; World Population Prospects (dashboard), Population Division, Department of Economic and Social Affairs, United Nations, New York, [https://population.un.org/wpp/](https://population.un.org/wpp/).
<table>
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<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health</td>
<td>Accelerating Mother and Child Health Program</td>
<td>• Conditional cash transfers</td>
<td>• Conditional on attending antenatal and postnatal visits, children growth checkups, and vaccination</td>
<td>Socioeconomically vulnerable women</td>
<td>Nu 39000 for each delivery over 33 months (maximum)</td>
<td>—</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>National School Feeding Program</td>
<td>Food transfers for students</td>
<td>Conditional on school attendance</td>
<td>86,913 students (11.4% of population)</td>
<td>1, 2, or 3 meals a day per student during the school year</td>
<td>US$3.2 (0.13% of GDP)</td>
</tr>
<tr>
<td></td>
<td>Central School Program</td>
<td>Food and in-kind transfers for students in 63 selected schools</td>
<td>Conditional on school attendance</td>
<td>134,281 students (17.6% of population)</td>
<td>• All students: school materials (stationery and clothes) and midday meal • Boarding students: household goods and three meals a day</td>
<td>—</td>
</tr>
<tr>
<td>Scholarship programs</td>
<td>For those in tertiary education</td>
<td>Based on Scholarship Steering Committee guidelines</td>
<td>783 undergraduate students (0.1% of population)</td>
<td>Scholarships</td>
<td>Scholarships</td>
<td>US$9.40 (0.37% of GDP)</td>
</tr>
<tr>
<td>Ministry of Agriculture and Forests</td>
<td>Highland Development Program</td>
<td>Cash transfers and general subsidies. Objectives: improve living conditions, income diversification, and sustainable management and use of natural resources</td>
<td>Target: herding communities in 12 highland dzongkhags</td>
<td>1,053 herding households served between 2019 and 2023</td>
<td>Combination of demand- and supply-side interventions. Activities include cash transfers, transportation subsidies, and financial incentives</td>
<td>US$0.8 (0.03% of GDP)</td>
</tr>
</tbody>
</table>


Note: Government social assistance programs are complemented by a system of grants through the Kidu.
### Table A.4. Main government social assistance programs, India, FY 2019

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Petroleum and Natural Gas</td>
<td>Pradhan Mantri Ujjwala Yojana</td>
<td>Utility subsidies (gas cylinders)</td>
<td>BPL women belonging to vulnerable communities, ages more than 18 and without gas connectivity</td>
<td>8 million (0.6% of population)</td>
<td>Rs 1,600 (for a 14.2 kg cylinder), Rs 1,150 (for a 5 kg cylinder)</td>
<td>US$4,685 (0.16% of GDP)</td>
</tr>
<tr>
<td>Ministry of Women and Child Development</td>
<td>Pradhan Mantri Matru Vandana Yojana</td>
<td>Maternity CCT benefit to promote child health and reduce mortality</td>
<td>Pregnancy, antenatal checkup, birth registration, and vaccination completed</td>
<td>7.06 million (0.5% of population)</td>
<td>Rs 5,000 (US$71), in three installments</td>
<td>US$369 (0.01% of GDP)</td>
</tr>
<tr>
<td>Department of Health and Family Welfare</td>
<td>Janani Suraksha Yojana</td>
<td>Safe-motherhood CCT to promote institutional births under the National Health Mission</td>
<td>Low-income pregnant women with institutional delivery</td>
<td>4.8 million (0.35% of population)</td>
<td>Varies (between Rs 400 and Rs 1,400) depending on performance state (high or low), rural/urban status, and type of package</td>
<td>US$1,131 (0.04% of GDP)</td>
</tr>
<tr>
<td>Department of Agriculture, Cooperation and Farmers Welfare</td>
<td>Pradhan Mantri Kisan Samman Nidhi</td>
<td>Unconditional cash transfer to enable small landholders to buy various inputs for crop harvesting</td>
<td>Scheduled caste and scheduled tribe farmers with ownership of less than two hectares of farmland for cultivation</td>
<td>87 million (6.35% of population)</td>
<td>Rs 2,000 (US$28), quarterly</td>
<td>US$6,918 (0.24% of GDP)</td>
</tr>
</tbody>
</table>
| Department of Food and Public Distribution | Public distribution system                  | Guarantees access to highly subsidized grains (primarily wheat, rice, and sugar). Benefits are allocated per household member through a ration card (issued to a household). | Two beneficiary categories:  
  - Antyodaya Anna Yojana (for the poorest)  
  - Priority households as identified by state governments | 800 million (58% of population) | Antyodaya Anna Yojana households: 35 kg of grains per family per month  
Priority households: 5 kg of grains per person per month | US$15,673 (0.55% of GDP)                      |
<p>| Department of School Education and Literacy | Midday meals                                 | Midday meal provided to schoolchildren                         | Provided in schools from vulnerable areas                                             | 118 million (8.6% of population)   | School meal and cost of cooking                  | US$1,377 (0.05% of GDP)                       |</p>
<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Rural Development</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Scheme</td>
<td>Cash-for-work public works program at minimum wage</td>
<td>Open to all rural households in need of wage employment. Priority to projects in which at least one-third of wage seekers are women.</td>
<td>119.1 million (8.7% of population)</td>
<td>Average daily wage of Rs 182 (US$2.60)</td>
<td>US$10,180</td>
</tr>
<tr>
<td>Indira Gandhi National Old Age Pension Scheme</td>
<td>Old-age social pension</td>
<td>Old-age social pension</td>
<td>BPL, age at least 60, no regular source of financial support. Indira Gandhi National Widow Pension Scheme and Indira Gandhi National Disability Pension Scheme beneficiaries are ineligible</td>
<td>21.1 million (1.54% of population)</td>
<td></td>
<td>US$1,234 (0.04% of GDP)</td>
</tr>
<tr>
<td>Indira Gandhi National Widow Pension Scheme</td>
<td>Survivorship social pension</td>
<td>Survivorship social pension</td>
<td>BPL widows ages 40–64</td>
<td>6 million (0.44% of population)</td>
<td>Rs 200 (US$2.80) per month</td>
<td></td>
</tr>
<tr>
<td>Indira Gandhi National Disability Pension Scheme</td>
<td>Disability social pension</td>
<td>Disability social pension</td>
<td>Persons with severe or multiple disabilities and ages 18–59</td>
<td>0.8 million (0.06% of population)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Note:** BPL = below the poverty line. CCT = conditional cash transfer.
### Table A.5. Main social assistance programs, Maldives, FY 2019

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National Social Protection Agency</strong></td>
<td>Disability allowance</td>
<td>Disability social pensions, allowance, benefits</td>
<td>Disabled persons</td>
<td>8,476 (1.6% of population)</td>
<td>Rf 2,000 a month (US$130)</td>
<td>US$12.73 (0.23% of GDP)</td>
</tr>
<tr>
<td></td>
<td>Single parent allowance</td>
<td>Family, child allowances and benefits</td>
<td>Single parent below poverty or income cutoff caring for own children ages less than 18 living with the parent; children ages less than 6 must attend school and receive all vaccinations</td>
<td>6,734 (1.3% of population)</td>
<td>Rf 1,000 (US$65) per child per month, up to 18 years (maximum Rf 10,000)</td>
<td>US$3.17 (0.06% of GDP)</td>
</tr>
<tr>
<td></td>
<td>Foster parent allowance</td>
<td>Family, child, orphan allowances and benefits</td>
<td>Legal guardian caring for children ages less than 18 living with the parent, children ages less than 6 must attend school and receive all vaccinations; applicant’s monthly income must be below the poverty or income cutoff</td>
<td>247 (0.05% of population)</td>
<td>Rf 1,000 (US$65) per child per month up to 18 years; Rf 500 (US$32.20) for guardian</td>
<td>US$0.15 (0.001% of GDP)</td>
</tr>
<tr>
<td></td>
<td>Emergency medical welfare</td>
<td>Emergency support in cash or in kind</td>
<td>Providing financial assistance for medical emergencies not covered by health insurance and support in purchasing select medical equipment</td>
<td>3,943 (0.7% of population)</td>
<td>Amount varies</td>
<td>US$6.67 (0.12% of GDP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Food stamps, rations, and vouchers</td>
<td>Financial support to vulnerable people to purchase staple foods, such as rice, flour, and sugar, for households with monthly incomes below the poverty or income cutoff set by the National Social Protection Agency</td>
<td>495 (1.7% of population)</td>
<td>Rf 40 (US$3) per person, and a maximum of Rf 240 (US$16) per household</td>
<td>US$0.02 (0.0001% of GDP)</td>
</tr>
</tbody>
</table>

| **Maldives Pension Administration Office** | Old Age Basic Pension | Old-age social pensions, allowance, benefits | Ages more than 65 without access to any social security | 17,496 (3.3% of population) | Rf 5,000 (US$325) | US$58.77 (1.05% of GDP) |


**Note:** Beneficiaries of any program must be Maldivian citizens living in Maldives.
## Table A.6. Main social assistance programs, Nepal, FY 2019–20

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Home Affairs: social security allowance</td>
<td>Senior citizen allowance</td>
<td>Unconditional cash transfer</td>
<td>All Dalits and Karnali residents ages 60 years+; all others ages 68+</td>
<td>1,329,087 (4.6% of population)</td>
<td>Nr 4,000 (US$34) a month for 68+; Nr 2,660 for others</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single women allowance</td>
<td>Unconditional cash transfer for single women</td>
<td>For single (unmarried and divorced) women ages 60+ and all widows</td>
<td>741,150 (2.5% of population)</td>
<td>Nr 2,660 (US$17) a month</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Full disability allowance</td>
<td>Unconditional cash transfer to help those who cannot go about daily life even with help</td>
<td>To be eligible, those with disability need to be certified with a red card</td>
<td>41,844 (0.1% of population)</td>
<td>Nr 4,000 (US$25.4) a month</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partial disability allowance</td>
<td>Unconditional cash transfer to help those who can go about daily life with help from others</td>
<td>To be eligible, those with disability need to be certified with a blue card</td>
<td>73,784 (0.3% of population)</td>
<td>Nr 2,128 (US$13.5) a month</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Endangered ethnicity allowance</td>
<td>Unconditional cash transfer for endangered-ethnicity individuals</td>
<td>Belong to 1 of 10 endangered ethnicities</td>
<td>24,345 (0.08% of population)</td>
<td>Nr 3,990 (US$25.4) a month</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Child grant</td>
<td>Nutrition grant</td>
<td>• Dalit children ages under 5</td>
<td>Child grant</td>
<td>Nutrition grant</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• All children ages 5 in 25 selected districts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry of Education, Science and Technology</td>
<td>School Sector Development Program*</td>
<td>Scholarships in community schools</td>
<td>Scholarships for Dalits, girls, the disabled, the conflict affected, children of martyrs, freed Kamalari, and other vulnerable groups</td>
<td>3,157,823 (10.8% of population)b</td>
<td>Varies</td>
<td>US$26 (0.1% of GDP)</td>
</tr>
<tr>
<td></td>
<td>Midday Meals*</td>
<td>Provision of one midday meal in schools to improve nutrition among school children</td>
<td>Children from early child development to grade 6 nationwide</td>
<td>1,094,316 (3.7% of population)</td>
<td>About Nr 15 per meal for 180 school days a year</td>
<td>US$26 (0.1% of GDP)</td>
</tr>
</tbody>
</table>
### Appendix A. Main social assistance programs, by country

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health and Population</td>
<td>Safe Motherhood Program (Aama Surakshya Karyakram)*</td>
<td>Cash incentive to cover travel costs for mothers to deliver at health facilities to improve mother and child health outcomes</td>
<td>All mothers who deliver at public health facilities</td>
<td>425,000 (1.5% of population)</td>
<td>Nr 1,000 in Terai; Nr 2,000 in the hills; Nr 3,000 in the mountains</td>
<td>US$10 (0.03% of GDP)</td>
</tr>
<tr>
<td>Ministry of Labor, Employment and Social Security</td>
<td>Prime Minister’s Employment Program*</td>
<td>Minimum employment guarantee aiming to provide at least 100 days of employment</td>
<td>Registered unemployed</td>
<td>60,000 (0.2% of population)</td>
<td>Local minimum wage rate (national minimum wage: Nr 577 a day)</td>
<td>US$28 (0.1% of GDP)</td>
</tr>
</tbody>
</table>

**Sources:** World Bank 2021b.

**Note:** Coverage is based on Nepal 2020 census estimates. GDP share is calculated based on 2020 GDP value.

a. Private schools are required to offer needs-based tuition waivers to 10 percent of students according to poverty, ethnicity, disability, diligence, and other criteria.

b. Breakdown by scholarship type is not available, as it was devolved to local levels (except for pro-poor targeted scholarships).

* Programs devolved to the local level.
### Table A.7. Main central government social assistance programs, Pakistan, FY 2019

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benazir Income Support Program</td>
<td>Benazir Income Support Program (BISP)</td>
<td>UCT to poor families</td>
<td>Married women with valid national identity card numbers and a proxy means test score of 32 or less</td>
<td>5.03 million families (16% of population)</td>
<td>PRs 5,000 (US$33) quarterly</td>
<td>US$1,623 (0.55% of GDP)</td>
</tr>
<tr>
<td>Waseela-e-Taleem</td>
<td>Conditional cash transfers to promote enrollment and attendance of children of UCT beneficiary families</td>
<td>Being UCT beneficiary, with primary school children (classes 0–5)</td>
<td>3.2 million children (1.5% of population)</td>
<td>Quarterly: boys: PRs 900 (US$6); girls: PRs 1,200 (US$8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan Bait-ul-Mal Islamabad</td>
<td>Pakistan Bait-ul-Mal Islamabad</td>
<td>UCT for widows, destitute women, orphans, and persons with disabilities</td>
<td>Monthly income of no more than PRs 17,500</td>
<td>-</td>
<td>Lump-sum provision</td>
<td>US$38 (0.01% of GDP)</td>
</tr>
</tbody>
</table>

**Sources:** 2022 administrative data on BISP; Gul 2021; WDI (World Development Indicators) (Data Catalog), World Bank, Washington, DC, [https://datacatalog.worldbank.org/search/dataset/0037712](https://datacatalog.worldbank.org/search/dataset/0037712); World Population Prospects (dashboard), Population Division, Department of Economic and Social Affairs, United Nations, New York, [https://population.un.org/wpp/](https://population.un.org/wpp/).

**Note:** UCT = unconditional cash transfer.
Table A.8. Main social assistance programs, Sri Lanka, FY 2019

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Description</th>
<th>Eligibility criteria</th>
<th>Beneficiaries</th>
<th>Benefit</th>
<th>Budget, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Samurdhi Development</td>
<td>Samurdhi subsidy program (previously Divineguma)</td>
<td>Poverty-reduction program encompassing a cash transfer, social security fund, and housing-lottery program</td>
<td>Family income less than SL Rs 6,000 per month</td>
<td>1,800,182 (8.3% of population)</td>
<td>Average SL Rs 2,733 (US$15) per month</td>
<td>US$250 (0.30% of GDP)</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>School meal programs (food for education)</td>
<td>School nutrition program, providing cooked meals for grade 1–9 students in selected schools</td>
<td>Schools in vulnerable areas (poverty stricken or located in malnourishment pockets)</td>
<td>1,067,465 (4.9% of population)</td>
<td>One midday meal per day</td>
<td>US$28 (0.03% of GDP)</td>
</tr>
<tr>
<td></td>
<td>School uniform material program</td>
<td>Voucher to purchase one set of uniform materials per year</td>
<td>Children attending public schools</td>
<td>5,725,445 (26% of population)</td>
<td>One set of uniform materials</td>
<td>US$21 (0.03% of GDP)</td>
</tr>
<tr>
<td></td>
<td>Textbook program</td>
<td>Free textbooks</td>
<td>Children in public school and piriv’enas, from grades 1 to 11</td>
<td>3,642,528 (16.7% of population)</td>
<td>One set of textbooks recommended for the year</td>
<td>US$25 (0.03% of GDP)</td>
</tr>
<tr>
<td>National Secretariat for Elders</td>
<td>Elderly allowance</td>
<td>Old-age social allowance</td>
<td>Monthly income less than SL Rs 6,000 and ages more than 70</td>
<td>417,067 (1.9% of population)</td>
<td>SL Rs 2,000 (US$11) per month</td>
<td>US$55 (0.07% of GDP)</td>
</tr>
<tr>
<td>National Secretariat for Persons with Disabilities</td>
<td>Disability allowance</td>
<td>—</td>
<td>Families with monthly income less than SL Rs 6,000 whose main income earner is disabled</td>
<td>72,000 (0.3% of population)</td>
<td>SL Rs 5,000 (US$28) per month</td>
<td>US$16 (0.02% of GDP)</td>
</tr>
<tr>
<td>National Secretariat for Early Childhood</td>
<td>Poshana–alla (Expectant and Lactating Mothers Program)</td>
<td>Food voucher</td>
<td>All pregnant women during the last six months of pregnancy, and four months during lactation</td>
<td>263,945 (1.2% of population)</td>
<td>SL Rs 2,000 (US$11) per month</td>
<td>US$30 (0.04% of GDP)</td>
</tr>
<tr>
<td>Thriposha Lanka Ltd</td>
<td>Thri–osha (Fortified Food Program)</td>
<td>Objective: improve nutritional status among infants and pregnant mothers</td>
<td>Pregnant women or breastfeeding mothers, and children ages 6 months to 5 years, selected by family health workers</td>
<td>1,170,000 (5.5% of population)</td>
<td>Two packs of fortified cereal per month</td>
<td>US$12 (0.01% of GDP)</td>
</tr>
</tbody>
</table>

References


Appendix B. Old-age schemes, by country

Bangladesh

Old-age income protection in Bangladesh is provided via three main types of schemes: civil servant pensions, programs for freedom fighters (former soldiers), and the old-age allowance, a means-tested assistance program for the elderly. There is no mandatory contributory scheme for private sector employees, although some formal sector companies hold contributory provident-funds schemes for their employees.

Demographics

Bangladesh’s old-age dependency ratio is gradually increasing. The relatively low 7.7 percent ratio in 2020 is anticipated to increase sharply to 23.5 percent by 2050 (figure B.1). In addition, the demographic dividend presented by the drop in the total dependency ratio will flatten by about 2030, suggesting that some of the reduction in child-assistance needs will soon be offset by the elderly’s needs. Hence, the demographic-dividend window will close shortly after 2040.

Figure B.1. Projected age distribution and dependency rates, Bangladesh


Note: 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.
Contributory pensions

There is no government-regulated pension in the private sector, except in the tea plantation and newspaper industries, in which it is compulsory. Hence, private sector provident funds are generally voluntary. Voluntary provident funds are limited mostly to a few established and large organizations in the formal sector. By 2016, only 10.9 percent of all paid employees had an employer who contributed to a pension scheme or retirement fund (Chowdhury 2016).

Social pensions

The overwhelming majority of Bangladesh’s social assistance budget is earmarked for the elderly, who represent both a small share of the population and a small share of the poor (8 percent and 7 percent, respectively). Between 2013 and 2018, 41 percent of the social assistance budget was allocated to old-age protection. By contrast, while children under five represent 9 percent of the population (and 13 percent of the poor), they only received 2 percent of spending during the same period (World Bank 2021a).

Bangladesh’s two main old-age social assistance programs are the old-age allowance and the allowances for widowed, deserted, and destitute women (table B.1).

Table B.1. Social assistance for the elderly and dependents, Bangladesh

<table>
<thead>
<tr>
<th>Features</th>
<th>Old-age allowance</th>
<th>Allowances for widowed, deserted, and destitute women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit</td>
<td>Tk 500 a month</td>
<td>Tk 500 a month</td>
</tr>
<tr>
<td>Eligibility age</td>
<td>Age 65 for men and age 62 for women who are not receiving any other allowance (governmental or nongovernmental)</td>
<td>At least 18</td>
</tr>
<tr>
<td>Targeted population and targeting method</td>
<td>Annual income of Tk 3,000 or less, with a means test methodology. Priority is given based on several health and socioeconomic indicators. Only one recipient per household can receive the benefit, and those receiving other government grants or regular assistance from the community or nongovernmental organizations are also excluded.</td>
<td>Annual income of Tk 12,000 or less, with means test, gender-based, and marital status targeting. Priority is given to the oldest of applicants and those who are detached from family or with no children, with children ages less than 16, unable to work or ill or weak, or landless or destitute.</td>
</tr>
<tr>
<td>Fiscal cost]</td>
<td>0.9 percent of fiscal revenues (FY 2020/21)</td>
<td>N/A</td>
</tr>
<tr>
<td>Coverage of those over eligibility age</td>
<td>37 percent (FY 2020/21)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: World Bank calculations; Anwar, Cho, and Aziz 2019; Annual Financial Statement (archive), Finance Division, Ministry of Finance, Dhaka, Bangladesh, [https://mof.portal.gov.bd/site/page/bf32942f-9090-49b7-b4e3-7eb0e3f5c7b2](https://mof.portal.gov.bd/site/page/bf32942f-9090-49b7-b4e3-7eb0e3f5c7b2); DSS (Department of Social Services, Bangladesh) (homepage), DSS, Ministry of Social Welfare, Dhaka, Bangladesh, [https://dss.gov.bd/](https://dss.gov.bd/); World Population Prospects (dashboard), Population Division, Department of Economic and Social Affairs, United Nations, New York, [https://population.un.org/wpp/](https://population.un.org/wpp/).
Targeting efficiency can be improved for all of Bangladesh’s social assistance programs, including the old-age allowance. Social registries, such as the National Household Database, are a key instrument to improve targeting at reduced cost. A unified registration process for multiple programs can substantially reduce administrative costs and ease procedures for households. In addition, digitalization can aid with cross-checking registries with other administrative databases at low cost.

Social protection among the elderly: A fiscal-sustainability matter
Among the elderly, social protection expenditure is unevenly distributed: nearly 90 percent of the expenditure goes to about 14 percent of old-age beneficiaries (civil servants and freedom fighters) (table B.2). Overall, 36 percent of social protection spending serves 0.45 percent of the country’s population through pensions. In consequence, given Bangladesh’s aging path, the fiscal sustainability of programs for the elderly will have an increasingly large impact on the sustainability of the country’s social protection (World Bank 2021a).

Table B.2. Program budgets to provide cash or food to the elderly, Bangladesh, FY 2019–20

<table>
<thead>
<tr>
<th>Program</th>
<th>Budget Tk millions</th>
<th>US$ millions</th>
<th>Transfers to the elderly, %</th>
<th>Beneficiaries Number, millions</th>
<th>Share of total, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Civil servants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension for retired government employees and their families</td>
<td>230.1</td>
<td>2,740</td>
<td>77</td>
<td>0.69</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Programs for freedom fighters</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honorarium and food rations for fighters and their families</td>
<td>39.2</td>
<td>466</td>
<td>11.8</td>
<td>0.05</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Social pensions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old-age allowance</td>
<td>26.4</td>
<td>314</td>
<td>8.2</td>
<td>4.4</td>
<td>64.3</td>
</tr>
<tr>
<td>Allowances for widowed, deserted, and destitute women</td>
<td>10.4</td>
<td>121</td>
<td>2.9</td>
<td>1.7</td>
<td>24.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: Alam 2019; World Bank 2021a.
Bhutan has provident funds and gratuity schemes for both private and public sector workers, and public workers are also entitled to a partially funded pay-as-you-go defined benefit pension scheme. The coverage of the public sector scheme is the highest in South Asia. Jain and Palacios (2022) find that roughly 14.7 percent of the labor force was contributing by 2016. Meanwhile, private sector schemes have low coverage (roughly 4.3 percent of the labor force), reflecting their relatively recent introduction and the dominance of informal work (Zangpo 2021). Although no noncontributory schemes specifically target the elderly, Kidu can provide social assistance to people living in hardship.

Demographics

While relatively young now, Bhutan’s population is projected to quickly age over the coming 30 years (figure B.2). In 2020, 6.2 percent of the population was over 65, a share that is expected to increase to roughly 16 percent by 2050. Similarly, the old-age dependency ratio was 9 percent in 2020 and is projected to increase to about 23 percent by 2050. Bhutan can still benefit from a demographic dividend, as the total dependency rate is projected to decline through 2040.

**Figure B.2.** Projected age distribution and dependency ratios, Bhutan


Note: 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.
Contributory pensions

Bhutan has a coordinated design for public sector and formal private sector workers, though the parameters and institutions vary between them. The National Pension and Provident Fund was established in 2000 as an autonomous agency to manage and administer National Pension and Provident Fund Plan schemes for public sector workers (civil servants, employees of state-owned corporations, and members of the armed forces). In 2002, the government formally launched the mandatory National Pension and Provident Fund Plan through an executive order; it was later extended to the private sector.

The scheme has two tiers: Tier 1 is a partially funded pay-as-you-go defined benefit pension scheme, while Tier 2 is a funded defined contribution provident-fund scheme (table B.3). Both schemes are available for government workers, but private sector workers can only contribute to the Tier 2 scheme. Recognizing a need to extend the voluntary pension fund scheme to the entire economically active population, the authorities at the National Pension and Provident Fund has approved the extension of Tier 2 to the private sector on a larger scale. The reform is expected to be completed in the next fiscal year.

Table B.3. Summary parameters: National Pension and Provident Fund, Bhutan

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Tier 1 (civil servants)</th>
<th>Tier 2 (civil servants and private workers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution rates</td>
<td>Civil servants: government 8%, employees 8% of basic salary</td>
<td>Civil servants, government 5%, employees 5% of basic salary</td>
</tr>
<tr>
<td></td>
<td>Organizations: government 8%, employees 8% of basic salary</td>
<td>Organizations: 3% employers, 3% employees</td>
</tr>
<tr>
<td>Required contributors</td>
<td>Managed by the National Pension and Provident Fund. Fund members include civil servants, employees of state-owned enterprises, joint sector companies, and armed forces personnel.</td>
<td>Mandatory for persons employed in firms with at least five employees and with labor contracts lasting at least one year. Voluntary coverage for employees of firms with up to five employees. Exclusions: self-employed and family labor.</td>
</tr>
<tr>
<td>Management and rates of return on individual accounts</td>
<td>Private sector pensions can be managed by three entities: (a) the Royal Insurance Corporation of Bhutan, (b) Bhutan Insurance Limited, and recently, (c) the National Pension and Provident Fund.</td>
<td></td>
</tr>
<tr>
<td>Portfolio composition</td>
<td>Premiums under Royal Insurance Corporation of Bhutan and Bhutan Insurance Limited are earmarked into risk-cover (30%) and savings (70%) and accumulations.</td>
<td></td>
</tr>
<tr>
<td>Fund rates of return</td>
<td>Royal Insurance Corporation of Bhutan provides an interest rate of 8% per annum on the gratuity scheme. Bhutan Insurance Limited provides a minimum guaranteed interest return of 7% annually. Most of the companies eventually have a five-year term, whereby the accumulation can be retired after five years.</td>
<td></td>
</tr>
</tbody>
</table>
## Rethinking Social Protection in South Asia

### Parameters | Tier 1 (civil servants) | Tier 2 (civil servants and private workers)
---|---|---
**Qualifying conditions**

#### Age
Old-age benefit (provident fund): Age 56 with 5+ years of contributions; any age if involuntarily unemployed (or voluntarily unemployed with the employer’s consent). Subsequent withdrawals are possible after additional periods of 5 years of continuous contributions. Withdrawals are permitted on retirement, resignation, termination, retrenchment, or death.

#### Other benefits
In five years, employees are entitled to withdraw 50% of the contribution in times of emergency.
Up to 70% of the account balance can be withdrawn for a housing loan.

#### Disability benefit
Total loss of work capacity due to illness or injury after five years of contributions.

#### Survivor benefit
Paid to named survivors.

### Benefits

#### Old-age benefit
Gratuity, employer liability: A lump sum of the employee’s latest monthly basic earnings multiplied by years of continuous employment, or the employee’s total gratuity account balance (whichever is greater). National Pension and Provident Fund benefits can be received in the form of a lump sum or as a deferred or immediate annuity.
Provident fund: Total accumulations as a lump sum or annuity. Early withdrawal: Up to 50% of the balance.

#### Permanent disability benefits
Gratuity, employer liability: Lump sum of the latest monthly basic earnings before the disability began multiplied by years of continuous employment, or the disabled’s total gratuity account balance (whichever is greater).
Provident fund: A lump sum of total accumulations.

#### Survivorship benefits
Gratuity, employer liability: A lump sum of the deceased’s latest monthly basic earnings multiplied by years of continuous employment split between eligible survivors.
Survivor benefit (provident fund): Lump sum of total accumulations.
Universal rural life insurance, universal: A lump sum of 30,000 ngultrums is paid to the family of the deceased.
Noncontributory social assistance

**Bhutan does not formally offer noncontributory benefits.** Nonetheless, it has one social assistance program from which the elderly can benefit, namely, Kidu, a traditional system (through which Bhutan’s king can help citizens in need of assistance).

**Current government social policies and initiatives are complemented by a continued tradition of granting Kidu to people in hardship situations.** Kidu has been traditionally enacted through a royal prerogative and constitutes grants and relief support, including education scholarships, health, land grants, disaster relief and amnesty, and so on, to socioeconomically vulnerable population such as the landless, the disabled, the elderly, children, and so on.

Contributory pension coverage

**Pension coverage is mostly limited to public sector workers and some formal sector enterprises,** covering an estimated 19.6 percent of the labor force (NPPF 2021). In the private sector, worker coverage is less than would be expected based on private sector composition. Per the law, contributions ought to be made on behalf of all employees in firms with at least five employees whose labor contracts last at least one year, while firms with five or fewer employees are covered on a voluntary basis. However, many employers neither register nor comply with this requirement; hence, the Ministry of Labor and Human Resources has indicated that it will undertake efforts to strengthen compliance (MoICE 2021).

**Although Royal Insurance Corporation of Bhutan records indicate about 33,000 members from private enterprises and nongovernmental organizations have registered for the Private Provident Fund, only about 11,000 accounts are active.** Similarly, about 4,000 Private Provident Fund accounts and 40 to 50 gratuity fund accounts are maintained with Bhutan Insurance Limited. As of June 2021, 715 members from the private sector were enrolled in the National Pension and Provident Fund through the Build Bhutan Project. This suggests that private sector coverage may be about 4.5 percent of the labor force. High worker turnover seems to be one of the main reasons why private companies do not subscribe more employees to the Private Provident Fund (Zangpo 2021).

Assessment

**The authorities have taken a gradualist approach to extending coverage from public sector to private sector workers** while nudging employers to comply. Additional compliance monitoring is needed to raise coverage and compliance for private sector workers. Moreover, the authorities need to establish a framework for voluntary retirement savings, likely including special incentives such as matching, autoenrollment, and other nudges.

**Two basic modifications to the Private Provident Fund’s parameters could raise benefit adequacy and hence strengthen enrollment incentives.** First, the retirement age could be gradually increased to increase benefit adequacy and to avoid disincentives for working. Second, the contribution rate needs to be gradually increased to ensure the sufficiency of retirement and preretirement benefits.
By offering withdrawals for housing loans prior to retirement, the Private Provident Fund already provides some incentive for reluctant contributors. Potential emergency withdrawals could enhance such incentives.

As a final consideration, although Bhutan’s retirement system has been working through three principal institutions, it needs to institute a more unified regulatory framework and engage in stronger oversight and supervision.

**India**

India faces the challenge of providing old-age income protection to an aging society with a predominantly informal labor force and limited fiscal resources. Coverage and adequacy of benefits for private and informal sector workers are low by international standards. Faced with these challenges, since 2004 the authorities have been building the National Pension System (NPS), compiling all workers in the public and private sectors.

This effort has involved significant measures to build supporting delivery systems that are compatible with an informal workforce, including identification and payment systems and a national platform of individual pension savings accounts. The authorities have also devoted increasing resources to the National Social Assistance Program noncontributory benefits, including the Indira Gandhi National Old Age Pension Scheme. The measures taken are substantial and have attracted international attention; nonetheless, continued efforts are needed to increase coverage and adequacy of pension balances as India ages.

**Demographics**

India is aging substantially, and the demographic profiles of the states vary substantially. A decline in fertility rates and growth in life expectancy are projected to increase the old-age dependency ratio for the entire country from 9.8 percent in 2020 to 20.3 percent in 2050 (figure B.3). Given the scant coverage and inadequacy of contributory and noncontributory pension arrangements, most of the expanding number of elderly people will depend on their families, their limited savings, and their own continued labor support as they grow old. Over the next decade, some states will enjoy a demographic dividend in which the total dependency rate will continue to fall while a large and growing working-age population drives economic growth. The demographic dividend could be used to support the aging future population.
**Figure B.3. Projected age distribution and dependency ratios, India**

![Age distribution and dependency ratios graph](image)


Note: 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.

**Contributory pension schemes**

**The Employees’ Provident Fund was established in India in 1952.** This is a mandatory scheme for private sector workers in which all establishments with 20 or more employees are required to enroll, although employees earning Rs 15,000 or less a month are exempted. Both employers and employees face contribution rates of 12 percent, and participants can make additional contributions to the Voluntary Provident Fund.³

**In 1968, the Public Provident Fund was established.** This is a government-run voluntary retirement-savings scheme open to everyone. Under the scheme, savings accounts have a maturity of 15 years, regardless of the account holder’s age, though they can be extended for one or more five-year periods. Participants earn an administratively determined rate of return, and, as with the Employees’ Provident Fund, benefits are payable entirely as a lump sum. Participants can receive early withdrawals, though generally as loans rather than advances.⁴

**The Employees’ Pension Scheme was introduced in 1995.** This scheme covers the same workers as the Employees’ Provident Fund, carving out a portion of contributions from the Employees’ Provident Fund for a related defined benefit program.

**The New Pension Scheme (which eventually became the NPS) was established in 2004 as a unifying framework for public sector workers and central autonomous bodies.** At the same time, the government launched the Pension Fund Regulatory and Development Authority, an oversight body. In 2009, NPS was extended to all citizens, including private sector and unorganized sector workers, on a voluntary basis.

**In 2011, the government launched NPS Lite, a co-contributory pension scheme designed to appeal to lower-income workers in the informal sector.** In 2015, NPS Lite was closed to new entrants and replaced by another scheme, the Atal Pension Yojana. Under the Swavalamban scheme, the government will contribute Rs 1,000 to each eligible NPS subscriber who contributes between Rs 1,000 and Rs 12,000 a year. Table B.4. details the parameters of the various schemes.
**Table B.4. Contributory pension schemes, India**

<table>
<thead>
<tr>
<th>Features</th>
<th>Employees’ Provident Fund</th>
<th>Voluntary Provident Fund</th>
<th>Employees’ Pension Scheme (since 1995)</th>
<th>National Pension System</th>
<th>National Pension System Lite, Atal Pension Yojana</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mandatory and voluntary participation</strong></td>
<td>EPF: Mandatory for firms w/20+ employees, + some smaller firms in a few specified industries. Workers with monthly salaries below Rs 15,000 are not required to join. EPF Private Trust: Firms can apply to manage their employees’ EPF accounts.</td>
<td>EPF participants can make additional contributions beyond their mandatory ones.</td>
<td>Defined benefit program. It covers the same workers as the EPF</td>
<td>Voluntary, for private sector workers</td>
<td>Voluntary, for informal sector workers</td>
</tr>
<tr>
<td><strong>Administration and oversight</strong></td>
<td>Employees’ Provident Fund Organization is the pension provider and pension regulator across schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contribution rates</strong></td>
<td>12% employer and 12% employees, (same under EPF Private Trust). Employees’ Pension Scheme carve-out effectively reduces combined EPF contribution to 15.67%.</td>
<td>Total: 9.5% Employee: 8.33 percentage points of the EPF contribution Government: 1.17% of salary Employer’s contribution toward employees’ deposit-linked insurance scheme is 0.50%; the administrative charges are 0.50%.</td>
<td>NPS—all citizens: Min. annual contribution of Rs 1,000 and a tax-deductible max. contribution of Rs 150,000. NPS—corporate: Flexible—contributions can be made entirely by employers, by employees, or in some combination, with a max. contribution rate of 10% of salary for each. Tier 1 account is mandatory, while Tier 2 account is optional.</td>
<td>Participants: annual contribution between Rs 1,000 and Rs 12,000 Government-matched contribution: 50% or Rs 1,000 a year (whichever is lower) Swavalamban benefit: contribution up to Rs 12,000</td>
<td></td>
</tr>
<tr>
<td><strong>Salary subject to contributions</strong></td>
<td>Monthly salary base to which the formula applies is capped at the EPF’s relatively low mandatory-contribution ceiling</td>
<td>Includes basic wages, allowances for (a) dearness, (b) retaining, (c) conveyance, (d) leave travel, (e) fixed cash, (f) petrol reimbursement, and (g) special allowances Monthly wage limit: Rs 15,000.</td>
<td></td>
<td></td>
<td>Recommended: Rs 1,000–12,000 per year</td>
</tr>
<tr>
<td>Features</td>
<td>Employees' Provident Fund</td>
<td>Voluntary Provident Fund</td>
<td>Employees' Pension Scheme (since 1995)</td>
<td>National Pension System</td>
<td>National Pension System Lite, Atal Pension Yojana</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------------</td>
<td>--------------------------</td>
<td>----------------------------------------</td>
<td>-------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Retirement age</td>
<td>Age 55</td>
<td>Age 55</td>
<td>Age 58 and retired from covered employment. Any age if (a) permanently emigrating, (b) changing employment to an establishment not covered by Employees' Pension Scheme, (c) employment ceases involuntarily or voluntarily (under a program), or (e) certain other conditions. Age 60, with an option to remain a contributing participant until age 70 Age 60. Early withdrawal under certain conditions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payout form (at retirement)</td>
<td>Lump sum</td>
<td>1/3 as lump sum; 2/3 must be taken as a nonindexed annuity</td>
<td>Effort to give a monthly pension of Rs 1000, on condition that at least 40% of accumulated savings are in unindexed annuity (or whatever guarantees minimum pension). On withdrawal before 60 years, the subscriber must invest minimum 80% of accumulated savings to purchase annuity.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disability</td>
<td></td>
<td></td>
<td>A lump sum of total employee and employer contributions, plus accrued interest minus previous withdrawals. Must be assessed with a permanent and total incapacity for work.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Features</td>
<td>Employees’ Provident Fund</td>
<td>Voluntary Provident Fund</td>
<td>Employees’ Pension Scheme (since 1995)</td>
<td>National Pension System</td>
<td>National Pension System Lite, Atal Pension Yojana</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------</td>
<td>--------------------------</td>
<td>----------------------------------------</td>
<td>-------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td><strong>Payout form</strong>&lt;br&gt;(prior to retirement)</td>
<td>Multiple circumstances qualifying for early withdrawal: education, medical treatment, repayment of home loan, marriage, purchase of land/house/apartment, natural calamity, a year before retirement, and unemployment for a period of more than one month&lt;br&gt;&lt;br&gt;If laid off (and unemployed for two-plus months), workers can cash out the share of the account balance that pertains to their own contributions.&lt;br&gt;&lt;br&gt;If quitting, workers can withdraw the provident fund balance if they will not work in the next six months.</td>
<td>Participants can withdraw 25% of their balance on three different occasions. There must be a five-year interval between the withdrawals.</td>
<td>In case of death of the contributor, balance transferred to heirs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment management</strong></td>
<td>EPF: single portfolio, managed by EPF&lt;br&gt;EPF Private Trust: according to fund managers, with return prescribed by NPF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Admin. charges</strong></td>
<td>Tier I: all the charges associated to the account are paid by the employer&lt;br&gt;Tier II: account activation and transaction charges are paid by the subscriber</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tax treatment</strong></td>
<td></td>
<td></td>
<td>NPS employer can claim tax benefits for the amount contributed toward pension of employees up to 10% of the salary (basic and dearness allowance). Employees’ contributions are also tax exempt.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: World Bank calculations based on country administrative data; EPFO 2021.*

*Note: APY = Atal Pension Yojana. EPF = Employees’ Provident Fund. NPS = National Pension System.*

*The rate of contribution payable to the provident fund by the employees and employers under the act has been revised from time to time.*
Institutional structure

The authorities have studied the NPS’s institutional structure and invested considerable resources in reforming its design and the regulatory framework. The NPS is a fully funded defined contribution scheme in which participants have one or two accounts. The Tier I account is a tax-favored retirement savings account in which withdrawals prior to retirement are limited. The Tier II account is a voluntary savings account in which the subscriber does not enjoy a tax benefit but is free to withdraw savings prior to retirement.

The NPS Trust is charged with ensuring that the system’s various players act in the best interest of their participants. They are joined in this task by (1) the Pension Fund Regulatory and Development Authority, an independent regulator, and (2) the Central Recordkeeping Agency, in charge of ensuring transparency, portability, and low cost through a unified information technology platform. Aadhaar, a unique individual identification system established in 2016, boosted the Central Recordkeeping Agency’s efficiency and effectiveness.

Participant contributions are received by the NPS Trustee Bank, who channels them to one of several independent pension fund managers certified by the Pension Fund Regulatory and Development Authority. Contributors to NPS Lite and the Atal Pension Yojana work through licensed aggregators, who pool relatively small contributions of many enrollees and forward them to the NPS Trustee Bank. Upon retirement, seven regulated annuity service providers help transfer account accumulations to annuitized payouts, according to individual choice at retirement.

Coverage

Contributory private schemes cover approximately 19.7 percent of the labor force (table B.5). Informal scheme workers represent about 47 percent of the covered population (9.3 percent of the labor force) intermittently via the Atal Pension Yojana, Swavalamban, and unorganized sector schemes. The Employees’ Provident Fund/ Employees’ Pension Scheme remains the dominant scheme for private sector workers, particularly those in companies with 20 or more employees. It covers 46 million workers, compared with about 1.4 million workers in the NPS Corporate scheme (10.1 and 0.3 percent of the labor force, respectively).

Table B.5. Coverage of contributory pension schemes, India, 2020–21

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Subscribers, millions</th>
<th>Share of labor force, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS: government</td>
<td>7.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Central government</td>
<td>2.3</td>
<td>0.5</td>
</tr>
<tr>
<td>State government</td>
<td>5.6</td>
<td>1.2</td>
</tr>
<tr>
<td>NPS: private</td>
<td>44.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Corporate</td>
<td>1.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Unorganized sector</td>
<td>2.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Swavalamban</td>
<td>4.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Atal Pension Yojana</td>
<td>36.3</td>
<td>7.9</td>
</tr>
</tbody>
</table>
Adequacy

Retirement benefits are often inadequate, even for the minority of workers with pension coverage. This is because of the scheme’s parameters and withdrawal options as well as their maturity and the duration of individual contributions.

A variety of factors affect Employees’ Provident Fund/Employees’ Pension Scheme individual replacement rates. Individuals might not be able to accumulate account balances for sufficient years for retirement benefits to be adequate. For Employees’ Provident Fund, the retirement age of 55 prevents many from accumulating for sufficient years. For Employees’ Pension Scheme, because it only began in 1995, many workers wishing to retire today have no more than about 25 years of creditable service. A second important factor is that Employees’ Provident Fund/ Employees’ Pension Scheme preretirement-withdrawal options often lead to depleted balances, leaving little for old age. The salary base used in the Employees’ Pension Scheme benefit formula was much lower when workers made contributions leading to their current retirement income, which has resulted in a small pension.

The NPS was only established in 2009 and made fully operable a few years later. Thus, contributors have had only a few years to accumulate balances. In the case of the Atal Pension Yojana, most participants are scheduled to receive a monthly pension of only Rs 1,000, though this simply reflects the low income and contributions of participants.

Overall assessment

Since 2004 Indian authorities have been building the NPS for all workers in the public and private sectors. This effort has involved substantial and laudable measures to build the delivery systems that are compatible with an informal workforce, including identification systems, payment systems, and a national platform of individual pension savings accounts.

Efforts to increase coverage and adequacy of benefits under the NPS have faced two important challenges: (1) the low and intermittent salaries of most workers limit workers’ capacity to save for the long term; and (2) other retirement savings schemes, such as the Employees’ Provident Fund/Employees’ Pension Scheme, provide substantial preretirement withdrawals and lump-sum payouts at an earlier age as well as more favorable tax treatment. Accordingly, the coexistence of the Employees’ Provident Fund/Employees’ Pension Scheme and NPS has contributed to the weak growth of the NPS.
The authorities are considering additional measures to encourage broader coverage. Two types are particularly noteworthy: (1) Creating incentives to save via soft compulsion. This could include reminders, autoenrollment in pension savings arrangements, and links between saving options and common consumption transactions. (2) Packaging savings and insurance arrangements. Similar to the Employees’ Provident Fund/Employees’ Pension Scheme, which offers formal workers bundled pensions savings and survivorship insurance, bundles might be offered to informal workers.

Some principles should guide the vision for contributory retirement savings: (1) Most Indians should work longer before receiving retirement benefits. As healthy life expectancy has increased, so too can the effective retirement age and age for receipt of noncontributory benefits. (2) Mandatory retirement savings should be extended to workers of all types, even though many or most self-employed and informal workers will not be able to comply. (3) The authorities will need to carefully balance incentives for early withdrawal with the importance of retirement savings. Early-withdrawal options can incentivize coverage. Yet some resources need to be shielded for retirement purposes. Segregating short- and long-term savings, as is often suggested for micropensions, is one option to consider. (4) One goal of retirement accounts should be to provide benefits on an annuitized or phased-withdrawal basis. This is achieved through the Tier 1 accounts of the NPS and could be applied to the Employees’ Provident Fund/Employees’ Pension Scheme as well.

Noncontributory social pensions

The National Social Assistance Program, established in 1995, consists of five schemes:

- The Indira Gandhi National Old Age Pension Scheme, a noncontributory scheme targeted at Indians over age 60 who live below the poverty line
- The Indira Gandhi National Widow Pension Scheme, which provides widows aged 40–79 with a monthly benefit of Rs 300 a month
- The Indira Gandhi National Disability Pension Scheme, which supports individuals ages more than 18 living below the poverty line
- The National Family Benefit Scheme, which grants a lump-sum benefit in the event of the death of a breadwinner
- The Annapurna Scheme, which provides 10 kilograms of free rice each month to qualifying senior citizens

The Indira Gandhi National Old Age Pension Scheme is the main program aimed at old-age income protection. Eligibility is limited to adults aged 60 and over who live in households beneath the poverty line. The scheme’s benefits are low, with a central government payment of Rs 200 per month for beneficiaries ages 60–79 or Rs 500 per month for those ages 80 or more. State governments are encouraged to supplement these payments with an equal or greater contribution; however, state supplemental payments vary widely. Among the poorer states, the payments vary from Rs 100 to Rs 200, but, in Goa, this reaches as much as Rs 1,800. State supplements reach or exceed Rs 500 in only six states.

Indian authorities opted for the scheme to have relatively wide coverage, with the consequence of limiting adequacy. Moreover, the benefit amount was aligned with the fiscal priorities and spending capacity of each state. The authorities have means-tested receipt of the benefit. All of these seem to be sensible choices.

One option to consider is to link the social assistance and informal sector retirement databases to each other and to the Indira Gandhi National Old Age Pension Scheme benefits to facilitate means-tested matching grants.
Maldives

Maldives will need a pension system with both better coverage and adequacy to support the aging population in the context of a shrinking workforce. In 2009, Maldives established the contributory Maldives Retirement Pension Scheme (MRPS). This includes the universal Old Age Basic Pension (OABP), which provides a flat benefit to all retirees at age 65 regardless of their contributory histories. The current pension system faces three main challenges: (1) it poses significant and rising fiscal costs over the long term; (2) it is inequitable, as an estimated 30 percent of government retirees receive pensions from both the OABP and their respective agencies; and (3) coverage is limited to the third of the members of the labor force who actively contribute to the MRPS, and an important part of the covered population is civil servants. Unless coverage can be increased, about two-thirds of the labor force will only receive the OABP benefit despite the rapid aging.

Demographics and aging

Maldives is undergoing a dramatic demographic transformation: over the coming four decades, the elderly will grow almost ninefold, while the working-age population will decline by almost a quarter (figure B.4).

Figure B.4. Projected age distribution and dependency ratios, Maldives

Note: 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.

Maldives began aging around 2020, when both the total dependency ratio and the old-age dependency ratio reached a low point. Prior to this, Maldives could draw upon a demographic dividend. A sharp escalation in the old-age dependency ratio is projected, doubling from 4.9 percent in 2020 to almost 10 percent in 2030 and 16.8 percent by 2040. The rapid growth in the number of the elderly is attributed to projected increases
in life expectancy at age 65 of about one year per decade, along with a rapid drop in the fertility rate. This has two implications: (1) more households will need to support the elderly that are not able to work; (2) old-age vulnerability could increase.

Maldives Retirement Pension Scheme

The MRPS is a defined contribution pension scheme established in 2009 for civil servants, with coverage extended to private sector workers in 2011. The scheme is managed by the Maldives Pensions Administration Office, which is responsible for collections, accounting, recordkeeping and data management, communications with employers and members, investment management, benefit calculations, and disbursement.

This mandatory contributory scheme has a contribution rate of 14 percent of the basic salary for the employer and employee combined (table B.6). Contributions are invested in asset classes stipulated under the Pension Act. The retirement age is 65, although workers can retire at age 55 under certain conditions. Old-age benefits are provided in a phased withdrawal, and the simple individual annuitized benefit is calculated by dividing the account balance at retirement by the life expectancy of the cohort.

Table B.6. Maldives Pension Insurance Scheme, 2022

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution rate</td>
<td>14% of basic salary for employer and employee combined</td>
</tr>
<tr>
<td>Administration fees</td>
<td>0.6% of retirement savings account annually</td>
</tr>
<tr>
<td>Eligibility conditions</td>
<td></td>
</tr>
<tr>
<td>Eligibility age</td>
<td>65</td>
</tr>
<tr>
<td>Early-retirement eligibility</td>
<td>Age 55+, provided the retirement savings account balance is sufficient to provide a lifetime monthly payment of at least twice the amount of the old-age pension prevailing at the time of retirement</td>
</tr>
<tr>
<td>Old-age benefits</td>
<td>Balance in the member’s retirement savings account at time of retirement, divided by life expectancy at the age at time of retirement. The benefit can be in the form of a lifetime annuity, joint annuity, guaranteed annuity, or other annuity approved by the Maldives insurance regulator.</td>
</tr>
<tr>
<td>Survivorship benefits</td>
<td>Lump-sum distribution of retirement savings account accumulation</td>
</tr>
<tr>
<td>Housing-loan collateralization and Hajj disbursement</td>
<td>MRPS balances can be used to collateralize housing loans, according to a sliding scale by the age of the contributor.</td>
</tr>
<tr>
<td>Maldives Old Age Basic Pension</td>
<td>The Basic Pension amount has been Rf 5,000 since March 2019. For those receiving pensions from other schemes, the Basic Pension will be adjusted as follows: • 50% of the amount received from the MRPS • 100% of the amount received from any other state-funded pension scheme Pensioners not eligible for Basic Pension: those receiving more than (a) double the Basic Pension amount from the MRPS or (b) the Basic Pension amount from any state-funded pension scheme</td>
</tr>
</tbody>
</table>


Note: MRPS = Maldives Retirement Pension Scheme.
The MRPS has offered attractive returns over the past decade. Two preretirement investment funds are offered (the Investment Fund and Sharia Fund), and three funds are offered during retirement. The investment fund has had an average annual return since inception of 6.5 percent, much higher than the average deposit interest rate in the banking system of 3.8 percent over the same period.

The OABP, offering Rf 5,000 per month, is provided to all Maldivians starting at age 65, regardless of their participation in the MRPS. Since the inception of the MRPS, the government has provided the OABP to retirees with a clawback or reduction of 50 percent of the amount received from the MRPS as well as 100 percent of the amount received from any other state-funded scheme.

The combination of a universal basic pension and a contributory defined contribution scheme results in a relatively generous redistributive pension (figure B.5). A full-career worker earning 50 percent of the average wage would receive an estimated 107 percent of the average covered wage, while a worker earning 200 percent of the average wage would receive an estimated 36 percent of the average covered wage. The average wage worker with a full career would have an individual replacement rate of almost 60 percent. This is considered generous by most international metrics; it is higher than the Organisation for Economic Co-operation and Development (OECD) average of 52 percent. Only Denmark provides a higher replacement rate for a low-wage worker, at 125 percent.

**Figure B.5. Simulated individual replacement rate, retirement pension and old-age pension**

![Graph showing simulated individual replacement rate](image)

**Source:** World Bank calculations based on the APEX model.

**Note:** The real rate of return is assumed to be 6 percent a year, while the real rate of wage growth is assumed to be 4 percent. DC = defined contribution.

As a relatively new scheme with a high minimum, it is unsurprising that over 90 percent of retirees under the defined contribution scheme receive the minimum of Rf 5,000 per month (table B.7). OABP’s high level, together with the 50 percent clawback from the contributory benefit, diminishes the incentives to contribute and to correctly report current basic wages.
### Table B.7. Distribution of retirees receiving the retirement pension, Maldives, 2020

<table>
<thead>
<tr>
<th>Monthly benefit (Rf)</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retirees, number</td>
<td>Cumulative, %</td>
</tr>
<tr>
<td>5,000</td>
<td>955</td>
<td>90</td>
</tr>
<tr>
<td>5,001–5,204</td>
<td>22</td>
<td>92</td>
</tr>
<tr>
<td>5,205–5,765</td>
<td>20</td>
<td>93</td>
</tr>
<tr>
<td>5,766–6,791</td>
<td>22</td>
<td>96</td>
</tr>
<tr>
<td>6,792–7,943</td>
<td>24</td>
<td>98</td>
</tr>
<tr>
<td>7,943–10,947</td>
<td>24</td>
<td>100</td>
</tr>
</tbody>
</table>


The OABP provides a much higher replacement of the average wage compared with OECD and G20 comparison countries. The OABP provides a benefit equal to about 73 percent of the average covered wage. This is much higher than both the average noncontributory basic benefit and the contributory-based basic benefit in OECD and G20 countries, which are 21.5 and 14.3 percent respectively (OECD 2021).

The adequacy of benefits is, however, considerably lower when compared with total individual compensation because contributions are levied only on basic salaries. For example, in 2020, the basic salary of government employees represented about 46 percent of total compensation, while the remainder came from nonpensionable allowances. There was also considerable variation in the individual proportions of total compensation constituted by the basic salary and allowances: a one standard deviation variation was about 14.5 percent of total compensation. Accordingly, the replacement rates calculated in figure B.5 would be roughly 50 percent lower for about two-thirds of government retirees if calculated with respect to total compensation. Even more substantial differences would apply to those with more (or fewer) allowances as a proportion of total compensation.

Key challenges

The projected fiscal costs of government contributions on behalf of civil servants, payment of civil servant defined benefit pensions, encashment of recognition bonds, and payment of OABP benefits are estimated at about 2.6 percent of GDP a year over the coming decade (figure B.6). The costs are projected to surge to more than 5 percent of GDP in about 40 years. This does not include the costs of additional civil service or uniformed-services pensions that could be established in the future, and it does not reflect the impact of the minimum wage reform. Much of the increase in fiscal costs is attributed to the projected costs of the OABP as the number of eligible retirees grows substantially in the years ahead.
Figure B.6. Baseline and reform option projections, Maldives, % of GDP

Source: Simulation using the Pension Reform Options Simulation Toolkit, 2021.

Note: For the Pension Reform Options Simulation Toolkit, see, for example, World Bank (2020). MRPS = Maldives Retirement Pension Scheme.

The projection of OABP costs depends heavily on the indexation method adopted. Automatic adjustment of the OABP according to the growth in consumer prices is estimated to roughly stabilize the costs at under 2 percent of GDP for about 25 years. Wage-based indexation or a combination of price- and wage-based indexation would result in a projected escalation of costs. However, inflation-based indexation would gradually reduce the individual replacement rate for the basic pension because wages tend to grow more quickly than prices.

Coverage

About a third of the labor force are active contributors to the MRPS, and about 40 percent of these contributors are civil servants, including teachers and health workers (figure B.7). Foreign nationals and self-employed persons may participate in the MRPS voluntarily. All employers and salary/wage employees are required to contribute to the scheme. Looking at the correlation between, on one side, the proportion of the working-age population covered by contributions to a retirement scheme and, on the other side, GDP per capita, the Maldives’s pension scheme underperforms relative to many other countries. Low coverage combined with rapid aging suggests that Maldives should consider measures to increase contributory coverage or alternative retirement savings arrangements.
Appendix B. Old-age schemes, by country

**Figure B.7. Labor force coverage, Maldives**

<table>
<thead>
<tr>
<th>Year</th>
<th>Public sector</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.2%</td>
<td>19.0%</td>
</tr>
<tr>
<td>2011</td>
<td>2.0%</td>
<td>21.6%</td>
</tr>
<tr>
<td>2012</td>
<td>16.4%</td>
<td>19.3%</td>
</tr>
<tr>
<td>2013</td>
<td>14.2%</td>
<td>18.5%</td>
</tr>
<tr>
<td>2014</td>
<td>13.9%</td>
<td>18.3%</td>
</tr>
<tr>
<td>2015</td>
<td>14.7%</td>
<td>18.9%</td>
</tr>
<tr>
<td>2016</td>
<td>12.3%</td>
<td>18.9%</td>
</tr>
<tr>
<td>2017</td>
<td>13.5%</td>
<td>19.2%</td>
</tr>
<tr>
<td>2018</td>
<td>14.0%</td>
<td>19.3%</td>
</tr>
<tr>
<td>2019</td>
<td>14.3%</td>
<td>19.3%</td>
</tr>
<tr>
<td>2020</td>
<td>17.1%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

**Sources:** MBS 2021; WDI (World Development Indicators) (Data Catalog), World Bank, Washington, DC, [https://datacatalog.worldbank.org/search/dataset/0037712](https://datacatalog.worldbank.org/search/dataset/0037712).

The universality of the OABP means that all of the elderly are covered by a benefit that is generous by international standards (about three-quarters of the average covered basic salary) (figure B.8). In 2019, only about 8 percent of retirees received a contributory retirement pension in addition to the OABP. This limited retiree coverage reflects the newness of the scheme: few private sector workers had both registered and retired over the eight-year period.

**Figure B.8. Old-age beneficiary coverage, Maldives, % of 65+ age-group, 2021**

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirement pension</th>
<th>Civil service pension</th>
<th>Basic pension</th>
<th>Senior citizen allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4%</td>
<td>44%</td>
<td>44%</td>
<td>95%</td>
</tr>
<tr>
<td>2015</td>
<td>5%</td>
<td>44%</td>
<td>44%</td>
<td>95%</td>
</tr>
<tr>
<td>2016</td>
<td>7%</td>
<td>43%</td>
<td>43%</td>
<td>98%</td>
</tr>
<tr>
<td>2017</td>
<td>8%</td>
<td>43%</td>
<td>43%</td>
<td>100%</td>
</tr>
<tr>
<td>2018</td>
<td>8%</td>
<td>43%</td>
<td>43%</td>
<td>101%</td>
</tr>
<tr>
<td>2019</td>
<td>8%</td>
<td>43%</td>
<td>43%</td>
<td>105%</td>
</tr>
</tbody>
</table>

**Sources:** MBS 2021; World Population Prospects (dashboard), Population Division, Department of Economic and Social Affairs, United Nations, New York, [https://population.un.org/wpp/](https://population.un.org/wpp/).
The minimum wage, established at the beginning of 2022, could make compliance more costly for employers and workers to the degree that basic salaries increase. To the extent that labor costs increase, some businesses may have a weaker incentive to contribute to the pension scheme. Therefore, stronger compliance oversight becomes even more important.

Reform options

The two key challenges that need to be addressed in Maldives are the high and unsustainable OABP benefit level and the limited private sector labor force coverage. The parameters of the OABP need to be changed to make the benefit more fiscally affordable and strengthen the incentives to work and save for retirement. The government may want to consider the following (not mutually exclusive) options:

- Index the benefit level to the consumer price index. This would modestly reduce the growth in costs, as wages tend to grow faster than prices.
- Freeze the benefit level at Rf 5,000 for existing and new retirees. When the benefit level reaches 50 percent of median individual total expenditures (the national poverty line), the government would adjust the benefit based on growth in the consumer price index.

Several policy and institutional measures are needed to strengthen the overall incentive structure and ultimately expand coverage. The following options may be proposed:

- The menu of individual risks covered by the MRPS needs to be extended to make participation in the scheme more attractive. The associated measures could include the following:
  - Unemployment insurance. Earmark some of pension contributions or account accumulations to the provision of unemployment insurance benefits. The government has already announced its intent to establish an unemployment insurance scheme, although at the time of publication it is still formulating the design and financing.
  - Permanent disability. Establish criteria for withdrawals of pension savings accumulations if a contributor is certified as disabled and unable to work. Disability coverage could also include partial withdrawals for life-threatening illnesses.
  - Survivorship. The authorities could establish a voluntary state-sponsored life insurance program based on voluntary supplementary premiums.
  - Financing of mortgage down payments. The authorities could review the financing facility for home mortgages to provide additional flexibility while ensuring that beneficiaries repay the amount withdrawn.
- Enhance the window for voluntary contributions. The MRPS already has a program of voluntary contributions for the self-employed. It may be possible to enhance this program by enabling employers or employees to enhance their benefits through supplementary contributions and contributions during temporary employment. This might take the form of matching contributions as has been proposed for informal workers in the unemployment insurance program under development. Some countries have also enhanced the incentives for voluntary contributions by segregating such contributions into separate accounts that are
much more liquid and from which workers can make withdrawals under much more lenient conditions. Such accounts are more of a means of financial inclusion than of retirement savings per se. Contributions to a voluntary window should also be flexible both in amount and frequency.

- Strengthen incentives for contributions. These incentives might include: (1) an autodebit arrangement for periodic withdrawals and transfers from bank accounts to the MRPS accounts; (2) bimonthly text reminders for registered workers who are not contributing; (3) linkages to lottery tickets for minimum recurrent contributions; and (4) small matching contributions targeted at low-income workers.

- Measures to enhance compliance. The Capital Market Development Agency supervises the MRPS. Several measures could be explored to enhance compliance, including (1) establishing a process of reconciliation between, on one side, wage reporting for the purposes of calculating corporate income tax and, on the other side, declared wages for the purposes of determining pension contributions; (2) requiring pension registration for all companies that directly or indirectly carry out government contracts; (3) linking pension registration to business licensing and renewal; and (4) if possible, introducing risk-based compliance monitoring including review of corporate bank records.

- Investment management. Over the medium term, the authorities may want to investigate the possibility of enabling contributors to decrease the risk of their portfolios as they get closer to retirement. Members already can choose to place their funds in the Investment Fund or the Sharia Fund. A growth fund and an income-preservation fund could be additional choices. Another option is to enable contributors to access the Conservative Fund or the Sharia Retirees Fund prior to retirement.

Nepal

The Contributory Social Security Act became effective in August 2017, and, in 2019–20, the authorities began to implement a framework for mandatory pensions and social security contributions for private sector workers. Prior to the establishment of the framework, private sector workers could voluntarily participate in the Nepal Employees Provident Fund. Two key problems with the framework are that (1) the authorities do not have the institutional capacity to implement the scheme and (2) the contribution rate is far too high at 31 percent of wages. This makes it largely unaffordable for formal sector schemes and prohibitively costly for informal ones.

In terms of noncontributory benefits, the old-age allowance provides Nr 4,000 a month to those ages more than 68 and Nr 2,660 at age 60. These generous benefits of about 6 percent of fiscal revenue (as of FY 2022) are quasi-universal, covering about 85 percent of intended beneficiaries. The authorities could improve the welfare of poor households by means testing the old-age allowance and using the cost savings to benefit poor households.

Demographics

The current and projected age profile of Nepal suggests gradual aging, with the old-age dependency ratio at about 8.9 percent in 2020 and projected to double to 18.1 percent by 2050 (figure B.9). The total dependency ratio is also projected to decrease substantially during the same period.
Figure B.9. Projected age distribution and dependency ratios, Nepal


Note: 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.

Description of contributory pension scheme

The Employees Provident Fund was established in 1962 as a mandatory pension scheme for government employees and as a voluntary scheme for private firms. The scheme is a defined contribution design and provides a lump-sum benefit at retirement. As of March 2021, there were an estimated 600,000 contributors to the fund (about 3.5 percent of the labor force) (table B.8). The fund applies an administered interest rate to remunerate balances. It also provides additional benefits such as accident indemnity, funeral grants, and, since 2018, health insurance. Special loans are also available. Accounts are portable across jobs and can be closed if inactive for six years.

Table B.8. Worker coverage of contributory pension schemes, Nepal, 2017–18

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Contributors</th>
<th>Share of labor force, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees Provident Fund</td>
<td>600,000</td>
<td>3.7</td>
</tr>
<tr>
<td>Citizen Investment Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees Saving and Growth Retirement Fund Scheme</td>
<td>223,383</td>
<td>1.4</td>
</tr>
<tr>
<td>Investors Account Scheme</td>
<td>25,660</td>
<td>0.2</td>
</tr>
<tr>
<td>Pension/Gratuity Scheme</td>
<td>14,000</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>863,043</strong></td>
<td><strong>5.3</strong></td>
</tr>
</tbody>
</table>

Source: Sane 2019.
In 1991, a savings program, the Citizen Investment Trust, was established. It operates 11 separate schemes, 3 of which relate to retirement:

- The Employees Saving Growth Retirement Scheme is a defined contribution scheme in which employees can contribute up to NPR 300,000 (or a third of their annual remuneration) tax free. Contributors need not wait until retirement and can withdraw a lump sum whenever they desire.

- The Pension/Gratuity Scheme is a deposit scheme in which employers can outsource the management of occupational pensions to the Citizen Investment Trust.

- The Investors Account Scheme was established in 2000. Although its statutes dictate that the government can require contributions, participation has remained voluntary (Sane 2019).

The Social Security Fund was established in 2017, launched in 2018, and implemented in 2019 with the aim of expanding coverage of contributory pension and insurance schemes to all workers (including informal ones), not only civil servants. The fund includes four schemes: (1) old-age benefit; (2) medical, health, and maternity benefit; (3) accident and disability benefit; and (4) dependent-family benefit. The framework requires that all private sector employers and employees contribute 31 percent of employees' basic salary. The schemes' financing is supported by budgetary transfers and loans from the government, and the Social Security Act includes provisions for the government to make matching contributions for self-employed workers and workers in the informal sector.

The two components of the old-age benefit scheme are designed as defined contribution schemes (table B.9). The first provides benefits as a lump sum, and the other grants a pension based on the accumulation at age 60. There is a vesting period of 180 months (15 years). Spousal survivorship benefits are provided as an annuity. There is also a Dependent Family Security scheme, which provides benefits to workers’ families in the event of death by accident or occupational disease.

### Table B.9. Parameters of existing pension schemes, Nepal

<table>
<thead>
<tr>
<th>Features</th>
<th>Employees’ Provident Fund</th>
<th>Contribution-based Social Security Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td>DC</td>
<td>DC</td>
</tr>
<tr>
<td><strong>Contribution rates</strong></td>
<td>10% of basic wage from employee. Currently, the government has made a matching contribution of 10%</td>
<td>31% of basic wages, so that (a) 28.33% is accumulated for old-age benefit scheme, and (b) 2.67% for medical, accidental, and dependent-family security schemes</td>
</tr>
<tr>
<td><strong>Mandatory contributions</strong></td>
<td>Voluntary for private firms: employee contributions remain at 10%; employers may choose how much to contribute</td>
<td>Mandatory: 20% from employer and 11% from employee</td>
</tr>
</tbody>
</table>
### Features

<table>
<thead>
<tr>
<th>Features</th>
<th>Employees’ Provident Fund</th>
<th>Contribution-based Social Security Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Retirement Facility Scheme</td>
</tr>
</tbody>
</table>

#### Qualifying conditions

<table>
<thead>
<tr>
<th>Vesting period</th>
<th>180 months or 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement age</td>
<td>58 or upon termination of employment</td>
</tr>
<tr>
<td>Disability qualification</td>
<td>A lump sum of Nr 200,000 is paid for a total disability; partial disability: a lump sum of Nr 10,000 to Nr 25,000 is paid, depending on the assessed degree of disability</td>
</tr>
<tr>
<td>Benefits (DB: accrual rate, indexation; DC: lump sum, phased withdrawal, annuity)</td>
<td>Lump sum with accrued interest rate of 8%*; 50% of the lump-sum withdrawal is tax exempt up to NPR 500,000.</td>
</tr>
<tr>
<td>Survivorship benefits</td>
<td>A lump sum of total employee and employer contributions plus accrued interest (8%) minus previous withdrawals is paid to a named survivor or legal heir</td>
</tr>
</tbody>
</table>

---

**Sources:** “Nepal” in SSA and ISSA 2019; SAR Associates 2019; Social Security Act, Act No. 19 of June 2, 2075 (September 18, 2018); SSF (Social Security Fund) (dashboard), SSF, Kathmandu, Nepal, [https://ssf.gov.np/](https://ssf.gov.np/).

**Note:** DB = defined benefit. DC = defined contribution.

* The administered Employees’ Provident Fund interest rate was 8.25 percent in 2017–18. However, there were a few years with a higher inflation rate, which implies that the real rate given by the Employees’ Provident Fund was negative.

** Employees who were part of another provident fund but are now transferring to the Social Security Fund will choose between the two schemes, whereas new workers can only contribute to the pension benefit scheme.

**The rollout of Social Security Fund schemes has been challenging.** According to the *Nepali Times* (2021), only 17,507 firms with 375,904 individuals registered as of November 2022.
Social pensions

Nepal provides multiple social security allowance benefits, including the old-age allowance. Since July 2022, the old-age allowance has been provided at age 68 for the general population and at age 60 for Dalits and Karnali residents. The reduction in the minimum age of eligibility is expected to increase the number of beneficiaries by some 300,000 (SSA 2022). The benefit is pension tested in the sense that individuals receiving public sector pensions (about 1 percent of the elderly population) cannot receive the old-age allowance. An analysis of administrative data in a World Bank public expenditure review suggests that the old-age allowance reached about 82 percent of intended recipients (World Bank 2021b).

In 2021 the benefit was increased to Nr 4,000 a month (about US$33; up from Nr 3,000 in July 2020), and other social security allowance benefits were similarly increased. The costs increased, as the authorities reduced the eligibility age (in fiscal years 2009 and 2022) and increased the benefits. More than half of social assistance expenditures in 2019–20 went to the old-age allowance, received by roughly 1.5 million beneficiaries by mid-2021.23

The old-age allowance has close to universal coverage for its intended beneficiaries and offers a benefit of about 35 percent of GDP per capita. By earmarking so many scarce public resources to a quasi-universal program for the elderly, the authorities are neglecting to allocate sufficient resources to other poor and needy recipients. The authorities could therefore strengthen overall efficiency of social assistance by means testing the old-age allowance benefit and using the cost savings to provide assistance to other social security recipients.

Pakistan

Pakistan’s private sector pension scheme, Employees’ Old-Age Benefits Insurance (EOBI), is a defined benefit scheme that structures its contributions and minimum benefits along the lines of the minimum wage. Although this may make it affordable for some employers and workers, the defined benefit design and discretionary parameters also create great uncertainty and risk for contributors, which seems to lead to low coverage. Moreover, the administrative systems lack the interoperability and efficiency to align with a mobile labor force, so it is difficult for workers to carry their rights to other states. Although Pakistan does not have a noncontributory social pension, it does have the Benazir Income Support Program (BISP), which provides basic income support to poor households, including those with elderly members. Household survey data suggest that about 14 percent of households enrolled in BISP have at least one elderly member, so an estimated 2.4 million elderly individuals receive BISP benefits.

Demographics

Pakistan has the benefit of favorable demographics: a relatively low proportion of the population is over 65 (4.3 percent), and this is growing slowly (figure B.10). Moreover, the total dependency rate continues to decline substantially in part because of falling birthrates, which can provide a demographic dividend. Pakistan had an old-age dependency ratio of about 7 percent in 2020, which is expected to increase to 12 percent by 2050.
Figure B.10. Projected age distribution and dependency ratios, Pakistan


Note: 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.

Description of contributory pension schemes

EOBI is a mandatory contributory defined benefit scheme for all firms with five or more workers. Businesses with fewer than five employees can opt to register; however, the self-employed are not covered. Employers are required to contribute 5 percent of the applicable minimum wage, while employees pay 1 percent.

EOBI provides four main benefits: (1) the Old-Age Pension for retirement, (2) the Invalidity Pension for permanent disability, (3) the Old-Age Grant for Insured Persons, for people who reach superannuation age but fail to reach the minimum threshold for a pension, and (4) the Survivor’s Pension, activated in the event of the death of an insured worker (table B.10).

Table B.10. Employees’ Old-Age Benefit Insurance, Pakistan, summary parameters, 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design and financing</td>
<td>Pay-as-you-go defined benefit</td>
</tr>
</tbody>
</table>
| Contribution rates           | In federal areas, employers contribute 5% of the worker’s minimum wage (PRs 13,000), while employees contribute 1%.  
In Punjab, Sindh, Khyber Pakhtunkhwa, and Balochistan, the contributions are collected based on a minimum wage rate of PRs 8,000, even though the minimum wage is PRs 20,000 a month.  
The federal government may also make contributions to make up any deficiencies.  
The self-employed and those not covered can also make voluntary contributions. |
Appendix B. Old-age schemes, by country

<table>
<thead>
<tr>
<th>Category</th>
<th>Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>Old-age pension: benefit formula: (average minimum monthly wages (\times) no. of years of insurable employment)/ 50; 2% a year accrual rate.</td>
</tr>
<tr>
<td></td>
<td>Reduced old-age pension available within five years of retirement age; pension reduced by 6% yearly.</td>
</tr>
<tr>
<td></td>
<td>Minimum pension, for the elderly and invalid and for survivors: PRs 8,500 a month</td>
</tr>
<tr>
<td>Survivor’s pension</td>
<td>Benefit equal to minimum pension after the death of an insured person for a period of at least three years. In case of death of spouse who was receiving the insured person’s benefits, pension will be divided among children in equal share.</td>
</tr>
<tr>
<td>Invalidity or disability pension</td>
<td>Employment injury suffering an earning capacity loss of at least 67% entitles worker to invalidity pension subject to vesting:</td>
</tr>
<tr>
<td></td>
<td>At least 15 years of contributions, or</td>
</tr>
<tr>
<td></td>
<td>At least 5 years of contributions, of which at least 3 years must be in insurable employment.</td>
</tr>
<tr>
<td>Old-age grant</td>
<td>Old-age grant (if an employee is not eligible for pension): must have two years of insurable employment. Benefit = lump-sum payment of one month of earnings for each year of insured employment.</td>
</tr>
</tbody>
</table>

**Qualifying conditions**

| Old-age pension           | Vesting period: 15 years of insurable employment                                                                                           |
|                          | Age: 60 for men; 55 for women. 55 years for male miners in mining for at least 10 years.                                                   |
| Survivorship             | Survivor’s pension: three of last five years of insurable employment*                                                                      |

*Source:* EOBI 2022.

* If the deceased became eligible for an old-age or disabled pension, the spouse would receive the pension of the deceased for their lifetime. In case of the death of a spouse who was receiving the insured person’s pension, this pension would be divided among children in equal shares until they reach the age of 18 (or in the case of girls, until they marry or reach age 18, whichever comes earlier; however, since July 2010, daughters can receive this pension until they marry). In case an insured person has not left a spouse or children behind, their parents are entitled to the survivor’s pension for five years.

**Coverage.** According to the EOBI website, there were 9.9 million registered individuals at the end of May 2022, which represents about 13.4 percent of the 2021 labor force. However, many registered individuals are not active. Although no precise data are available on the size of the labor force in firms with five or more employees, it is clear that EOBI actively covers only the minority of the labor force that is supposed to be contributing. About 458,000 individuals received benefits under the old-age pension (as of May 31, 2022), or about 3 percent of the elderly over age 60 (EOBI 2022). EOBI therefore provides worker coverage and pensions to a small portion of the Pakistani population.

**EOBI is self-financed on a pay-as-you-go basis and can adjust the benefit according to the financial position.** Although it periodically undertakes actuarial evaluations, no recent reports are accessible.

**Evaluation.** The World Bank has not undertaken an in-depth assessment of the policy and institutional challenges facing EOBI. Nisar, Wahab, and Siddiqui (2020) find problems of recordkeeping, financial mismanagement, inefficiency, and poor cooperation among offices despite the mobile labor force.
The ease with which firms can avoid participation by claiming fewer than the required employees or by underreporting wages contributes to poor coverage, particularly in a labor market in which, by many estimates, at least 70 percent of jobs are informal. For the following reasons, EOBI’s design and parameters may be weakly aligned with the past, current, and future characteristics of most of the labor market in Pakistan:

- Eligibility is based on a 15-year vesting period that requires contributions to be levied according to the applicable minimum wage. Since the minimum wage in many cases exceeds actual wages paid, the effective contribution rate can exceed 6 percent of wages.
- Labor mobility along with the vesting requirement requires an up-to-date integrated database that can efficiently track work histories and contributions across all types of firms nationwide, including across provinces.
- Contributions are grounded in the minimum wage, which is subject to discretionary adjustments. This creates uncertainty for the worker about the stream of costs.
- The minimum benefit is appropriately linked to actuarial valuation (for purposes of sustainability), yet weak coverage and poor contribution densities contribute to relatively low minimums.
- The combination of linking the contributions to the minimum wage and the uncertain minimum creates weak links between contributions and benefits. This makes the scheme unattractive for many employers and workers.

Elderly social assistance

Although Pakistan does not have a program for noncontributory social assistance for the elderly, it does have an important social assistance scheme that provides assistance for the poor across the age spectrum. BISP, established in 2008, provides UCTs to the poorest according to a poverty targeting methodology. In December 2022, the benefit amount per household was PRs 28,000 a year (table B.11).

Table B.11. Benazir Income Support Program, Pakistan, summary of parameters

<table>
<thead>
<tr>
<th>Category</th>
<th>Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>PRs 7,000 per family per month, paid every quarter</td>
</tr>
<tr>
<td>Eligibility age</td>
<td>Irrespective of age</td>
</tr>
<tr>
<td>Targeted population and targeting method</td>
<td>Poorest 20% of households in Pakistan, according to eligibility assessed through Benazir Income Support Program poverty scorecard, a proxy means test</td>
</tr>
<tr>
<td>Fiscal cost</td>
<td>Total budget PRs 169 billion (FY 2020–21)</td>
</tr>
<tr>
<td>Adequacy, benefit as a % of individual poverty line income</td>
<td>26%</td>
</tr>
</tbody>
</table>


Note: This figure includes the value of the transfer and administrative expenditure. Adequacy was calculated when the monthly payment remained at PRs 1,000 per family.
Reform options

**Strengthening retirement savings options for Pakistani workers requires design reforms to EOBI and substantial investments in delivery systems.** These measures could include the following:

- The EOBI pay-as-you-go scheme could better serve Pakistani workers with a defined contribution design supported by strengthened delivery systems. A defined contribution design would enable the consolidation of retirement savings from multiple employment sources and provide a common framework for formal and informal employment.

- The new scheme could remain mandatory for workers in organizations of five or more employees, but it would need to provide greater scope for contributions, possibly voluntary, beyond the minimum. It is important to establish a framework for voluntary contributions by the self-employed and workers in small enterprises.

- Incentivizing informal workers requires many measures, including the popular measure of allowing one account for old age and another that is more flexible and can be used for short-term shocks such as natural disasters, disability, or major health issues. Unemployed workers and workers in nonqualifying jobs could make voluntary contributions, enhanced by autopayment, reminders, and autoenrollment. The rate of return on contributions should be no less than the inflation rate plus the average interest rate on banking certificates of deposit, with the state providing a subsidy for any difference between the rate of return on assets on the accrued minimum rate.

- Funds in the new scheme will need to achieve a competitive rate of return to be attractive to workers. Achieving this requires minimizing administrative costs.

- A new scheme should anticipate a higher retirement age of perhaps 65 for men and women for receipt of old-age account accumulations. This would capture a work life more consistent with the growth of longevity and work capacity observed in Pakistan.

- Infrastructure for efficient and effective delivery systems is essential to any design. It will need to include an information system that can not only easily aggregate accumulations from complex work histories but ensure timely account reconciliation and web-based communications with contributors. It will also need to be supported by payment systems that can efficiently link with workers, ideally through mobile payment platforms, and be anchored by a unique identification system.

- A new system of oversight and supervision will be needed to ensure public confidence. Oversight should build on a core set of principles of transparency so individuals and market participants are party to the risks and benefits of pension savings.

**Noncontributory assistance such as that currently offered through BISP will continue to be an essential means of protecting the poorest, including the elderly poor.** Continued efforts to improve the efficiency, effectiveness, and accountability of BISP are essential for the welfare of many Pakistanis.

**Sri Lanka**

**Sri Lanka’s population is the oldest in the region and rapidly aging.** It has a generous noncontributory defined benefit civil service pension scheme that absorbs an increasing share of scarce fiscal resources. Its Employees’ Provident Fund covers almost a third of the labor force but offers benefits at too young a retirement age to adequately
smooth income from work life into retirement. The lump-sum distribution fails to support most retirees throughout retirement. There are three informal sector funds that face challenges of design, administration, and financing; they are defined benefit sectoral funds that offer ad hoc parameters, which create considerable uncertainty for workers. Sri Lanka has one noncontributory means-tested elderly-assistance scheme that offers small benefits to the elderly poor. Still, its coverage is broad for both elderly-assistance and social assistance schemes.

**Recent economic circumstances have aggravated the challenges to old-age income protection in Sri Lanka.** The cost of civil service pensions has increased dramatically over the past decade (IMF 2022). At the same time, loss of employment during the pandemic may have reduced the number of Employees’ Provident Fund contributors and undoubtedly affected Employees’ Provident Fund balances.

**Demographic conditions**

**Sri Lanka has an aged and aging population.** Population aging has already started to increase the elderly population relative to the working-age population, and it will soon begin to reduce the size of the working-age population, absolutely and relatively. Sri Lanka’s working-age population will begin to decline in absolute terms in about 2025 and has already begun to peak. The population aged 65 and over was about 11.2 percent of the total population in 2020 and is projected to more than double by 2050, as will the old-age dependency ratio.

**The demographic dividend enjoyed until about 2005 has ended, with the total dependency rate now increasing** (figure B.11). The median age of the population increased from 27.6 in 2000 to 34.0 in 2020 and is projected to further increase to 41 by 2050. This suggests that an aging working-age population will have to support more and more elderly people, which in turn implies a growing importance of state-sponsored or state-managed vehicles for old-age income protection for those who cannot work in old age.

**Figure B.11. Projected age distribution and dependency ratios, Sri Lanka**

![Figure B.11](image-url)


**Note:** 2025–60 estimates assume medium fertility rates. The old-age dependency ratio is the share of the population ages 65 or more per 100 population ages 15–64. The total dependency ratio is the share of the population ages 0–14 and 65 or more per 100 population ages 15–64.
The labor market is substantially informal. In 2020, about 62 percent of employed men and 50 percent of employed women worked in informal jobs (DCS 2021). Many of those in the formal sector are also believed to have relatively short work histories, as they go in and out of formal sector jobs. Old-age income protection must efficiently accommodate the large proportion of the labor force that has low and intermittent earnings and must have the institutional mechanisms to accommodate frequent job changes.

Description of contributory pension schemes

Sri Lanka has a fragmented set of pension system arrangements that have insufficient coverage and adequacy to provide for its rapidly aging population (table B.12). The Employees’ Provident Fund is an employer-based defined contribution savings scheme that provides relatively low benefits at too early a retirement age and in lump-sum form. It has a combined employer/employee contribution rate of 20 percent. Account balances to members can be refunded at age 55 for men and 50 for women. The Employees’ Provident Fund has a facility by which members can use a portion of their accumulated balances to secure home mortgages, which further reduces accumulations at retirement age.

Table B.12. Summary of parameters: pensions and social security, Sri Lanka, 2019

<table>
<thead>
<tr>
<th>Features</th>
<th>Employee Provident Fund</th>
<th>Employees’ Trust Fund</th>
<th>Farmers’ Pension and Social Security Benefit Scheme</th>
<th>Fishermen’s Pension and Social Security Benefit</th>
<th>Self-Employed Persons Pension Schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td>DC</td>
<td>DC</td>
<td>DB</td>
<td>DB</td>
<td>DB</td>
</tr>
<tr>
<td>Contribution rate</td>
<td>12% employer, 8% employee</td>
<td>Employers: 3%, employees: none</td>
<td>According to age of entering program and selected benefit level</td>
<td>According to age of entering program and selected benefit level</td>
<td>According to age of entering program and selected benefit level</td>
</tr>
<tr>
<td>Benefit formulas</td>
<td>Lump sum at retirement</td>
<td>Lump sum at retirement</td>
<td>According to schedule</td>
<td>According to schedule: SL Rs 1,000 to SL Rs 4,166/ month</td>
<td>According to schedule</td>
</tr>
<tr>
<td>Indexation</td>
<td>N/A</td>
<td>N/A</td>
<td>Ad hoc</td>
<td>Ad hoc</td>
<td>Ad hoc</td>
</tr>
<tr>
<td>Gratuity or other benefit</td>
<td>Housing loan up to 75% of the account balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Features</td>
<td>Employee Provident Fund</td>
<td>Employees’ Trust Fund</td>
<td>Farmers’ Pension and Social Security Benefit Scheme</td>
<td>Fishermen’s Pension and Social Security Benefit</td>
<td>Self-Employed Persons Pension Schemes</td>
</tr>
<tr>
<td>----------</td>
<td>-------------------------</td>
<td>-----------------------</td>
<td>---------------------------------------------------</td>
<td>--------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Vesting</td>
<td>Dividends only paid after 10 years contributory service</td>
<td>Dividends paid after 10 years contributory service</td>
<td>5 years of contributions</td>
<td>5 years of contributions</td>
<td>N/A</td>
</tr>
<tr>
<td>Retirement age</td>
<td>55 for men, 50 for women; early withdrawal for migration or women retiring after marriage</td>
<td>55 for men, 50 for women; early withdrawal for migration or women retiring after marriage</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Disability benefits</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survivors</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, death gratuity</td>
<td>Yes, death gratuity</td>
<td>Yes, death gratuity</td>
</tr>
<tr>
<td>Mandatory or voluntary</td>
<td>Mandatory for firms with contract employees</td>
<td>Mandatory for firms with contract employees</td>
<td>Voluntary</td>
<td>Voluntary</td>
<td>Voluntary</td>
</tr>
</tbody>
</table>


**Note:** The table excludes the civil service pension. DB = defined benefit; DC = defined contribution.

The ETF is a defined contribution provident fund similar to the Employees’ Provident Fund that is oriented toward providing short- to medium-term benefits. The ETF has a 3 percent contribution rate paid by the employer and is voluntary for the self-employed, though the minimum contribution is SL Rs 500 a month. It has most of the same membership and many of the same features as the Employees’ Provident Fund. The ETF is more of a short-term severance and welfare benefits fund than a retirement fund. Welfare benefits cover life insurance, permanent disability, heart surgeries, kidney transplants, cataract lenses, scholarships and tuition assistance, hospitalization, and housing loans. Withdrawals can be made when employment ceases because of resignation or dismissal, but another withdrawal is not allowed until five years have passed from the date of leaving employment in respect of the prior claim. Withdrawals can also be made at age 60, upon entry into government service, upon going abroad, and because of accident or disease.
Licensed private voluntary occupational and personal pensions are also offered by some companies. These arrangements in many cases are managed through financial intermediaries.

There are three voluntary pension schemes in the informal sector: the Farmers’ Pension and Social Security Scheme, the Fishermen’s Pension and Social Security Scheme, and the self-employed pension scheme. Each was established for workers without access to the Employees’ Provident Fund. All provide a benefit according to a schedule whereby the benefits at age 60 are determined based on a combination of the age at which contributions were initiated and the level of contributions. The schemes have anticipated government support but, as they have been in an accumulation phase, have not had to rely on government funding. All of the schemes have faced challenges in recordkeeping and automation. A fourth scheme was recently established for migrants.

Noncontributory pension schemes

Samurdhi is the government’s largest poverty-alleviation scheme that provides cash transfers to poor households. In 2016, an estimated 18 percent of the population aged 65 and above were in households receiving Samurdhi grants (ADB 2019).

Noncontributory social assistance programs include support for poor households and special windows for the elderly but have had a mixed track record in reaching the poorest: the Ministry of Social Empowerment provides an elderly allowance under the Elderly Assistance Program and a monthly cash allowance of SL Rs 2,000 to members with incomes less than SL Rs 6,000 per month and aged 70 and above.

Challenges

The two key challenges of both the contributory and noncontributory schemes are coverage, fragmentation, and adequacy. Almost two-thirds of the labor force has some form of retirement savings or insurance. About 16.6 percent of the labor force will receive a pension under the Public Servants Pension Scheme. About 17.0 percent will receive one under informal sector schemes. About 30.0 percent will receive a lump-sum benefit under the Employees’ Provident Fund (table B.13). Elderly coverage is estimated to be about 13 percent for the Public Servants Pension Scheme, and 15.6 percent for the informal sector schemes. The Employees’ Provident Fund covers about 2.5 million workers, or about 31 percent of the labor force. It does not have a voluntary window for workers between jobs or otherwise self-employed. As an employer-based scheme, the self-employed and informal workers cannot access it and can only take part in the informal sector schemes. Moreover, the Employees’ Provident Fund does not have internal accounting and data management systems to support voluntary individual accounts. It has its own identification number and recently started registering new employees using the national identification number.
### Table B.13. Contributory pension coverage. Sri Lanka

<table>
<thead>
<tr>
<th>Contributory Pension Schemes</th>
<th>Enrolled</th>
<th>Beneficiaries</th>
<th>Coverage of labor force</th>
<th>Coverage of Working Age Population 15-59</th>
<th>Old Age Recipients as a % of age 60+</th>
<th>Old age Recipients as a % of age 70+</th>
<th>Labor force</th>
<th>Working Age population</th>
<th>Age 60+</th>
<th>Age 70+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Servants Pension Scheme 1/</td>
<td>981,422</td>
<td>333,130</td>
<td>11.9%</td>
<td>7.4%</td>
<td>9.4%</td>
<td>8,244,279</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public &amp; State Banks</td>
<td>219,838</td>
<td>84,460</td>
<td>2.7%</td>
<td>1.7%</td>
<td>2.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uniformed Forces</td>
<td>N/A</td>
<td>415,590</td>
<td>14.6%</td>
<td>9.1%</td>
<td>11.7%</td>
<td>13,178,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Public Sector</td>
<td>1,201,260</td>
<td>3,000</td>
<td>2.1%</td>
<td>1.3%</td>
<td>0.0%</td>
<td>3,541,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers Pension &amp; SS Scheme 2/</td>
<td>171,000</td>
<td>10,000</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishers Pension &amp; SS Scheme 3/</td>
<td>1,000</td>
<td>2,500,000</td>
<td>17.0%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>1,513,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self Empl. Persons Pension &amp; SS Scheme SPPS 4/</td>
<td>31,000</td>
<td>428,590</td>
<td>30.3%</td>
<td>10.7%</td>
<td>0.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td>1,404,260</td>
<td>428,590</td>
<td>25.5%</td>
<td>19.0%</td>
<td>12.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributory Provident Funds</td>
<td>2,500,000</td>
<td>2,500,000</td>
<td>1.2%</td>
<td>15.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emp. Provident Fund EPF 3/</td>
<td>2,100,000</td>
<td>2,100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emp. Trust Fund ETF 4/</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Source: Ministry of Finance. As at end-2021
2/ Source ADB, Growing Old before Becoming Rich, As at 12/31/2013
3/ As at 12/31/2021.
4/ Source: ETF Annual Report 2019
5/ As of April, 2018. Source: Pensions department
6/ As of December 31, 2021. Source: World Bank World Development Indicators
7/ As of December 2021. Source UN Worl Population Prospects, 2021 Revision
8/ As of December 2021. Source UN Worl Population Prospects, 2021 Revision
9/ As of October 2016 Source: Ministry of Social Empowerment

The Employees’ Provident Fund mandatory contributions, payroll-tax-based design, and employer-based interface are not aligned with the characteristics of the many Sri Lanka’s workers who move between employers, move in and out of the formal labor market, or are informal workers for much of their work lives. The Employees’ Provident Fund’s overall defined contribution design and individual accounting systems offer an important and useful foundation for a broader universal pension savings scheme.

The Employees’ Provident Fund and ETF operate on separate platforms even though there is substantial overlap between their respective memberships. This has the effect of increasing the transaction costs for small businesses that have to remit separate contributions through separate channels to two different agencies. Unlike the Employees’ Provident Fund, the ETF has a voluntary contribution window that can accommodate workers without labor contracts. The ETF has about 40,000 self-employed members. This window could be further expanded.

The Employees’ Provident Fund provides a small lump-sum benefit that is insufficient to cover the income needs and poverty risks of the elderly. The benefit is distributed at too young an age to be sufficient. The refund of account balances to members averaged about SL Rs 579,000 in 2016, which is equivalent to about 4.25 years of the national median income per capita (1.1 years of the national median income per household) and would only yield a monthly payment of about SL Rs 2,650 per month for the 23-year life expectancy at age 55 for a man and SL Rs 2,130 a month at age 50 for a woman. These amounts are a fraction of the per capita poverty-line income and are clearly inadequate for most retirees in Sri Lanka. Employees’ Provident Fund benefits are provided at too young an age (55 for men and 50 for women) to accumulate meaningful balances. Moreover, the benefits are provided as a lump sum, so they provide no protection against longevity.

The Employees’ Provident Fund does not have a voluntary window for workers between jobs or otherwise self-employed. As it is an employer-based scheme, the self-employed and informal workers cannot access it and only have informal sector schemes to participate in (see below). Moreover, the Employees’ Provident Fund does not have the internal accounting and data management systems to support voluntary individual accounts.

The design of the informal sector schemes is poorly aligned with the variability and uncertainty of informal workers’ incomes. The schemes provide a defined benefit at retirement but have weak mechanisms to adequately differentiate between workers with different work histories. Moreover, they create considerable uncertainty for contributors, as they have no features in the benefit formula that can protect the contributor in the face of wage and price growth. These schemes are predicated upon the mistaken assumption that workers will spend the bulk of their work lives in the same sector or working as informal or contract-based workers.

The informal sector pension schemes provide low benefits. For example, the self-employed pension scheme provides benefits that average about SL Rs 700 a month. The Fishermen’s Pension and Social Security Benefit provides a benefit of SL Rs 1,000 to SL Rs 4,166 a month (US$6 to US$23 a month).28

There are also formidable weaknesses in Sri Lanka’s national identification system. This affects all forms of pensions, social insurance, and social assistance. Without a unified system of national identification, it becomes difficult for Sri Lanka to adopt reforms that could establish a worker-based approach to retirement savings and old-age income protection.

There is both fragmentation and duplication between Samurdhi and the two elderly-assistance schemes. Both the elderly allowance and Pin Padi are insufficiently targeted at the poorest elderly, and the benefit amount may be insufficient for Sri Lanka’s poorest elderly. Thousands of qualifying beneficiaries for the senior citizens allowance have queued for the benefit, but only recently received it. The benefit is less than half of the poverty-line income and may be insufficient to ensure the livelihoods of many poor elderly.
Reform options

With such rapid aging and severe fiscal constraints, a reform vision is needed to increase private savings both for retirement and other risks during the life cycle. The aim should be to increase the mobilization of workers’ savings for retirement, increase labor force coverage of retirement savings schemes, remove the formidable barriers to labor mobility presented by existing schemes, and provide an income throughout retirement that is sufficient to smooth consumption from work life into retirement and protect the poorest elderly from destitution.

The Employees’ Provident Fund and ETF could serve as a foundation for a flexible National Pension Scheme to provide basic old-age income protection for workers, whether formal or informal. Yet, to achieve such a vision would require a number of measures for both design and delivery systems:

• Scope of membership. Membership should include all workers of any age on a voluntary basis but should be mandatory for workers with wage contracts.

• Benefit eligibility by age. Because life expectancy has increased substantially, so too should the period during which workers in Sri Lanka contribute to the new scheme. It is recommended eligibility be set at age 65 for men and for women.

• Lump-sum distributions need to be replaced by some combination of a lump sum and a price-indexed annuity at retirement age.

• Delivery systems will be needed to support such a scheme with a wider scope of members: (1) the scheme will need to be grounded in an improved, broad-based, and interoperable national identification system; (2) Employees’ Provident Fund accounting systems will need to be strengthened to align to individual accounts, linked to workers, that can easily be transferred between employers; (3) payment systems need to be strengthened to more efficiently support both contributions and benefit payments.

• Accrued rights under schemes for informal workers and the self-employed should be transferred to the NPS. A framework will be needed for converting individual contribution histories to individual account balances. Special-issue recognition bonds could be issued against such individual account balances.

• Some withdrawals for life-threatening illness, injury, or other severe economic shocks should be permitted. Current Employees’ Provident Fund rules for payouts for housing and health procedures will need to be reviewed and potentially revised in acknowledgment of the trade-off between early withdrawals and pension benefit adequacy.

• Transition arrangements will be needed for individuals with accounts in the informal sector funds, the self-employed pension fund, and the Public Sector Provident Fund.

The following changes in parameters and targeting are suggested for the elderly allowance program:

• The benefit level of SL Rs 2,000 a month needs to be reviewed. At less than half of the individual poverty line, the level may be inadequate to enable many of the poorest elderly to subsist. The authorities will need to weigh the fiscal affordability of this change also.
• The current design of providing the benefit as a supplement to those individuals in poor households (that presumably should qualify for Samurdhi social assistance) is sensible and should be maintained.

• Until recently there have been large waiting lists of individuals that have qualified to receive the elderly benefit but have not received it. Either the targeting should be narrowed or the queue addressed or both.

• Targeting outcomes need to be improved, possibly by employing a social registry, as is being undertaken for other social assistance programs, by closely working with the Welfare Benefits Board.
Notes


2. The Tier 1 scheme has been in place for government workers since 1976.

3. There are other, smaller, and less important provident funds, including the Coal Mines Provident Fund (1948), the Seamen's Provident Fund (1966), the Assam Tea Plantations Provident Fund, the Pension Fund Scheme Act (1955), and the Jammu and Kashmir Employees’ Provident Fund Act (1961).

4. The Public Provident Fund remains active, although only for government workers entering service before the New Pension Scheme was enacted.

5. This section draws on the work of Jackson (2018).


7. This section draws heavily on World Bank (2022). Coverage is defined as the share of the labor force actively contributing to pension schemes. There is no universal definition of the adequacy of retirement income, but the term refers to whether the total pension entitlement is sufficient (for example, satisfying basic needs or allowing retirees to maintain the same standard of living they enjoyed prior to retirement). Adequacy is a broader concept referring to how much pension benefits serve to replace preretirement income and protect retirees from poverty.

8. As a defined contribution scheme, the annual rate of return on pension assets affects the replacement rate at retirement.

9. Maldives did not have a mandatory contributory scheme for private sector workers until the MRPS was instituted. The baseline projection assumes that the OABP grows by a combination of half price growth and half wage growth. in 2011.

10. Information is not available on the distribution of allowances relative to the basic wages among private sector workers who contribute to the pension system.

11. Because data are not available on the distribution of allowances relative to the basic wages of private sector workers, it is not possible to estimate the total replacement rate against total preretirement compensation.

12. Civil servant defined benefit pensions include benefits for government retirees prior to 2009 and defined benefit pensions or so-called double pensions for some retiring civil servants since then. The OABP benefit estimates are based on a projection undertaken using the Pension Reform Options Simulation Toolkit (for example, see World Bank 2020). This does not include the costs of additional civil service or uniformed-services pensions that could be legislated in the meantime. Recognition bonds were established in 2009 to provide a means of prefunding the accrued rights of civil servants, which were translated into initial balances in the MRPS at that time.
The minimum wage reform was implemented after the analysis had been completed (starting in January 2022). The impact of the reform on the long-term projections is expected to be minimal.

The baseline projection assumes that the OABP grows by a combination of half price growth and half wage growth.

The government has announced that, in FY 2022/23, it will lower the eligibility age to 68.

The estimated cost is Nr 78.6 billion (World Bank 2021b).

This section leans heavily on Sane (2019).

Sane (2019) estimates that, of 600,000 contributing workers to the Employees’ Provident Fund in 2017–18, about 500,000 were government employees.

Sane (2019) compares the administered interest rate with inflation from 2008 to 2018 and finds that the real rate of return was negative in 3 of the 10 years evaluated.

The 31 percent of basic salary contributions are distributed as follows: (a) 10 percent employer and 10 percent employee as a contribution to the Employees’ Provident Fund; (b) a social security tax of 1 percent of the basic wage for medical, health, and maternity benefits (contributed by the employee); (c) an additional 10 percent of basic wages in employer contributions distributed as 8.33 percent to prefund a gratuity; and (d) 1.67 percent for accident and disability security and for dependent-family security.

As of October 2022, there were still no systems in place to carry it out. Actual implementation is limited.

Generally, provident funds do not have vesting periods.

According to the World Bank’s most recent public-expenditure review, there were 1,329,000 beneficiaries in 2019–20 (World Bank 2021b). According to NepalPress (2021), there were 1.7 million beneficiaries by May 2021.

By comparison, only about 65 percent of registered employers were categorized as active at the same date.

There are 10 types of welfare benefit scheme available to ETF members to meet the health and housing requirements and give financial assistance to the children of members for their education (ETFB 2015).

Specific information is not available on the benefit formulas for any of the schemes.

The rate of SL Rs 2,000 a month was about half of the national poverty line at the end of 2016. In 2022, an additional top-up of SL Rs 3,000 was provided during the economic crisis.

Detailed data are not available on the contributors to these schemes. It is therefore not possible to calculate the effective replacement rates.
References


Appendix B. Old-age schemes, by country


[https://english.nepalpress.com/2021/05/29/social-security-allowance-increased-by-33-old-age-allowance-increased-to-4000/](https://english.nepalpress.com/2021/05/29/social-security-allowance-increased-by-33-old-age-allowance-increased-to-4000/).


[http://hdl.handle.net/10986/36329](http://hdl.handle.net/10986/36329).

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### Appendix C. Labor markets in South Asia

**Table C.1.** Probability of informal wage or unpaid family work, Bangladesh, Bhutan, Nepal

<table>
<thead>
<tr>
<th>Item</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Nepal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage informal + unpaid family worker = 1; wage formal = 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Education (base: no education)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>−0.033***</td>
<td>0.000</td>
<td>−0.012</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.006)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Secondary</td>
<td>−0.114***</td>
<td>−0.019***</td>
<td>−0.0100***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.008)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>Postsecondary</td>
<td>−0.149****</td>
<td>−0.026***</td>
<td>−0.070***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.005)</td>
<td>(0.003)</td>
</tr>
<tr>
<td><strong>Sector of employment (base: agriculture)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>0.034***</td>
<td>−0.136***</td>
<td>−0.047***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.010)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Service</td>
<td>0.051***</td>
<td>−0.256***</td>
<td>−0.133***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.013)</td>
<td>(0.010)</td>
</tr>
<tr>
<td><strong>Monthly wage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours worked per week</td>
<td>0.043***</td>
<td>0.032***</td>
<td>−0.013***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.007)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>Training in last 12 months</td>
<td>−0.001</td>
<td>−0.055***</td>
<td>−0.009</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.017)</td>
<td>(0.015)</td>
</tr>
<tr>
<td><strong>Interaction terms (Training * Sector)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry * Training</td>
<td>−0.008***</td>
<td>0.015*</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.008)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Service * Training</td>
<td>−0.018***</td>
<td>0.016</td>
<td>−0.007</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.018)</td>
<td>(0.015)</td>
</tr>
<tr>
<td>Age</td>
<td>−0.220***</td>
<td>−0.239***</td>
<td>−0.390***</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.071)</td>
<td>(0.043)</td>
</tr>
<tr>
<td>Age-squared</td>
<td>0.115***</td>
<td>0.213***</td>
<td>0.271***</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.064)</td>
<td>(0.040)</td>
</tr>
<tr>
<td>Female</td>
<td>−0.091***</td>
<td>0.022***</td>
<td>−0.004</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.006)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>Urban</td>
<td>0.021***</td>
<td>−0.001</td>
<td>−0.003</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.006)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>Item</td>
<td>Bangladesh</td>
<td>Bhutan</td>
<td>Nepal</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
<td>--------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>Wealth quintile dummy (B40 = 1, Q3+Q4+Q5 = 0)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respondent is in bottom 40</td>
<td>0.028*** (0.003)</td>
<td>−0.010 (0.010)</td>
<td>0.029** (0.014)</td>
</tr>
<tr>
<td><strong>Interaction term (Education * Bottom 40)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base: No Education * Bottom 40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary * Bottom 40</td>
<td>0.003 (0.003)</td>
<td>−0.008 (0.006)</td>
<td>−0.013 (0.012)</td>
</tr>
<tr>
<td>Secondary * Bottom 40</td>
<td>0.015*** (0.003)</td>
<td>−0.003 (0.007)</td>
<td>−0.033*** (0.010)</td>
</tr>
<tr>
<td>Postsecondary * Bottom 40</td>
<td>0.008*** (0.001)</td>
<td>−0.001 (0.004)</td>
<td>−0.008*** (0.003)</td>
</tr>
<tr>
<td>Observations</td>
<td>93012</td>
<td>5,675</td>
<td>11,416</td>
</tr>
</tbody>
</table>

**Sources:** World Bank calculations; Country Profiles (dashboard), Data, ILOSTAT, International Labour Organization, Geneva, [https://ilostat.ilo.org/data/country-profiles/](https://ilostat.ilo.org/data/country-profiles/).

**Note:** The table shows the results of standardized probit regressions. The data-years are Bangladesh (2016–17), Bhutan (2016), and Nepal (2018).

* p < .1 ** p < .05 *** p < .01.

**Table C.2.** Mincerian regression estimates of monthly wages, selected countries

<table>
<thead>
<tr>
<th>Dependent variable = log of monthly wage</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Nepal</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education (base: no education)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>0.086*** (0.010)</td>
<td>0.025 (0.048)</td>
<td>0.141*** (0.038)</td>
<td>0.163*** (0.015)</td>
</tr>
<tr>
<td>Secondary</td>
<td>0.222*** (0.011)</td>
<td>0.325*** (0.037)</td>
<td>0.245*** (0.038)</td>
<td>0.307*** (0.013)</td>
</tr>
<tr>
<td>Postsecondary</td>
<td>0.541*** (0.033)</td>
<td>0.797*** (0.043)</td>
<td>0.564*** (0.050)</td>
<td>0.789*** (0.020)</td>
</tr>
<tr>
<td><strong>Type of employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal (wage informal=1, formal=0)</td>
<td>−0.227*** (0.011)</td>
<td>0.014 (0.037)</td>
<td>−0.261*** (0.038)</td>
<td>−0.218*** (0.011)</td>
</tr>
<tr>
<td><strong>Sector of employment (base: agriculture)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>0.125*** (0.010)</td>
<td>−0.267 (0.244)</td>
<td>0.190*** (0.038)</td>
<td>0.281*** (0.016)</td>
</tr>
<tr>
<td>Service</td>
<td>0.124*** (0.012)</td>
<td>−0.314 (0.241)</td>
<td>0.212*** (0.051)</td>
<td>0.217*** (0.015)</td>
</tr>
<tr>
<td>Urban</td>
<td>0.062*** (0.012)</td>
<td>0.004 (0.034)</td>
<td>0.064** (0.028)</td>
<td>0.123*** (0.014)</td>
</tr>
</tbody>
</table>
### Appendix C. Labor markets in South Asia

**Dependent variable = log of monthly wage**

<table>
<thead>
<tr>
<th>Interaction terms (Training * Industry)</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Nepal</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training * Industry</td>
<td>−0.116</td>
<td>0.369</td>
<td>−0.109</td>
<td>−0.190**</td>
</tr>
<tr>
<td></td>
<td>(0.081)</td>
<td>(0.243)</td>
<td>(0.160)</td>
<td>(0.096)</td>
</tr>
<tr>
<td>Training * Service</td>
<td>0.017</td>
<td>0.367</td>
<td>−0.110</td>
<td>−0.059</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.239)</td>
<td>(0.142)</td>
<td>(0.090)</td>
</tr>
<tr>
<td>Professional job</td>
<td>0.354***</td>
<td>0.174***</td>
<td>−0.011</td>
<td>−0.227***</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.035)</td>
<td>(0.037)</td>
<td>(0.019)</td>
</tr>
<tr>
<td>Training in last 12 months</td>
<td>0.046</td>
<td>−0.282</td>
<td>0.168</td>
<td>0.068</td>
</tr>
<tr>
<td></td>
<td>(0.065)</td>
<td>(0.238)</td>
<td>(0.142)</td>
<td>(0.077)</td>
</tr>
<tr>
<td>Female</td>
<td>−0.151***</td>
<td>−0.107***</td>
<td>−0.373***</td>
<td>−1.316***</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.033)</td>
<td>(0.024)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>Age</td>
<td>0.019***</td>
<td>0.045***</td>
<td>0.041***</td>
<td>0.078***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.011)</td>
<td>(0.004)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Age-squared</td>
<td>−0.000***</td>
<td>−0.000***</td>
<td>−0.000***</td>
<td>−0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Hours worked per week</td>
<td>0.003***</td>
<td>0.003</td>
<td>0.005***</td>
<td>0.035***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.002)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
</tbody>
</table>

**Wealth-quintile dummy (B40 = 1, Q3+Q4+Q5 = 0)**

<table>
<thead>
<tr>
<th>Interaction term (Informal Wage * Bottom 40)</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Nepal</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent is in bottom 40</td>
<td>−0.007***</td>
<td>−0.130***</td>
<td>−0.073</td>
<td>−0.344***</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.043)</td>
<td>(0.047)</td>
<td>(0.015)</td>
</tr>
</tbody>
</table>

**Interaction term (Education * Bottom 40); base: No Education * Bottom 40**

<table>
<thead>
<tr>
<th>Interaction term (Education * Bottom 40)</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Nepal</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary * Bottom 40</td>
<td>−0.013</td>
<td>0.005</td>
<td>0.013</td>
<td>−0.050**</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.095)</td>
<td>(0.058)</td>
<td>(0.022)</td>
</tr>
<tr>
<td>Secondary * Bottom 40</td>
<td>−0.091***</td>
<td>0.037</td>
<td>−0.045</td>
<td>−0.159***</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.079)</td>
<td>(0.058)</td>
<td>(0.021)</td>
</tr>
<tr>
<td>Postsecondary * Bottom 40</td>
<td>−0.298***</td>
<td>−0.026</td>
<td>−0.212**</td>
<td>−0.528***</td>
</tr>
<tr>
<td></td>
<td>(0.039)</td>
<td>(0.084)</td>
<td>(0.084)</td>
<td>(0.034)</td>
</tr>
<tr>
<td>Constant</td>
<td>8.529***</td>
<td>8.305***</td>
<td>8.499***</td>
<td>6.867***</td>
</tr>
<tr>
<td></td>
<td>(0.029)</td>
<td>(0.348)</td>
<td>(0.108)</td>
<td>(0.050)</td>
</tr>
<tr>
<td>Observations</td>
<td>70056</td>
<td>4,055</td>
<td>8,117</td>
<td>36,310</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.461</td>
<td>0.358</td>
<td>0.297</td>
<td>0.583</td>
</tr>
</tbody>
</table>


**Note:** The data-years are Bangladesh (2016–17), Bhutan (2016), Nepal (2018), and Pakistan (2018).

* p < .1 ** p < .05 *** p < .01.
Table C.3. Mincerian regression estimates of monthly wages, by sex, selected countries

### a. Men

<table>
<thead>
<tr>
<th>Dependent variable = log of monthly wage</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>India</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education (base: no education)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>0.073***</td>
<td>−0.014</td>
<td>0.122***</td>
<td>−0.029100</td>
<td>0.137***</td>
<td>0.047***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.053)</td>
<td>(0.018)</td>
<td>(0.070)</td>
<td>(0.034)</td>
<td>(0.011)</td>
</tr>
<tr>
<td>Secondary</td>
<td>0.169***</td>
<td>0.357***</td>
<td>0.342***</td>
<td>0.278148***</td>
<td>0.233***</td>
<td>0.123***</td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.051)</td>
<td>(0.016)</td>
<td>(0.052)</td>
<td>(0.036)</td>
<td>(0.009)</td>
</tr>
<tr>
<td>Postsecondary</td>
<td>0.548***</td>
<td>0.898***</td>
<td>0.769***</td>
<td>0.524***</td>
<td>0.514***</td>
<td>0.590***</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.043)</td>
<td>(0.017)</td>
<td>(0.062)</td>
<td>(0.052)</td>
<td>(0.019)</td>
</tr>
<tr>
<td><strong>Type of employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal (wage informal=1, formal=0)</td>
<td>−0.278***</td>
<td>0.045</td>
<td>−0.461***</td>
<td>−0.131***</td>
<td>−0.278***</td>
<td>−0.296***</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.039)</td>
<td>(0.007)</td>
<td>(0.031)</td>
<td>(0.045)</td>
<td>(0.012)</td>
</tr>
<tr>
<td><strong>Sector of employment (base: agriculture)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>0.140***</td>
<td>−0.409**</td>
<td>−0.008</td>
<td>−0.095</td>
<td>0.237***</td>
<td>0.247***</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.197)</td>
<td>(0.039)</td>
<td>(0.063)</td>
<td>(0.049)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Service</td>
<td>0.188**</td>
<td>−0.409**</td>
<td>−0.005</td>
<td>−0.092</td>
<td>0.280***</td>
<td>0.230***</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.195)</td>
<td>(0.038)</td>
<td>(0.059)</td>
<td>(0.064)</td>
<td>(0.012)</td>
</tr>
<tr>
<td>Urban</td>
<td>0.103***</td>
<td>0.050</td>
<td>0.143***</td>
<td>−0.018</td>
<td>0.083***</td>
<td>−0.083***</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.04)</td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.031)</td>
<td>(0.031)</td>
</tr>
<tr>
<td>Training in last 12 months</td>
<td>0.117***</td>
<td>0.097*</td>
<td>0.031***</td>
<td>−0.007***</td>
<td>0.077</td>
<td>−0.207***</td>
</tr>
<tr>
<td></td>
<td>(0.023)</td>
<td>(0.032)</td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.044)</td>
<td>(0.035)</td>
</tr>
<tr>
<td>Age</td>
<td>0.025***</td>
<td>0.062***</td>
<td>0.042***</td>
<td>−0.007***</td>
<td>0.042***</td>
<td>0.052***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.013)</td>
<td>(0.002)</td>
<td>(0.007)</td>
<td>(0.005)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Age-squared</td>
<td>−0.000***</td>
<td>−0.001***</td>
<td>−0.000***</td>
<td>0.000**</td>
<td>−0.000***</td>
<td>−0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Hours worked per week</td>
<td>0.001***</td>
<td>0.004</td>
<td>0.000</td>
<td>0.003***</td>
<td>0.004***</td>
<td>0.005***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.003)</td>
<td>(0.000)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Constant</td>
<td>8.503***</td>
<td>8.0***</td>
<td>8.147***</td>
<td>9.757***</td>
<td>8.457***</td>
<td>8.222***</td>
</tr>
<tr>
<td></td>
<td>(0.030)</td>
<td>(0.339)</td>
<td>(0.058)</td>
<td>(0.156)</td>
<td>(0.121)</td>
<td>(0.036)</td>
</tr>
<tr>
<td>Observations</td>
<td>54785</td>
<td>2970</td>
<td>31595</td>
<td>2836</td>
<td>6031</td>
<td>20508</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.444</td>
<td>0.318</td>
<td>0.426</td>
<td>0.063</td>
<td>0.235</td>
<td>0.23</td>
</tr>
</tbody>
</table>

**Sources:** World Bank calculations; Country Profiles (dashboard), Data, ILOSTAT, International Labour Organization, Geneva, [https://ilostat.ilo.org/data/country-profiles/](https://ilostat.ilo.org/data/country-profiles/).

**Note:** The data-years are Bangladesh (2017), Bhutan (2016), India (2018), Maldives (2016), Nepal (2018), and Pakistan (2017).

* p < .1 ** p < .05 *** p < .01.
### b. Women

<table>
<thead>
<tr>
<th>Education (base: no education)</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>India</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0.150***</td>
<td>0.224**</td>
<td>0.126***</td>
<td>−0.297</td>
<td>0.211**</td>
<td>0.077*</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.105)</td>
<td>(0.032)</td>
<td>(0.141)</td>
<td>(0.067)</td>
<td>(0.044)</td>
</tr>
<tr>
<td>Secondary</td>
<td>0.383***</td>
<td>0.570***</td>
<td>0.452***</td>
<td>0.187***</td>
<td>0.265***</td>
<td>0.265***</td>
</tr>
<tr>
<td></td>
<td>(0.019)</td>
<td>(0.071)</td>
<td>(0.026)</td>
<td>(0.095)</td>
<td>(0.060)</td>
<td>(0.044)</td>
</tr>
<tr>
<td>Postsecondary</td>
<td>0.866***</td>
<td>1.094***</td>
<td>1.170***</td>
<td>0.509***</td>
<td>0.649***</td>
<td>1.011***</td>
</tr>
<tr>
<td></td>
<td>(0.040)</td>
<td>(0.064)</td>
<td>(0.027)</td>
<td>(0.075)</td>
<td>(0.075)</td>
<td>(0.119)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of employment</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal (wage informal=1, formal=0)</td>
<td>−0.249***</td>
<td>−0.135**</td>
<td>−0.463***</td>
<td>−0.215***</td>
<td>−0.251***</td>
<td>−0.534***</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.058)</td>
<td>(0.016)</td>
<td>(0.037)</td>
<td>(0.067)</td>
<td>(0.079)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector of employment (base: agriculture)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>0.115***</td>
<td>0.321</td>
<td>−0.192</td>
<td>−0.044</td>
<td>0.149***</td>
<td>−0.176***</td>
</tr>
<tr>
<td></td>
<td>(0.032)</td>
<td>(0.195)</td>
<td>(0.132)</td>
<td>(0.380)</td>
<td>(0.059)</td>
<td>(0.030)</td>
</tr>
<tr>
<td>Service</td>
<td>0.139***</td>
<td>0.302</td>
<td>−0.284**</td>
<td>−0.042</td>
<td>0.102</td>
<td>0.395***</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.188)</td>
<td>(0.131)</td>
<td>(0.373)</td>
<td>(0.075)</td>
<td>(0.072)</td>
</tr>
<tr>
<td>Urban</td>
<td>0.047***</td>
<td>−0.045</td>
<td>0.234***</td>
<td>−</td>
<td>0.103**</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.074)</td>
<td>(0.017)</td>
<td>−</td>
<td>(0.048)</td>
<td>−</td>
</tr>
<tr>
<td>Training in last 12 months</td>
<td>0.139***</td>
<td>0.128*</td>
<td>0.031*</td>
<td>−0.043</td>
<td>0.071</td>
<td>−0.211**</td>
</tr>
<tr>
<td></td>
<td>(0.038)</td>
<td>(0.065)</td>
<td>(0.018)</td>
<td>(0.068)</td>
<td>(0.047)</td>
<td>(0.093)</td>
</tr>
<tr>
<td>Age</td>
<td>0.013***</td>
<td>0.032*</td>
<td>0.013**</td>
<td>0.024**</td>
<td>0.031***</td>
<td>0.032***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.017)</td>
<td>(0.005)</td>
<td>(0.010)</td>
<td>(0.009)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>Age-squared</td>
<td>−0.000***</td>
<td>−0.000</td>
<td>0.000</td>
<td>−0.000***</td>
<td>−0.000***</td>
<td>−0.000**</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Hours worked per week</td>
<td>0.004***</td>
<td>−0.004</td>
<td>0.019***</td>
<td>0.003***</td>
<td>0.008***</td>
<td>0.028***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.003)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Constant</td>
<td>8.429***</td>
<td>7.992***</td>
<td>7.351***</td>
<td>9.110***</td>
<td>8.102***</td>
<td>7.417***</td>
</tr>
<tr>
<td></td>
<td>(0.064)</td>
<td>(0.431)</td>
<td>(0.167)</td>
<td>(0.424)</td>
<td>(0.201)</td>
<td>(0.125)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Observations</th>
<th>15231</th>
<th>1085</th>
<th>9099</th>
<th>1974</th>
<th>2086</th>
<th>2222</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.359</td>
<td>0.42</td>
<td>0.465</td>
<td>0.070</td>
<td>0.278</td>
<td>0.367</td>
</tr>
</tbody>
</table>

**Sources:** World Bank calculations; Country Profiles (dashboard), Data, ILOSTAT, International Labour Organization, Geneva, [https://ilostat.ilo.org/data/country-profiles/](https://ilostat.ilo.org/data/country-profiles/).

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* p < .1 ** p < .05 *** p < .01.
Reference

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