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Development Letters is a peer-reviewed journal that aims to publish concisely written ideas, theoretical constructs, and empirical findings with practical and policy implications for developing countries such as Bangladesh. It also publishes preliminary ideas and concepts on issues of critical importance to Bangladesh that may require further scholarly exploration.

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DEVELOPMENT LETTERS

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The Impact of Inflation on Poverty and Vulnerability in Bangladesh

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Keywords: Inflation, Poverty, Extreme poverty, Vulnerability, HIES

Abstract

Consistently high inflation has been identified as one of the major economic challenges of Bangladesh for the past few years. To identify the definitive impact of inflation on the lives of people in terms of their poverty and vulnerability status, this study utilised Household Income Expenditure Survey- 2022, Consumer Price Index, and Wage Index data to reveal that nearly 7.9 million additional individuals have fallen into poverty, while another 10 million individuals have become newly vulnerable. As a result, the national measures of extreme poverty has moved up from 5.6 per cent in 2022 to 7.9 per cent in 2024. The study recommends targeted social protection as a means for addressing the socio-economic challenges posed by inflation on the poor and vulnerable.

I. Introduction

Inflation in Bangladesh has emerged as a significant policy challenge since 2021–22, with rates persistently hovering around 10 per cent (Trading Economics, 2025), compared to the usual range of 5 to 6 per cent (Figure 1). While initially triggered by external factors such as the COVID-19 pandemic and the Russia-Ukraine conflict, domestic policy mismanagement in addressing the issue—until the initiation of the Interim Government—has exacerbated the crisis. Prolonged inflation has eroded purchasing power, deepened poverty, and hindered economic growth, intensifying socio-economic vulnerabilities. Bangladesh's current responses, primarily focused on contractionary monetary policies such as significant policy rate hikes, have yielded limited success. Drawing on the most recent official poverty incidence data from the Household Income and Expenditure Survey (HIES) 2022, this article estimates the likely impact of prolonged inflation on poverty and vulnerability.

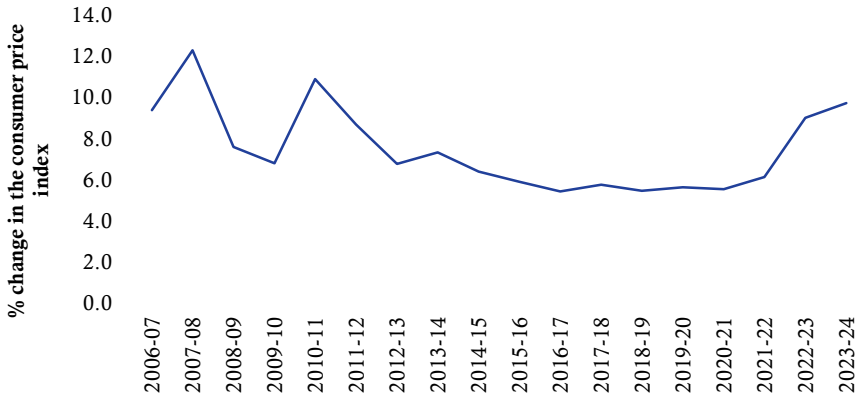

Figure 1 | Inflation over the years in Bangladesh

Source: Data from Bangladesh Bureau of Statistics.

II. Data and Methodology

To assess the impact of sustained high inflation on poverty and vulnerability in Bangladesh, an analysis was conducted on changes in both the Consumer Price Index (CPI) and the wage index over the period from FY 2021-22 to November 2024. During the period, according to the Bangladesh Bureau of Statistics (BBS), the CPI increased by almost 33 percentage points while the wage index rose by 24 percentage points, highlighting a lag in income adjustments relative to the rising cost of living. At the division level, significant disparities in wage index changes were identified. Rangpur division experienced the highest increase in the wage index, at almost 30 percentage points, while Dhaka division recorded the smallest increase, at 22 percentage points.

These regional differences in wage growth were incorporated into the analysis by adjusting individual household incomes based on the respective divisional wage changes. This approach provides a more appropriate representation of regional disparities in income and living standards when estimating the poverty and vulnerability impacts of inflation. To account for inflation as reflected in the percentage change in CPI, the poverty lines were adjusted for price using appropriate methodology.[1] These adjustments to the poverty line ensure that the poverty lines reflect the increased cost of living due to inflation. These adjusted income and poverty lines were then used to identify how many people were pushed into poverty or vulnerability due to persistent inflation in the country. To account for inflation, the poverty lines were adjusted using the following methodology:

I. Inflation-Adjusted Lower Poverty Line (IALPL) (extreme poverty):

$$IALPL = LPL\ in\ 2022\ HIES \times Price\ adjustment$$

II. Inflation-Adjusted Upper Poverty Line (IAUPL) (the standard or moderate poverty line income):

$$IAUPL = UPL\ in\ 2022\ HIES \times Price\ adjustment$$

III. Inflation-Adjusted Income for the Vulnerable Population (IAVPL):

$$IAVPL = UPL\ in\ 2022\ HIES \times 1.25 \times Price\ adjustment$$

[1]A detailed description of the methodology can be found in a more detailed version of this study published by RAPID in the form of a policy brief. The file can be found at https://drive.google.com/file/d/1XBL7oLWvHLylAoWMJV_XDO13yWbdSzxw/view

Price adjustments are the percentage change in prices (CPI) from 2022 to November 2024. These adjustments ensure that the poverty lines reflect the increased cost of living due to inflation. The vulnerable population comprises individuals whose incomes are above the poverty line but within a narrow margin, making them highly susceptible to falling into poverty due to economic shocks or rising costs of living. Following the guidelines outlined in the National Social Security Strategy (NSSS), the vulnerability income line is defined as income up to 25 per cent above the upper poverty line income, identifying those at risk of falling into poverty due to economic shocks or rising living costs.

To measure the proportion of the population living in poverty, the *Poverty Headcount Ratio* was calculated using the formula IV.

$$\text{IV.} \quad Poverty\ Headcount\ Ratio = \frac{Number\ of\ People\ Below\ the\ Poverty\ Line}{Total\ Population} \times 100$$

III. Results

The analysis reveals a significant rise in poverty levels in Bangladesh due to high inflation between 2022 and 2024 (Table 1). Accounting for both rising price levels and wages over the past two years, nearly 7.9 million additional individuals are found to have been pushed into poverty. Furthermore, the size of the poor and vulnerable population, defined as those living above the poverty line but by no more than 25 per cent of it, has increased by approximately 10 million.

The proportion of the extreme poor population—those unable to meet basic subsistence needs defined under the lower poverty line income—has nationally risen from 5.6 per cent in 2022 to 7.9 per cent in 2024, representing an additional 3.8 million individuals. The proportion of moderate poor has increased from approximately 18 per cent in 2022 to around 23 per cent in 2024, adding an estimated 7.9 million people to this category. Rural areas saw the rise by about 5 percentage points while the urban area more than 4 percentage points in this regard. The proportion of vulnerable population rose from 34 per cent in 2022 to nearly 40 per cent in 2024. That is, an additional 10 million people has become vulnerable. The rise of rural vulnerable population is over 6 percentage points and the same for urban areas is 5 points, reflecting inflation's widespread impact.

Table 1 | Rising poverty and vulnerability because of sustained high inflation

	Rural		**Urban**		**National**	
	Number (Million)	Per cent (%)	Number (Million)	Per cent	Number (Million)	Per cent (%)
Extreme poor in 2022 (HIES)	7.42	6.50	1.98	3.80	9.40	5.65
Extreme poor after inflation and wage adjustments in 2024	10.17	8.91	3.05	5.84	13.22	7.95
Added to extreme poverty during 2022-24	2.76	2.41	1.06	2.04	3.82	2.30
Moderate poor in 2022	22.67	19.86	7.64	14.65	30.31	18.22
Moderate poor after inflation and wage adjustments in 2024	28.31	24.79	9.87	18.93	38.18	22.95
Added to moderate poverty during 2022-24	*5.63*	*4.93*	*2.23*	*4.28*	*7.86*	*4.73*
Poor and vulnerable population in 2022	41.51	36.35	14.88	28.52	56.38	33.90
Poor and vulnerable population after price and wage adjustments in 2024	48.60	42.56	17.61	33.76	66.21	39.80
Added to vulnerability during 2022-24	7.09	6.21	2.73	5.24	9.82	5.90
Added to poverty and vulnerability	*12.72*	-	*4.96*	-	*17.68*	-

IV. Conclusion

The analysis underscores the profound socio-economic consequences of prolonged inflation in Bangladesh from 2022 to 2024. With inflation eroding purchasing power and outpacing wage growth, a significant rise in poverty and vulnerability has been registered. Nearly 7.9 million individuals have fallen into poverty, with the proportion of the extreme poor increasing from 5.6 per cent to 7.9 per cent and moderate poor rising from about 18 per cent to 23 per cent. The

vulnerable population, defined as those living marginally above the poverty line, has also expanded by approximately 10 million people, reaching 40 per cent of the population in 2024.

These trends seem to highlight the inadequacy of current monetary policy responses, such as rate hikes, in addressing the structural challenges underlying inflation and its socio-economic effects. While such measures aim to control inflation, their limited success underscores the need for a more comprehensive policy framework. Effective strategies must include targeted social protection measures, income support for vulnerable groups, and investments to stabilise supply chains and ensure equitable wage growth.

As inflation continues to reshape Bangladesh's socio-economic landscape, addressing these challenges is critical to mitigating its long-term impacts on poverty and vulnerability. Policymakers must prioritise adaptive measures to protect the most affected populations, foster resilience, and promote inclusive economic recovery

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Structural Transformation in Asia-Pacific Least Developed Countries: Are They Different?

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Keywords: Structural transformation, LDC, Asia-Pacific countries

Abstract

This study examines structural transformation in Asia-Pacific Least Developed Countries (AP LDCs) to assess whether their experiences differ from global economies. Using cross-country panel data, the findings reveal that AP LDCs exhibit slower agricultural transformation and lower urbanisation rates compared to global averages. While manufacturing shares are comparable globally, AP LDCs face significant challenges in achieving economic complexity, reflecting limited diversification and sophistication in export portfolios. These trends raise questions about the adequacy of current LDC graduation metrics in capturing structural transformation.

I. Introduction

Achieving sustainable and long-term economic development remains a fundamental goal for developing countries including the Least Developed Countries (LDCs), with structural transformation serving as a cornerstone of this endeavour. The 11 Asia-Pacific LDCs (AP LDCs) have made significant socioeconomic progress over recent decades despite the structural disadvantages inherent in their development processes (Razzaque & Tateno, 2021). Many of these nations are transitioning rapidly out of the LDC category, necessitating an assessment of whether such graduation is accompanied by sufficient structural transformation.

The concept and measurement of structural transformation are complex, with various indicators providing different perspectives. While Lewis's (1954) framework—emphasising the shift from low labour-productivity agriculture to high labour-productivity industrial activities—has been widely adopted, alternative approaches also exist in the literature. Notably, the experience of structural change is not uniform across countries. This study employs an empirical framework using cross-country panel data to explore whether AP LDCs experience structural transformation differently compared to other global economies, including the broader group of developing countries.

II. Data and Methodology

Drawing from empirical literature and prioritising data availability across a broad sample of countries, this study utilises the following three widely recognised measures of structural transformation:

1. Sectoral GDP shares (agriculture and manufacturing),
2. Urbanisation (percentage of the population residing in urban areas), and

3. Economic Complexity Index (ECI), which reflects the diversity and sophistication of a country's export basket.

The decline in agriculture's GDP share and a corresponding rise in manufacturing are hallmark indicators of economic development. Urbanisation, a socio-demographic factor, is historically linked to higher growth in per capita income and social changes (Kelbore, 2014). The inclusion of ECI captures the degree of economic sophistication, as the production of complex and diverse products often accompanies systemic economic transformation.

The baseline model incorporates country fundamentals such as land area (proxy for country size), per capita GDP, population, arable land, age dependency ratios, and geographical characteristics (landlockedness and islandness). Additionally, policy and institutional variables—including governance indicators (rule of law, control of corruption, government effectiveness), foreign direct investment (FDI), and tertiary education—serve as controls to assess the robustness of the findings.

The analysis applies a panel random effect estimation model to a dataset comprising 192 countries, with a subset of 133 developing nations. Significant variations emerge between AP LDCs and other regions, particularly in urbanisation rates and ECI values as can be seen in Table 1 and Table 2 below.

Table 1 | Descriptive statistics for global context excluding AP LDCs

Variables	Mean/ Std. Dev.
Agriculture	13.861
	(12.783)
Manufacture	12.980
	(6.984)
Urbanisation	53.988
	(23.677)
ECI	0.048
	(0.981)

Table 2 | Descriptive statistics for AP LDCs

Variables	Mean/ Std. Dev.
Agriculture	29.011
	(11.995)
Manufacture	8.993
	(6.137)
Urbanisation	25.059
	(11.782)
ECI	-1.186
	(0.257)

III. Research Results

Are Asia-Pacific LDCs Different from Global Economies?

Regression results (Table 3) reveal that the AP LDCs exhibit a significantly higher agricultural GDP share than the global average, as indicated by the positive coefficient for the AP LDC dummy. For example, while Bangladesh and Lao PDR show lower agricultural GDP shares, countries such as Myanmar, Nepal, Afghanistan, and the Solomon Islands display an average share of 23.76 per cent—substantially higher than the global average of 4.33 per cent in 2020. This trend highlights a slower pace of structural transformation in the region. Conversely, manufacturing value added shows no significant difference between AP LDCs and global economies. This is consistent with the substantial contribution of Bangladesh, Myanmar, and Cambodia to global apparel exports.

Urbanisation rates, however, are considerably lower in AP LDCs, with significant negative coefficients. This phenomenon, often described as 'over-urbanisation,' is characterised by growing urban populations coupled with rising poverty and unemployment. For instance, the urbanisation rate in Nepal, Afghanistan, and Cambodia averages 24.16 per cent, compared to the global average of 56.48 per cent in 2021.

The ECI results underscore AP LDCs' limited productive capacity, reflected in their inability to produce and export complex products. With negative ECI values, these countries remain undiversified despite some specialising in manufacturing and services. This lack of diversity hampers systemic transformation. The findings remain consistent even after introducing policy and institutional variables, reinforcing the robustness of the conclusions.

Table 3 | Role of country fundamentals on structural transformation (global context)

	Agriculture	Manufacture	Urbanisation	ECI
Log of land area	0.687***	-0.680***	-5.118***	-0.265***
Arable land (hectares per person)	2.821***	-1.361*	-0.626	0.420***
Log of population	-1.000***	2.218***	9.051***	0.411***
Age dependency (old)	-0.076**	-0.017	0.202***	0.027***
Age dependency (young)	-0.018**	-0.054***	-0.093***	-0.007***
Log of per capita GDP	-34.988***	10.377***	9.815***	-0.241**
Log of square of per capita GDP	1.707***	-0.634***	-0.420***	0.028***
Landlock dummy (equals 1 for landlock countries, 0 otherwise)	-1.523	2.155***	-6.399***	0.326***
Island dummy (equals 1 for Island countries, 0 otherwise)	0.074	-0.187	6.305***	-0.292***
AP LDC dummy (equals 1 for AP LDCs, 0 otherwise)	6.640***	-2.379	-24.293***	-0.765***
Constant	197.574	-48.406	-79.879	-3.429
R-square (overall)	0.734	0.308	0.273	0.729
Total countries	192	192	192	192
Observations	6,934	6,334	7,679	3,492
Time dummies	Yes	Yes	Yes	Yes

Note: Statistical significance at the 1%, 5%, and 10% levels are indicated by ***, **, and *, respectively.

Are Asia-Pacific LDCs Different from Developing Countries?

When comparing AP LDCs to the broader group of developing nations (Table 3), no significant differences emerge in terms of agricultural or manufacturing GDP shares. This suggests that structural transformation patterns are not uniquely regional but shared across developing economies.

However, urbanisation and ECI remain key areas of divergence. Most developing nations exhibit higher urbanisation rates, while AP LDCs lag significantly. Similarly, AP LDCs score lower on the ECI, reflecting their struggle to diversify export portfolios—a challenge less pronounced in other developing economies.

IV. Conclusion

The findings indicate that structural transformation in AP LDCs presents a mixed picture. While these nations share similarities with other developing economies in terms of agricultural and manufacturing GDP shares, they diverge significantly in urbanisation rates and economic complexity.

Crucially, the indicators used to determine LDC graduation eligibility—per capita income, Human Asset Index (HAI) and Economic and Environmental Vulnerability (EV)—may not fully capture structural transformation processes. For instance, ECI—a more modern metric—highlights the inability of AP LDCs to diversify their economic base. This limitation, if unaddressed, could inhibit their development and transformation trajectories.

To gain a comprehensive understanding of structural transformation, future research should explore alternative and advanced metrics, ensuring a holistic assessment of these nations' progress relative to global benchmarks. Also, it is important to ascertain if graduation out of LDC status without having sufficient structural transformation can lead to a sustained development process.

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Apparel Export Prices: A Quality-Adjusted Analysis of the EU and US Markets

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Keywords: Export, Apparel export, Unit Value Prices (UVP), Price, Quality adjusted price

Abstract

Export data shows that in the EU and in some cases USA as well, Bangladesh receives lower prices for its products compared to its rivals like Vietnam and China even when adjusted for quality. This study explores factors such as product quality, market share, and tariff preferences, that might be contributing to this relatively low export unit value price (UVP) for Bangladesh in these markets using data from EU Comtext, US ITC, and WITS. The research findings identified not just a difference in quality, but also high market share in exporting country and reliance on trade preferences with exporting countries, among other factors, as the major factors influencing Bangladesh's lower UVP in leading export destinations. The study recommends investing in product upgrading, diversifying export markets, and negotiating balanced trade agreements to enhance Bangladesh's apparel export prices in the future.

I. Introduction

Export unit value prices (UVP) commonly exhibit substantial variation across countries, even for narrowly defined product categories. Extant literature attributes these differences primarily to product quality, which plays a critical role in determining why prices diverge so significantly across borders (Hallak & Schott, 2011; Hummels & Klenow, 2005; Schott, 2004). Additionally, empirical evidence suggests that higher-income countries secure greater export prices. Two main factors account for this disparity: first, products from wealthier nations are often perceived as being of superior value (Fajgelbaum et al., 2011); and second, these economies tend to wield stronger market power, thereby negotiating more favourable terms with importers (Hallak & Schott, 2011).

Bangladesh's apparel sector faces a persistent challenge of lower UVP in comparison to its competitors (International Trade Centre, 2022; Razzaque et al., 2024; Razzaque & Islam, 2025). The central objective of this study is to determine the reasons behind Bangladesh's relatively low prices, focusing on apparel exports to the European Union (EU) and the United States (US). To capture the nuances of price formation, this analysis decomposes UVP into two components: (i) *relative product quality*, capturing the extent to which an exporter's goods are considered higher (or lower) quality, and (ii) *quality-adjusted price*, representing the price a country would receive if all exporters

offered identical quality and branding. This approach isolates whether Bangladesh's lower UVP stems from factors such as inferior quality, large market share, or reliance on tariff preferences.

In particular, Bangladesh benefits from unilateral trade preferences extended by developed countries, such as the Generalised Scheme of Preferences (GSP) under the EU's Everything but Arms (EBA) initiative. While these preferences often enhance export competitiveness for less-developed nations, they can also lead to low valuations. At the disaggregated Harmonised System (HS) 8-digit level, for example, Bangladesh's UVP for boys' cotton t-shirts (HS 61091000) stands at USD 2.2—significantly lower than China's USD 4 and Turkey's USD 5. Such discrepancies highlight how importers in wealthier markets may leverage tariff concessions to acquire low-cost goods. Moreover, although preferential access under EBA has helped Bangladesh capture a large share of the EU apparel import market—22 per cent of extra-EU apparel imports in 2023—this market penetration has not translated into higher export prices, motivating a closer analysis of the underlying causes.

II. Data and Methodology

This study utilises two main datasets: EU Comext, which provides comprehensive import data for the European Union, and US ITC, offering similarly detailed import data for the United States. Tariff information at the 8-digit HS code level was collected from the World Integrated Trade Solution (WITS) database. Following the methodological approaches of Hayakawa et al. (2022) and Khandelwal et al. (2013), two-panel regression analyses were employed for separate markets to estimate the demand function of apparel imports (equation I). The central idea of estimating this equation is to observe how much of a product an importing country purchases at a given price from a specific exporter in a given year. A higher imported volume at a particular price suggests that the exporter's goods enjoy relatively higher perceived quality.

$$\text{I.} \quad \ln Q_{ijkt} + \sigma_{ik} \ln\left(\left(1 + \text{Tariff}_{ijkt}\right) \times p_{ijkt}\right) = u_i + u_{kt} + \varepsilon_{ijkt}$$

$$\text{II.} \quad \widehat{\ln z_{ijkt}} = \frac{\widehat{\varepsilon_{ijkt}}}{\sigma_{ik} - 1}$$

$$\text{III.} \quad \ln p_{ijkt} - \widehat{\ln z_{ijkt}}$$

Once this relative quality component is isolated from the demand equation and subtracted from the actual UVP, the residual price is considered the quality-adjusted UVP, which is done in equation II to equation III. By adopting this lens, the study estimates how the EU and US markets value Bangladesh's apparel exports when quality factors are equalised across competitors.

III. Research Results

EU Market

Table 1 presents an analysis of Bangladesh's top ten apparel export items to the EU at the HS 8-digit level, focusing on quality-adjusted UVP comparisons with China and Vietnam. The findings indicate that Bangladesh's quality-adjusted prices average roughly 18 per cent of China's valuations and 21 per cent of Vietnam's for identical product categories. Although Bangladesh dominates the market in these product lines—often exceeding a 40 per cent extra-EU market share—the lower quality-adjusted valuations suggest two possible drivers:

1. **Trade-off between market share and price**: While capturing a large share can boost total export volumes, it may also depress per-unit prices if importers treat Bangladesh as a reliable but low-cost supplier.

2. **Over-reliance on GSP preferences**: Preferential market access may encourage importers to extract lower prices from Bangladesh, effectively using tariff concessions as leverage. Even after controlling for relative quality, the data reveal substantial price gaps vis-à-vis China and Vietnam, underscoring the limitations of preferential schemes in achieving higher apparel export values.

Table 1 | Bangladesh's quality-adjusted UVP relative to China and Vietnam in the EU market

Product HS code	Quality-adjusted UVP (BD relative to CN) (%)	Quality-adjusted UVP (BD relative to VN) (%)	Products' market share in the EU (%)		
			Bangladesh	Vietnam	China
61091000	18	8	50.46	2.48	5.33
61051000	24	8	45.64	5.53	8.47
62034990	10	7	42.99	1.08	17.74
61072100	15	13	42.35	0.29	8.08
61083100	21	14	41.79	0.64	8.15
61061000	18	9	40.03	2.64	8.90
61044200	15	10	39.25	1.16	14.38
62071100	18	41	30.55	1.49	27.71
62072100	31	25	30.54	2.64	21.08
61071100	39	41	29.57	3.22	31.79

US Market

Table 2 shows a parallel analysis for the US market, where Vietnam holds an 18 per cent apparel import share, exceeding Bangladesh's 9 per cent. Interestingly, when Bangladesh's market share in specific products is relatively smaller than Vietnam's, Bangladesh often achieves higher quality-adjusted valuations. This finding resonates with the notion that larger market shares can be associated with lower per-unit prices, consistent with the EU observations. Nevertheless, Bangladesh's relative valuations fare better against China in certain categories such as cotton sleepwear and underwear, indicating that product differentiation and niche specialisation can yield enhanced prices.

Overall, these results imply that Bangladesh's lower UVP transcends mere quality differentials. High market share, the pricing dynamics of unilateral preferences, and possibly weaker brand power converge to produce subdued per-unit export values.

Table 2 | Bangladesh's quality-adjusted UVP relative to China and Vietnam in the USA market

Product HS code	Quality-adjusted UVP (BD relative to CN) (%)	Quality-adjusted UVP (BD relative to VN) (%)	Products' market share in the USA (%)		
			Bangladesh	Vietnam	China
61091000	40	48	8.47	5.58	6.03
61051000	33	55	12.69	4.24	12.52
62034990	73	120	15.67	18.52	13.01
61072100	78	142	3.53	18.86	24.17
61083100	131	139	4.23	15.39	18.54
61061000	35	114	4.95	5.77	28.66
61044200	48	118	6.90	15.40	25.60
62071100	187	477	15.98	4.44	31.35
62072100	103	194	7.49	18.86	24.17
61071100	31	182	14.18	4.86	57.70

IV. Policy Implications

The evidence presented here underscores Bangladesh's challenge in securing higher apparel export prices, even where product quality is similar to that of its competitors. Unilateral trade preferences, particularly from the EU, have facilitated substantial market penetration but may also inadvertently depress price realisation. This study's quality-adjusted approach confirms that the pricing gaps are not purely a reflection of inferior product quality; instead, they are shaped by multiple interacting factors, including market share considerations, bargaining asymmetries, and limited brand differentiation. From a policy perspective, four key recommendations emerge:

- Product upgrading and brand development: Policymakers and industry stakeholders should invest in value addition, branding, and design innovation to reduce over-reliance on basic, low-value segments.
- Diversification of export markets: Exploring emerging and niche markets may lessen the dependence on preference-heavy destinations, thereby enhancing exporters' pricing power.
- Promotion of technological upgrading: Enhancements in production processes and quality control can reinforce Bangladesh's reputation for reliable, higher-value goods.
- Negotiation of bilateral or regional agreements: Beyond unilateral preferences, concluding balanced trade agreements could secure more equitable conditions, mitigating the downward pressure on export prices.

By implementing these strategic initiatives, Bangladesh can bolster its apparel sector's resilience, capture better unit values in global markets, and ultimately foster sustainable export-led growth.

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DEVELOPMENT LETTERS

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Sewing Sensibly: EU CS3D and the Bangladesh Garment Industry

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Abstract

In April of 2024, the European Parliament adopted the EU Corporate Sustainability Due Diligence Directive (CS3D), which sets stricter standards for upholding human rights and environmental impacts of the production process. As EU is a major destination for Bangladesh's ready-made garments export items and has limited capacity for enforcing regulations regarding labour rights and environmental sustainability, CS3D can impact Bangladesh's export competitiveness in the EU market. This article explores the possible implications and challenges of complying with CS3D in Bangladesh and identifies elaborate supply chains, limited technical expertise, and overall regulatory environment of the country as possible challenges on the path of complying with CS3D for Bangladesh. The article also discusses the aspect of return on compliance in terms of better export prices or preferential market access into the EU for Bangladesh. Lastly, the article briefly discusses the impact of strict CS3D compliance requirements on the other sectors of the economy of Bangladesh.

Keywords: EU, Export, Export competitiveness, Labour rights, Environmental regulation

I. The Good Intent

When almost half of Bangladesh's exports, more than USD 25 billion in 2023, are destined for the EU, new regulations from Brussels can ripple through the country's bustling garment factories. The recently introduced EU Corporate Sustainability Due Diligence Directive (CS3D), adopted by the European Parliament on April 24, 2024, is expected to shape Environmental, Social, and Governance (ESG) standards and global competitiveness in a country that has been marred with concerns about labour and human rights issues. The CS3D mandates that companies, both within and outside the EU, engage in thorough due diligence to examine, prevent, and mitigate their negative environmental and human rights impacts, both internally and across their supply chains.

The ambit of CS3D on human rights and the environment is vast, encompassing issues such as the prevention of child labour, slavery, labour exploitation, pollution, deforestation, and damage to ecosystems like excessive water consumption. The overarching aim is to ensure equitable treatment of workers, uphold freedom of

association, guarantee a fair minimum wage, and implement measures to combat pollution and the depletion of natural resources. This directive is anticipated to bring about substantial transformations in corporate practices, compelling companies to reassess and potentially overhaul their business strategies, sourcing practices, supply chain management protocols, and even product design approaches to adhere to these new regulatory standards.

II. The Compliance Conundrum

Despite its commendable goals, the practicalities of compliance are complex and multifaceted. Implementing the CS3D is no small feat, especially given Bangladesh's limited capacity in assessing, preparing for, and enforcing standard-related issues.

Given the vast scope of CS3D, figuring out how to measure compliance can be a significant hurdle with the factories might be subject to arbitrary procedures and guidelines with different standards coming from different buyers. While the Bangladesh garment industry does not employ child labour, the definitions of forced labour and environmental sustainability, fair wages, etc. can be subject of opaqueness. For instance, even after implementing the nationally instituted minimum wage legislation, what constitutes a "fair wage" in a country where low wages are so widespread complicates the establishment of standards.

As the garment industry relies on an intricate and often fragmented network of suppliers and subcontractors, ensuring compliance across this sprawling supply chain is an immensely daunting task. The level of scrutiny required to trace the origins of raw materials, monitor production processes, and verify adherence to environmental and human rights standards at every stage can be overwhelming, particularly for smaller firms with limited resources and oversight capabilities, raising the risk of non-compliance and reputational damage.

Many Bangladeshi garment manufacturers lack the technical expertise required to implement CS3D standards effectively. Compliance involves complex processes such as conducting environmental impact assessments, developing risk management plans, and implementing sustainability reporting systems. Without adequate training and support, factories may struggle to meet these requirements, while building the necessary expertise within the industry requires substantial investment capacity-building initiatives, which can be a slow and resource-intensive process. Despite Bangladesh's significant strides towards sustainability, with 213 LEED-certified factories vetted by the United States Green Building Council (USGBC) Leadership in Energy and Environmental Design—the highest number in the world—showcasing solid progress in environmental and social governance, overall compliance with CS3D remains a challenge.

The success of implementation also depends on the overall regulatory environment in the country. While there are areas where improvements are noticeable, enforcement remains inconsistent across standards and factories. The alignment of national laws with CS3D requirements is essential to provide a clear legal basis for compliance and enforcement efforts.

III. Dictating Terms without Paying the Price?

Most industry stakeholders believe that despite significant improvements in compliance, buyers have not offered "fair prices" for their products. Rather, intense competition has squeezed margins, making it increasingly difficult for them to invest further in maintaining and enhancing their compliance efforts, thereby undermining the sustainability of these improvements. According to the International Trade Centre (ITC), local garment manufacturers receive prices that are 32 per cent to 83 per cent lower than the highest prices paid to suppliers in other countries. There is also evidence to suggest that even when adjusted for product quality, Bangladeshi garment firms are receiving prices lower than those obtained by other suppliers in other countries.

Furthermore, compliance with the CS3D does not ensure continued duty-free access to the EU market. After Bangladesh's graduation from Least Developed Country (LDC) status in 2026, followed by a three-year transition period, the country will lose duty-free market access. Bangladesh is trying to qualify for the EU GSP+ scheme, which offers duty-free access to 66 per cent of EU tariff lines, including textiles and clothing items, even after LDC graduation. However, provisions proposed in the draft EU GSP rules, which were initially set to begin in 2024 but have been postponed until the end of 2027, stipulate that clothing items from a GSP+ beneficiary will not qualify for preferential access if their share of these products exceeds 6 per cent of total EU imports and 37 per cent of all GSP-covered imports of the same products. Given Bangladesh's much higher share, if these provisions are not amended, clothing exports could see tariffs rise from the current 0 per cent to an average of 11.5 per

cent. Therefore, CS3D regulations combined with the potential tariff present a double whammy for the garment industry.

IV. Avoiding the Cobra Effect

Despite its good intentions, any punitive measures against firms, such as declaring them non-compliant or cancelling orders, can ultimately impact the workers, especially at a time when Bangladeshi firms are increasingly coming under competitive pressure due to the country's impending LDC graduation, which will result in the potential loss of trade preferences and the loss of the government's policy space to support the sector with export subsidies. It is thus essential to provide a reasonable amount of time for firms to become compliant and to be flexible in cases where compliance is difficult.

In response to the stringent labour and environmental standards, local firms may opt to invest in automation, a trend arguably intensified in the aftermath of the Rana Plaza incident. It is worth noting that despite a fourfold increase in apparel export earnings between 2012 and 2023, from approximately USD 12 billion to USD 48 billion, the number of workers employed in the sector has remained stagnant at around 3.5 million. Furthermore, rising automation and technology-deepening processes appear to be associated with the defeminisation of the workforce in the industry, as the women's share in export-oriented apparel sector employment has now dropped to just 39 per cent, according to the official labour force survey carried out in 2022, contradicting the widely perceived view that women dominated the workforce a couple of decades earlier. Between 2017 and 2022, women's jobs in the industry fell by 0.18 million. While the reasons are not well understood, it could be that women's jobs are predominantly in repetitive tasks for longer hours that can be easily automated. Additionally, technological advancements might favour men due to women's generally weaker educational background and other cultural factors that prevent their upward mobility in job hierarchy that are often associated with operating machines and supervising factory work. ⌗

It is also important to understand that a developing country like Bangladesh often have to maintain a dual economic structure where rules and standards are different for exporting and non-exporting firms with the compliance record of the latter, many of whom operate in the informal sector, is far worse. The reduced demand for labour, intensified by stringent rules, could put further pressure on already precarious situations in the non-export sectors. Thus, any rules and regulations targeting a specific sector may inadvertently generate adverse effects, a phenomenon known as the "Cobra Effect," named after a colonial Indian incident where a bounty was offered for dead cobras due to safety concerns about too many snakes in populated areas, leading people to breed more cobras and worsening the problem instead of solving it.

The EU and its institutions must realise that compliance with the CS3D requires generous support, including technical and financial assistance. This support is crucial for awareness-building among entrepreneurs, managers, and policymakers, overseeing compliance and boosting enforcement. Perhaps, more importantly, the EU should work closely with the government of Bangladesh, private sector enterprises and other stakeholders to improve compliance in the overall economy otherwise, the 'compliance leakage' could hurt many workers, for whom the rules and regulations like CS3D are targeted in the first place.

⌗⌗ A version of this article was first published as a policy brief in October 2024 titled ***Sewing Sensibly: EU CS3D and the Bangladesh Garment Industry*** on RAPID's website. The policy brief can be accessed through RAPID-Policy-Brief_CS3D_Bangladesh_Razzaque_22Dec2024.pdf. Another version of this article under the title ***EU corporate sustainability due diligence directive: Reinventing competitiveness for Bangladesh*** was later published in The Business Standard on 27th January, 2025**.** The article can be accessed through EU corporate sustainability due diligence directive: Reinventing competitiveness for Bangladesh | The Business Standard

DEVELOPMENT LETTERS

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Female Migration and Household Poverty in Bangladesh

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Keywords: Female, Migration, Poverty, Household, Skill development, HIES

Abstract

This study analyses the impact of female migration on household poverty in Bangladesh, using data from the 2016 Household Income and Expenditure Survey (HIES). The findings show that female migration significantly reduces household poverty, with poverty rates under the upper poverty line 9 percentage points lower than those in female non-migrant households. However, its effectiveness lags behind male migration, as male migrants perhaps secure higher-paying jobs. Logistic regression confirms female migration to reduce poverty odds compared to non-migrant households, though gender disparities in economic opportunities constrain its potential. The study highlights the need for policy interventions, including skill development and wage protection, to enhance the poverty-reducing impact of female migration.

I. Introduction

Migration for work is a well-established livelihood strategy in Bangladesh, enabling households to improve their economic standing by sending members abroad to secure better-paying employment opportunities (Kumar & Stauvermnn, 2014). Among migrant workers, a growing number are women who migrate primarily to work in sectors such as domestic service, caregiving, and factory work in Middle Eastern and Southeast Asian countries (Beneria, Deere, & Kabeer, 2012). While both male and female migration are associated with improved household welfare, female migration may have distinct implications for poverty reduction, given the different types of employment and wages female migrants are typically able to secure (Nouri & Sharif, 2022; Ahmed, 2021; Blanchet, Razzaque, & Biswas, 2008). This study investigates the unique impact of female migration on household poverty levels, particularly among lower-income households.

II. Data and Methodology

For the analysis, poverty status was measured against two thresholds, the upper and lower poverty lines, reflecting moderate and extreme poverty levels. Households were classified into four groups: those with female migrant workers, those with male migrant workers, and two control groups with female and male non-migrant workers. To ensure an appropriate comparison, a statistical matching method was used to create comparable samples, pairing households across the four groups based on individual, household, and household head characteristics. By controlling for these confounding factors, the method aimed to isolate the effect of female migration on poverty outcomes in comparison to male migration and non-migrant households. Lastly, logistic regression was used to

assess the probability of a household being classified as poor under both poverty lines, allowing for a nuanced understanding of the risk of poverty associated with female migration.

III. Research Results

Impact on household poverty

The findings reveal that female migration has a significant effect on reducing household poverty in Bangladesh, though with some limitations compared to male migration. Among households with female migrant workers, the poverty rate under the upper poverty line stands at approximately 27 per cent, which is notably lower than the rates observed among households without any migrant members. Specifically, households with female non-migrant workers have a poverty rate of around 36 per cent, and households with male non-migrant workers report a poverty rate of roughly 35 per cent. These differences are statistically significant, with the poverty rate in female migrant households being 9 percentage points lower than in households with female non-migrant workers and 8 percentage points lower than in households with male non-migrant workers. This suggests that the migration of female workers provides a crucial economic buffer for low-income families, reducing the likelihood of poverty compared to households where no member migrates for work.

However, when compared to households with male migrant workers, female migrant households still face a higher poverty rate. Male migrant households report a poverty rate of only 19 per cent, about 8 percentage points lower than that of female migrant households. This disparity implies that while female migration contributes to poverty reduction, it remains less effective than male migration. Male migrants generally have access to higher-paying jobs, particularly in construction, manufacturing, and other sectors that offer greater economic returns compared to the domestic and caregiving roles typically available to female migrants. Consequently, male migrant workers can send larger remittances to their families, leading to a more pronounced reduction in poverty risk. This difference highlights a persistent gender gap in labour market opportunities, which limits the potential economic benefits that female migration can provide to households in Bangladesh.

The analysis of poverty under the lower poverty line reveals similar patterns. Female migrant households have a poverty rate of 24 per cent, which is significantly lower than the poverty rates of 33 per cent and 31 per cent observed in female and male non-migrant households, respectively. These results reaffirm that households with female migrant workers are less likely to experience extreme poverty compared to non-migrant households. Yet, male migrant households continue to exhibit a lower poverty rate, with only 16 per cent of these households falling below the lower poverty line. Although the disparity between female and male migrant households is less pronounced under the lower poverty line than under the upper poverty line, the data still suggest that male migration has a stronger effect on poverty alleviation.

The logistic regression analysis further supports these findings by calculating the odds of a household being classified as poor based on the migration status of its members. For households with female migrant workers, the odds of poverty are approximately 50 per cent lower compared to those of female and male non-migrant households (detailed results of the regression analysis can be found in Table 1 attached at the end of this article). These odds ratios are statistically significant, indicating that female migration provides substantial economic benefits, particularly for households with limited income-generating options. However, the comparison between female and male migrant households shows no statistically significant difference, suggesting that while female migration is effective in reducing poverty, it does not perform as strongly as male migration in this regard.

Table 1 | Detailed Results of logistic regression

	Upper poverty line			Lower poverty line		
	Female migrant vs. male migrant	Female migrant vs. female non-migrant	Female migrant vs. male non-migrant	Female migrant vs. male migrant	Female migrant vs. female non-migrant	Female migrant vs. male non-migrant
Gender: Female vs. male	1.109	0.473***	0.550***	1.183	0.467***	0.542**
Age	1.005	1002	1.002	1.006	1.001	1.002
Education	0.976	0.979	0.982	1.009	0.982	0.993
Household characteristics						
Household size	1.045	1.127***	1.079**	1.065	1.154***	1.075*
Demographic dependency	1.450***	1.323***	1.299***	1.402***	1.401***	1.397***
Disability	1.090	1.129***	1.126***	1.052	1.133***	1.164***
L: Rural vs. urban	1.173	1.085	1.126	0.821	0.963	0.869
L: Rural vs. city corporation	-	0.526	0.368	-	0.462	0.279*
Social assistance	1.064	1.492**	1.569***	1.227	1.671***	1.522***
Household heads' characteristics						
Age	0.989	0.971***	0.977***	0.985*	0.969***	0.974***
Education	0.849	0.620***	0.832	0.886	0.709***	0.851
Gender: Female vs. male	1.391	1.044	1.499	1.223	1.033	1.285
Religion: Islam vs. Hinduism	1.332	0.830	0.802	1.539	1.134	0.886
Religion: Islam vs. Buddhism	2.523	0.595	1.051	2.551	0.279	1.234
Marriage: Married vs. never married	0.440	0.587	0.623	0.503	0.709	0.701
Marriage: Married vs. widowed/divorced	2.315**	1.1917**	2.704***	2.307**	2.528***	2.575**
Observation	890	1095	1112	890	1095	1112
LR $\chi 2$ / F	32.5	112.53	88.59	28.84	120.96	98.26
Pseudo R2	0.370	0.0800	0.0627	0.0359	0.0894	0.0731

Note: Statistical significance at the one, five and 10 per cent levels is indicated by ***, ** and * respectively. The numbers in the table are odd ratios.

Additional considerations

Beyond migration status, other household characteristics also play an essential role in determining poverty risk. Larger household sizes, higher dependency ratios, and the presence of disabilities are all associated with increased likelihood of poverty. Households with more members to support, especially dependent children and elderly family members, face greater financial strain, which increases their poverty risk. Additionally, households with members with disability incur additional healthcare costs and may have reduced income-earning potential, further exacerbating their vulnerability. Social assistance programmes were found to be associated with higher poverty odds, possibly due to the fact that these programmes are targeted toward the most financially vulnerable families. However, the association between social assistance and poverty risk also suggests that the existing social safety nets may not be fully adequate in lifting households out of poverty, particularly for those who do not receive remittances from migrant family members.

The demographic characteristics of household heads also influence poverty status. For instance, households headed by older individuals and those with married heads were less likely to be poor, as these household heads tend to have more stable

income sources and social support. In contrast, households headed by divorced or widowed individuals faced higher odds of poverty, likely due to the absence of a secondary income or partner support. This pattern underscores the importance of social and marital stability in contributing to economic resilience among Bangladeshi households. Moreover, households located in rural areas showed slightly higher poverty odds compared to urban households, although this effect was less pronounced among households with migrant members, possibly due to the additional income from remittances.

IV. Policy Implications

The broader implications of these findings suggest that policy interventions could play a pivotal role in enhancing the poverty-reducing effects of female migration. One potential area of intervention is the establishment of training and skill-development programmes tailored to female migrants. By equipping women with skills that allow them to access better-paying jobs, either domestically or abroad, policymakers could help bridge the income gap between male and female migrants. Moreover, policies aimed at protecting female workers from exploitation and ensuring fair wages would enhance the economic returns of migration for women, making migration a more effective poverty-alleviation strategy.

Ensuring that female migrants are treated fairly in foreign labour markets and have access to basic rights and protections is essential to maximising the financial benefits that their remittances bring to their families. Therefore, through continued research and targeted policy measures, the transformative potential of female migration can be harnessed to create more resilient and economically stable communities across Bangladesh.

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Is Bangladesh Ready to Adopt Vehicle and Cargo Tracking Systems?

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Abstract

This article explores Bangladesh's readiness to adopt vehicle and cargo tracking systems to enhance logistics efficiency and secure trade. Despite policy initiatives like the Electronic Seal and Lock Rules 2024, and the National Logistics Development Policy, challenges such as high costs, low awareness, and poor coordination hinder progress. The article recommends raising awareness, subsidising costs, and fostering regional collaboration to overcome these barriers. Improved tracking systems could boost Bangladesh's logistics performance and global trade competitiveness.

Keywords: Logistics, Cargo tracking, Export, Bangladesh

I. Introduction

Vehicle and cargo tracking has become an essential component in enhancing global trade and optimising logistics. Combining hardware and software, such systems utilise Global Positioning System (GPS) and Radio Frequency Identification (RFID) technologies to monitor real-time vehicle and cargo locations. With a growing global demand for tracking solutions, the vehicle tracking system market reached USD 21.5 billion in 2022 and is projected to grow at a compound annual rate of 14.1 per cent from 2023 to 2030. Given these trends, Bangladesh stands to gain significantly from adopting vehicle and cargo tracking systems. This article explores the current status of tracking technology in Bangladesh, identifies key challenges, and outlines a way forward to capitalise on its potential.

II. Current Status: Bangladesh Lagging behind in Tracking Technology

Bangladesh ranks 105th out of 139 countries in the tracking and tracing dimension of the Logistics Performance Index (LPI), scoring 2.4 out of 5 in 2023. This ranking reflects a moderate performance, lagging behind peers such as India and Sri Lanka in South Asia.[1] Moreover, several African nations, including Gabon, Namibia, Rwanda, and Zimbabwe, with smaller trade volumes, have achieved more advanced tracking

[1]The Logistics Performance Index (LPI) is a benchmarking tool by the World Bank that measures the efficiency of the logistics industry in a country, considering factors such as infrastructure, customs performance, international shipments, quality of logistics services, tracking and tracing, and timeliness.

and tracing capabilities (Figure 1). Countries such as and the Democratic Republic of the Congo, Kenya, Uganda, Rwanda have implemented the Regional Electronic Cargo Tracking System (RECTS), facilitating regional economic integration and trade expansion (UN ESCAP, 2023).

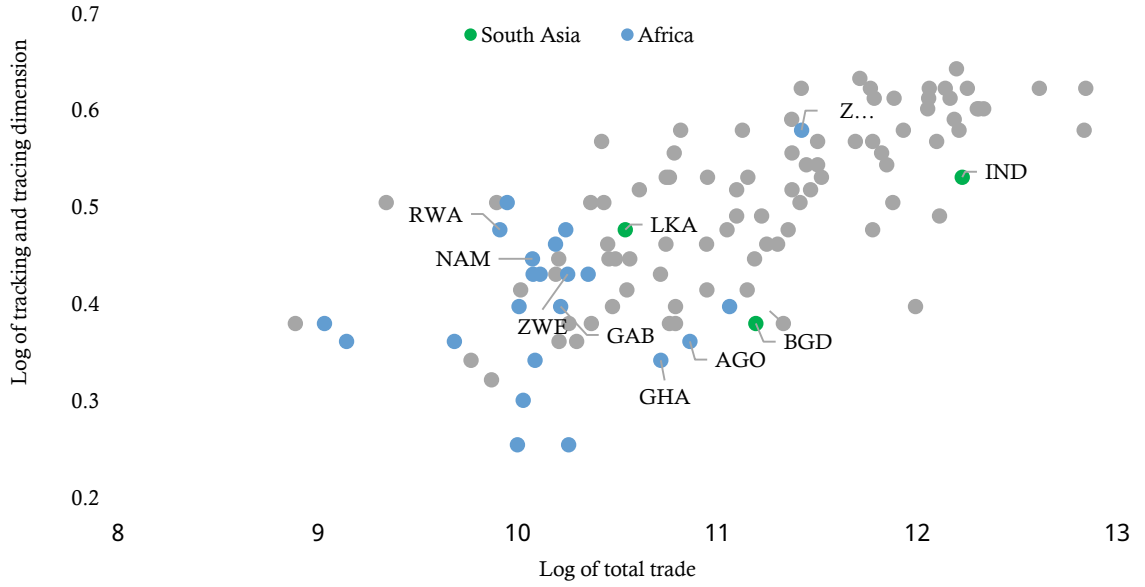

Figure 1 | Tracking and tracing dimensions of different countries in relation to overall trade

Note: Countries are indicated as AGO–Angola, BGD–Bangladesh, GAB–Gabon, GHA–Ghana, IND–India, LKA–Sri Lanka, NAM–Namibia, RWA–Rwanda, ZAF–South Africa, ZWE–Zimbabwe.
Source: World Development Indicators, The World Bank.

III. Current Landscape of Regulations and Challenges

In Bangladesh, several initiatives have been introduced to improve cargo security and logistics efficiency. The government has mandated GPS trackers in covered vans to reduce cargo theft, particularly for export goods transported to Chittagong docks. The National Board of Revenue (NBR) introduced the Electronic Seal and Lock Rules 2024 to secure containers and cargo vehicles during transit, preventing theft and tampering. Furthermore, the National Logistics Development Policy (NLDP), launched in 2024, aims to boost trade and investment by promoting efficient and sustainable logistics systems. The Bangladesh Telecommunication Regulatory Commission (BTRC) also plays a role by providing licensing guidelines for vehicle tracking services.

Despite these efforts, several challenges hinder the implementation of tracking systems:

1. High Service Costs: Previous attempts by the NBR to implement electronic seal and lock rules failed due to prohibitive service charges, which discouraged businesses from adopting the system.
2. Low Awareness: Many stakeholders remain unaware of the Electronic Seal and Lock Rules 2024, creating resistance and limiting its effectiveness.
3. Lack of Coordination: The absence of clear guidelines in the NLDP and poor collaboration among government agencies have resulted in fragmented implementation efforts.
4. Resistance from Cargo Handlers and Drivers: Concerns over operational disruptions, privacy, and unfamiliarity with new technologies have led to hesitancy among handlers and drivers.
5. Dependence on Escort Services: The reliance on escort services for transporting dutiable goods increases operational costs and complicates logistics.

IV. The Way Forward

To overcome these challenges and maximise the benefits of vehicle and cargo tracking systems, strategic measures are required:

- **Awareness and Phased Implementation:** Conduct widespread campaigns through seminars, workshops, and online platforms to educate stakeholders on the benefits of tracking systems. Phased implementation, supported by pilot programmes, can identify issues early and build user confidence.
- **Cost Incentives:** Address high service costs through subsidies, tiered pricing models, and negotiated rates with providers. Operational incentives, such as priority customs clearance and reduced port waiting times, could encourage adoption.
- **Enhanced Coordination:** Establish a cross-functional task force comprising government ministries and agencies to oversee implementation and ensure alignment with national logistics goals.
- **Collaboration with CLTP:** Partner with the Central Logistics Tracking Platform (CLTP) being developed under Aspire to Innovate (a2i) to enable real-time tracking and enhance supply chain visibility. This requires robust telecommunication infrastructure and network coverage, particularly in remote areas.
- **Integrated Platforms:** Link key agencies, including the BTRC, Road and Highway Department, NBR, and clearing and forwarding (C&F) agencies, to streamline operations and data sharing.
- **Regional Cooperation:** Pursue agreements with neighbouring countries for cross-border electronic cargo tracking to facilitate seamless international trade and enhance security.

Strengthening vehicle and cargo tracking systems is vital for optimising Bangladesh's logistics framework and securing its trade potential. By addressing challenges such as high costs, low awareness, and resistance to technology adoption, Bangladesh can improve its tracking capabilities and logistics efficiency. Furthermore, regional collaboration on electronic cargo tracking would enhance cross-border trade and bolster security. These efforts will not only improve the country's ranking on the Logistics Performance Index (LPI) but also establish Bangladesh as a competitive player in global trade.

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Inflation-adjusted Social Protection Benefits

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Keywords: Social protection, Inflation, HIES 2022, Inflation-indexing

Abstract

The government of Bangladesh has allocated around BDT 1,360 billion for social protection of the poor and vulnerable population of the country. However, the already small amount of per capita financial assistance provided lack any mechanism for inflation adjustment over time, calling into question their effectiveness. This study used Household Income Expenditure Survey-2022 data to examine the trends in benefit values of three major social protection progammes of Bangladesh and finds that between 2016 and 2024, while per capita income has more than doubled, the nominal amount of benefit has increased only marginally, resulting in a drop in the real value of these benefits when adjusted for inflation. The study recommends introducing inflation-indexed social protection benefits in Bangladesh to ensure that the amount of financial assistance provided are updated with inflation in order to retain their purchasing power over time.

I. Introduction

Social protection is a fundamental instrument for poverty alleviation, promoting social equity by providing financial or in-kind assistance to the poor and vulnerable. In Bangladesh, the social protection framework has remained a critical element of development policy, yet it faces significant challenges, including inadequate funding, fragmentation, and insufficient alignment with the evolving needs of beneficiaries. One of the most pressing issues is the lack of inflation adjustment in social protection benefits. The erosion of purchasing power due to inflation leaves recipients struggling to afford basic necessities such as food, healthcare, and education, undermining the effectiveness of the safety net.

This article underscores the importance of introducing inflation-indexed social protection benefits. Drawing on international experiences and data from Bangladesh, it makes the case for inflation-adjusted transfers as a cornerstone for safeguarding vulnerable populations, addressing inequalities, and strengthening the country's social protection.

The Case for Inflation-Indexed Benefits

Bangladesh allocates 12 to 17 per cent of government expenditure (approximately 2.5 per cent of GDP) to social safety net programmes. However, these resources are spread across numerous schemes, limiting coverage and insufficient benefit values for beneficiaries. Additionally, social protection allowances are not

regularly adjusted for inflation, and when increases do occur, they are irregular and fall significantly short of matching inflation levels.

To address the challenges posed by inflation, countries worldwide have adopted innovative approaches to determine and adjust social protection benefits in line with changing economic conditions. Yemen, for instance, employs the Minimum Expenditure Basket (MEB) to calculate transfer values for the Multipurpose Cash Assistance (MPCA) programme, covering essential needs such as food, water, shelter, and healthcare. The MEB is updated biannually using price monitoring data and inflation thresholds, ensuring that cash transfers retain their purchasing power even during periods of economic instability (UNOCHA, 2024). Similarly, Brazil's Benefício de Prestação Continuada (BPC) ties unconditional cash transfers for elderly individuals and persons with severe disabilities to the national minimum wage. These benefits are adjusted annually based on inflation, as measured by the National Consumer Price Index (INPC), and economic growth, enabling recipients to meet basic needs as mandated by Brazil's 1988 Federal Constitution (Zviniene & Raquel, 2024). Germany employs a standardised approach, indexing benefits to inflation and wage trends to maintain their alignment with societal living standards (Neue Deutsche Medienmacher, 2024).

Building on these strategies, some countries have adopted more comprehensive frameworks to address diverse vulnerabilities. Vietnam and Indonesia, for example, incorporate multidimensional poverty frameworks into their benefit calculations, addressing vulnerabilities beyond monetary deprivation (Handayani and Babajanian, 2012; Viet Nam's Old Age Pensions, 2024). These frameworks ensure that social protection programmes meet a wider range of needs. Similarly, Mexico and Nigeria base their benefit adjustments on household needs, poverty thresholds, and inflation, tailoring assistance to specific socio-economic contexts (ISSA, 2022; Ministry of Welfare Mexico, 2023).

Other nations have developed locally tailored strategies to ensure the continued effectiveness of their social protection programmes. For instance, China's Dibao programme determines benefits by comparing local poverty thresholds with household per capita income. These thresholds are adjusted annually or biennially to account for inflation, regional economic disparities, and living costs. In Beijing, the urban Dibao threshold was increased annually between 2010 and 2020 to keep pace with rising expenses (Jin et al., 2022). Thailand's Old-Age Allowance (OAA) adopts a different approach, addressing age-specific vulnerabilities through tiered cash transfers for elderly citizens. As of 2024, individuals aged 60–69 receive 700 Thai Baht (THB) per month, while those aged 90 or older receive 1,250 THB. This tiered structure reflects the higher costs associated with aging and ensures that benefits are equitably distributed based on demographic needs (Rose, 2016).

II. Data and Methodology

This article utilises data from the Household Income and Expenditure Survey (HIES)-2022 and social protection related data from Ministry of Finance to assess the adequacy of Bangladesh's social protection benefits. It examines trends in nominal and real benefit values and their alignment with key economic indicators such as per capita income, the national poverty line, and Gross National Income (GNI). By highlighting disparities between economic growth and benefit adjustments, the study sheds light on critical gaps in the effectiveness of social protection policies.

The methodology employs comparative analysis to evaluate the growth of benefits relative to inflation and other economic indicators, revealing shortcomings in policy implementation. Normalisation and indexing techniques, with Fiscal Year 2010 (FY10) as the baseline, quantify the erosion of the purchasing power of social protection benefits over time.

III. Research Results

The monthly benefits under key social protection programmes, the Old-Age Allowance (OAA) (BDT 600), Widow Allowance (WA) (BDT 550), and Disability Allowance (DA) (BDT 850) in Bangladesh account for just 2 to 5 per cent of Bangladesh's per capita monthly income, far below the levels required to ensure income security or lift individuals out of poverty. Between 2016 and 2024, while per capita income in Bangladesh more than doubled in nominal terms, the benefits under these key programmes increased only marginally: 20 per cent in OAA (i.e., 2.5% per annum) and 10 per cent in WA (i.e., just over 1% per annum). In contrast, inflation during the same period rose by on average

7 per cent annually. Moreover, their proportion relative to the poverty line fell (Figure 1). According to the Household Income and Expenditure Survey (HIES) 2022, while the national poverty line income was BDT 3,832 per person per month and per capita income stood at BDT 7,614, monthly benefits from OAA and WA accounted for only 14 per cent of the poverty line income, whereas allowances for persons with disabilities covered just 22 per cent.

Figure 1 | Benefits from SP programmes (% national poverty line)

Note: OAA - Old-Age Allowance, WA - Widow Allowance, and DA – Allowance for persons with disabilities (PwDs)
Source: Data from Ministry of Finance, and Bangladesh Bureau of Statistics.

The lack of inflation adjustment has further exacerbated this issue. Normalised to FY10 price level, the real value of OAA dropped by 24 per cent, WA by 29 per cent (Figure 2). Although the real value of the benefits from DA increased compared to the 2010 price level, it declined by 18 per cent if the 2018 price level is considered. Although the National Social Security Strategy (NSSS) has recommended inflation-adjusted transfers to preserve the real value of benefits, no tangible progress has been made. These findings warrant an urgent need for periodic adjustments to ensure that social protection benefits remain aligned with poverty thresholds and retain their purchasing power over time.

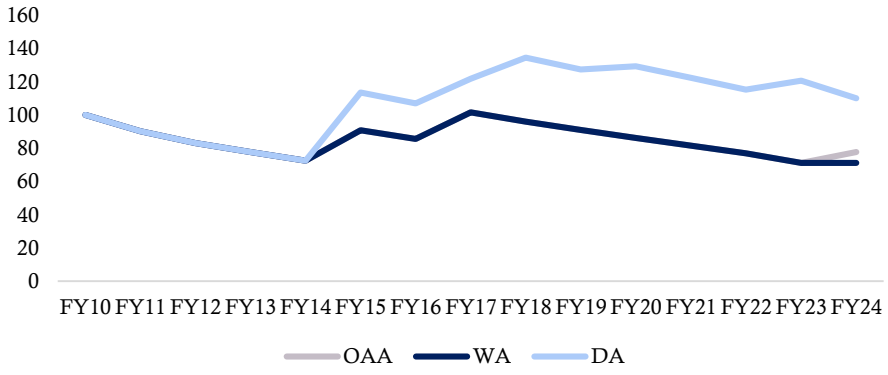

Figure 2 | Benefits from SP programmes (adjusted for inflation; normalised at FY10=100)

Note: OAA - Old-Age Allowance, WA - Widow Allowance, and DA – Allowance for persons with disabilities (PwDs)
Source: Data from Ministry of Finance, and Bangladesh Bureau of Statistics.

IV. Policy Implications

The erosion of purchasing power due to inflation poses a critical challenge to social protection programmes in Bangladesh. To ensure sustainability and effectiveness, a forward-looking strategy must address inflation and cost-of-living changes while establishing a robust methodology for determining benefit levels. A comprehensive approach involving inflation adjustments, data-driven implementation, pilot testing, monitoring, and programme consolidation is essential to build a resilient social protection system for vulnerable populations.

Periodic adjustments to benefit levels that account for inflation and rising living costs are crucial to preserving the real value of social protection programmes. Among global mechanisms, the Minimum Expenditure Basket (MEB) and Poverty Threshold-Based Methods are particularly relevant for Bangladesh. The MEB, used in countries like Yemen and Australia, calculates benefits based on the cost of meeting essential needs such as food, shelter, and healthcare, ensuring benefits align with actual living costs. However, implementing the MEB in Bangladesh would require significant administrative capacity and robust data systems to account for regional cost variations.

Alternatively, Poverty Threshold-Based Methods or Minimum Wage Adjustment Method, as seen in Brazil's Benefício de Prestação Continuada (BPC) and China's Dibao programme, offer a simpler approach by linking benefits to poverty thresholds or minimum wages. These methods target the most vulnerable populations and allow for periodic adjustments to reflect inflation and economic growth.

For Bangladesh, a hybrid approach could combine the MEB to establish poverty thresholds with a national benchmark, such as the minimum wage, for practical implementation. A fraction of the threshold can be set as the social protection benefits, with additional benefits attached to several other vulnerabilities, such as elderly people aged more than 90 years, children, and level of disabilities. Incorporating age-based differentiation, inspired by Thailand's Old-Age Allowance (OAA), could also address specific needs, such as higher healthcare costs for elderly populations. Regular adjustments, similar to Brazil's BPC, would ensure benefits retain their real value. Using inflation indices and poverty thresholds as benchmarks aligns adjustments with macroeconomic trends and real needs. Additionally, creating a centralised database of beneficiaries can minimise leakages and redundancies, ensuring targeted delivery of benefits.

Countries like Australia, Thailand, and Vietnam have demonstrated the effectiveness of inflation-indexed benefit systems. Bangladesh could adopt a similar model by indexing flagship programmes like the Old Age Allowance (OAA), Widow Allowance (WA), Disability Allowance (DA), and Mother and Child Benefit Programme (MCBP) to inflation. A phased introduction through pilot projects, starting with one programme like the OAA/WA, would allow for real-time evaluation and refinement. These pilots would generate insights for broader implementation and build public and political support for a comprehensive system.

Introducing inflation-indexed benefits has the potential to transform Bangladesh's social protection system. While initial investments in pilot projects and monitoring mechanisms are necessary, the long-term benefits of an efficient, equitable system will far outweigh the costs. These reforms will protect vulnerable populations, reduce inequality, and reinforce Bangladesh's commitment to sustainable development and poverty reduction.

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DEVELOPMENT LETTERS

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Assessing Future Needs of Dry Ports in Bangladesh's Trade Infrastructure

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Keywords: Export, Import, Dry ports, Logistics, Chattogram port

Abstract

Dry ports, also known as off-docks or inland ports, play a significant role in the efficient transportation of goods from the sea ports to other destination. As trade volumes continue to grow, assessing the demand for expanded cargo handling capacity at Chattogram Port in Bangladesh and its associated off-doc facilities has become increasingly critical. This study utilises data from the Chattogram Port Authority (CPA) to project future demand for dry ports and off-docks. The results show that Bangladesh is expected to handle over 40 million TEUs by 2050 comprising of different shares of export and import.

I. Introduction

A dry port, or inland port, serves as an intermodal terminal connecting seaports with inland destinations, enhancing logistics efficiency and supporting economic growth (Varese et al., 2020). In Bangladesh, although true dry ports are absent, facilities such as off-docks, Inland Container Depots (ICDs), and Inland Container Terminals (ICTs) fulfil a similar function. These facilities are crucial in the logistics chain, facilitating the movement of goods between maritime and inland transportation networks, despite lacking the extensive bulk cargo handling capabilities of traditional dry ports (Saha, 2016). Chattogram Port, which handles 90 per cent of the country's international trade, relies heavily on road transport for container cargo destined for or originating in Dhaka, accounting for 67 per cent of the total volume, while rail transport contributes only 3 per cent. The Dhaka ICD, operational since 1987, has supported rail connectivity, but urban development around the terminal has created congestion challenges, limited its capacity. To address these issues, the Chattogram Port Authority (CPA) has facilitated the establishment of 18 private off-docks near the port, playing a critical role in managing the growing trade volume.

In 2021, container handling at these off-docks increased significantly, surpassing one million Twenty-foot Equivalent Units (TEUs) for the first time. As trade volumes continue to grow, assessing the demand for expanded cargo handling capacity at Chattogram Port and its associated off-dock facilities has become increasingly critical.

II. Data and Methodology

This study utilises data from the CPA to project future demand for dry ports and off-docks. The analysis uses average annual growth rates as the basis for forecasting TEU volumes for imports, exports, and total trade. Data spanning 2012–2023 was extracted, with projections focused on the pre-

COVID period (2012–2019) to avoid distortions caused by pandemic-related trade disruptions.

The methodology involves calculating historical growth rates and applying these to forecast TEU demand through 2050. By estimating future trade volumes, the study evaluates the infrastructure requirements necessary to meet projected demand.

III. Research Results

The analysis reveals average annual growth rates of 10.83 per cent for imports (Figure 1), 10.23 per cent for exports (Figure 2), and 10.56 per cent for total trade (Figure 3). Based on these rates, projections indicate Bangladesh will need to handle over 40 million TEUs by 2050, comprising 25 million TEUs in imports and 15 million TEUs in exports. Chattogram Port is expected to manage 90 per cent of this volume, with Matarbari deep seaport and the Bay Terminal handling 5 million and 0.5 million TEUs, respectively.

However, import restrictions and economic challenges suggest these growth rates may overestimate future demand. A more conservative estimate, using an 8 per cent growth rate, projects total TEU demand at approximately 25 million by 2050. Under this scenario, around 30 additional dry ports or off-docks would be required, assuming no major expansion of existing facilities. Similarly, projections for a more generous growth rate, 12 per cent, has also been made and presented on the figures.

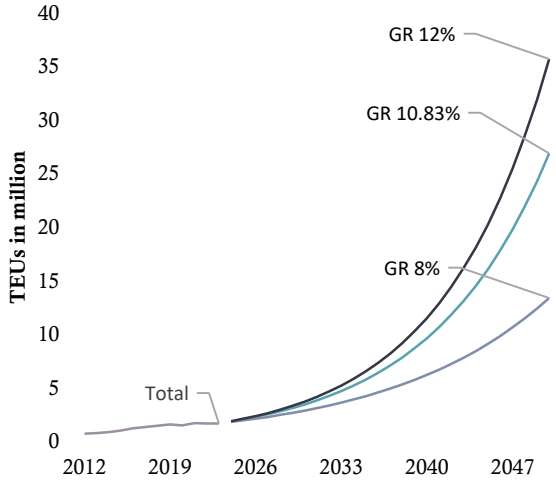

Figure 1 | Forecasting TEU import at Chattogram Port

Note: GR stands for growth rate. Values beyond 2024 are projections.

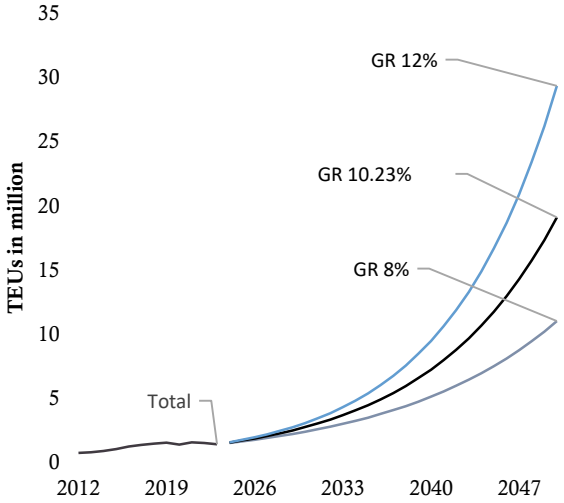

Figure 2 | Forecasting TEU export at Chattogram Port

Note: GR stands for growth rate. Values beyond 2024 are projections.

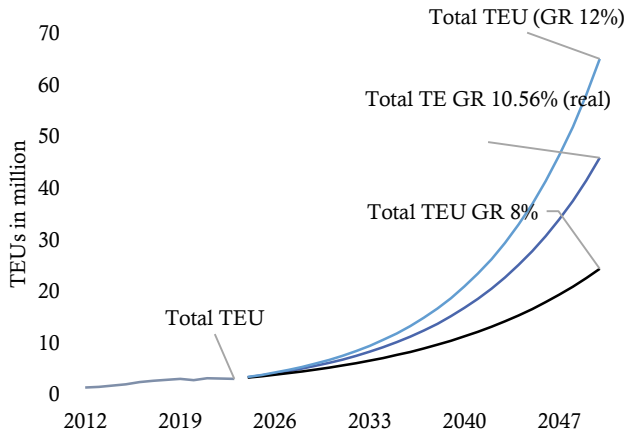

Figure 3 | Forecasting total TEUs at Chattogram Port

Note: GR stands for growth rate. Values beyond 2024 are projections.

IV. Conclusion

To address the growing demand for trade infrastructure, Bangladesh needs to strategically plan for the development of dry ports and off-docks. According to the experts, a reasonable facility should handle 300,000 TEUs annually. Based on projected demand, Bangladesh would thus require approximately 80 additional facilities by 2050. To mitigate congestion and decentralise operations, new dry ports and off-docks should be established outside Chattogram, in industrial hubs such as Dhaka and Gazipur. This approach would accommodate rising trade volumes while reducing pressure on existing infrastructure, ensuring a more efficient and distributed logistics network. Strengthening these systems is essential for sustaining Bangladesh's trade growth and supporting its position in global markets.

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Leveraging TRIPS Flexibilities for Bangladesh's Pharmaceutical Industry Post-LDC Graduation

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Keywords: Export, Pharmaceuticals, LDC graduation, Patent law, TRIPS

Abstract

The growth of Bangladesh's pharmaceutical industry has benefitted from LDC-specific flexibilities under various agreements of the World Trade Organization. With LDC graduation imminent, these privileges will end, posing challenges to the sector. This paper captures various globally available flexibilities incorporated into the Bangladesh Patent Act 2023 and capacity-building needs for post LDC graduation adjustments.

I. Introduction

Bangladesh's pharmaceutical industry, with an annual output valued at more than USD 3 billion, has achieved remarkable growth, transitioning from reliance on multinational corporations to self-sufficiency in generic drug production. Much of this progress can be attributed to the flexibilities afforded by the country's Least Developed Country (LDC) status under various World Trade Organization (WTO) agreements. These provisions, particularly under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Agreement on Subsidies and Countervailing Measures (SCM), have allowed Bangladesh to produce generic drugs without patent restrictions and provide export subsidies, which are otherwise prohibited, supporting the pharmaceutical and other export-driven industries. However, the impending LDC graduation will require these privileges to be forgone, raising concerns about the industry's ability to sustain its growth and public health contributions. This paper examines the benefits the pharmaceutical sector currently enjoys under WTO agreements, the TRIPS-related flexibilities incorporated into the Bangladesh Patent Act (BPA) 2023, and the strategies required to maintain competitiveness and address public health needs post-graduation.

II. TRIPS Flexibilities and the Bangladesh Patent Act 2023

The TRIPS Agreement includes measures to mitigate adverse consequences, enabling member states to safeguard public health interests even after full implementation. Countries utilise these flexibilities by incorporating them into national patent laws. Recognising this, Bangladesh recently enacted the Bangladesh Patent Act (BPA) 2023, replacing outdated laws that were inconsistent with WTO standards. For example, the Patent and Design Act of 1911 lacked a clear definition of inventions, leading to vulnerabilities such as evergreening, and offered limited grounds for

compulsory licensing. These shortcomings necessitated a new legal framework to address public health concerns and fully exploit TRIPS flexibilities while adhering to WTO principles. The BPA 2023 addresses these gaps, allowing Bangladesh to continue its patent-free regime for pharmaceutical products until LDC graduation. By embedding TRIPS flexibilities, the law ensures the pharmaceutical sector remains competitive and capable of addressing public health challenges post-graduation. Key provisions include:

- Choice of patentability criteria: Section 2(6) defines an invention as a novel product or process with inventive steps and industrial application, excluding minor modifications of existing substances (anti-evergreening). Patents are restricted for medicines invented before November 2026, maintaining a patent-free environment until LDC graduation.
- Compulsory licensing: Section 36 allows the issuance of compulsory licenses in cases of public interest, national security, anti-competitive practices, or insufficient availability of patented drugs. This ensures affordable access to essential medicines.
- Government use authorisation: Section 38 empowers the government to produce patented drugs without inventor consent during national emergencies, such as pandemics or public health crises, ensuring timely access to critical treatments.
- Parallel importation: Section 60 permits the importation of patented medicines at lower costs, leveraging price disparities across countries and promoting affordability.
- Experimentation exceptions (Bolar Exception): Section 62 allows research and testing on patented medicines, enabling local manufacturers to develop generics and compete globally once patents expire.

By embedding these TRIPS flexibilities, BPA 2023 positions Bangladesh to address public health challenges and maintain its pharmaceutical output post-graduation.

III. Challenges and Capacity-Building Requirements

While TRIPS flexibilities provide a buffer, their effective utilisation depends on the pharmaceutical industry's capacity to adapt to a more competitive and regulated environment. Key challenges include:

- Technological and infrastructural gaps: Without significant investment, the industry may struggle to adopt advanced manufacturing practices and expand production capacity.
- Human resource development: Enhancing technical expertise in research and development (R&D) is critical to leveraging experimentation exceptions and developing innovative solutions.
- Regulatory strengthening: Improving regulatory frameworks and compliance mechanisms is essential to maintain global competitiveness and export standards.

Addressing these challenges requires a coordinated effort from both the government and private sector to ensure that the pharmaceutical industry can thrive under the new regulatory landscape.

IV. Conclusion

Bangladesh's pharmaceutical industry faces a critical juncture as it transitions out of LDC status. While the loss of existing WTO privileges poses challenges, the incorporation of TRIPS flexibilities in the Bangladesh Patent Act 2023 provides a foundation for continued growth and public health protection. These provisions allow the industry to maintain its ability to produce essential medicines and remain competitive globally. However, the benefits of these flexibilities hinge on significant capacity-building efforts. Strengthening R&D, upgrading infrastructure, expanding technical expertise, and enhancing regulatory systems are paramount. By prioritising these initiatives, Bangladesh can not only safeguard its pharmaceutical sector but also ensure sustainable development in the face of its evolving global trade obligations.

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Challenges, Gaps, and Pathways for an Inclusive Old Age Allowance Programme

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Keywords: Social protection, Bangladesh, Inflation, HIES 2022, Inflation-indexing, Old-Age Allowance

Abstract

The Old Age Allowance (OAA) programme, while serving as a crucial safety net for elderly individuals of Bangladesh, remains inadequate due to low benefit levels, targeting errors, and inconsistent inflation adjustments. As the elderly population is expected to rise in the coming years, the need for reform is more urgent than ever. This article examines the programme's limitations and the challenges posed by the eligibility criteria. Additionally, simulation analyses are conducted to highlight the potential benefits of increased allowances and universal coverage in reducing elderly poverty and vulnerability. To address fiscal constraints, the article suggests exploring alternative financing options, such as zakat, national lotteries, and public-private partnerships, alongside resource mobilisation by consolidating fragmented social protection schemes. Strengthening the OAA through broader eligibility, higher benefits, and better resource allocation is essential to building a more inclusive and effective social protection system.

I. Introduction

The Old Age Allowance (OAA) programme of Bangladesh, administered by the Ministry of Social Welfare (MoSW), is designed to provide financial support to elderly people who are destitute, of low income or unable to earn. It also aims to uphold their dignity within their families and communities. While the programme's intentions are noble, the OAA, with its current structure and benefit amount, falls short of providing meaningful security. Its effectiveness is undermined by structural limitations, inefficiencies, and outdated implementation mechanisms. Initiated with a minimal amount, the OAA benefit amount has remained small, likely due to the inconsistent inflation adjustments over time, resulting in a decline as a percentage of per capita GNI and the poverty line income. Being one of the most critical social protection initiatives, its insufficiency in providing decent support to elderly individuals raises the urgency to reassess the benefit amount

and set it at a reasonable level. This would not only increase the well-being of the vulnerable elderly but also help reduce poverty and vulnerability among the old age population.

Furthermore, with Bangladesh's ageing population projected to rise significantly, the challenge of providing adequate support to an ever-larger number of elderly citizens will be amplified as this demographic shift will demand a significant increase in the social protection budget to accommodate additional beneficiaries. This raises a critical question: whether the programme, in its current form, can effectively address the evolving needs of Bangladesh's elderly, or does it require fundamental reforms to keep pace with the changing socio-economic realities?

To shed light on the aforementioned issues, this article highlights the challenges within the OAA initiative and discusses feasible reforms to enhance its impact on poverty and vulnerability reduction as well as create an inclusive safety net for senior citizens. Employing secondary data (e.g., HIES, BBS, UNDESA), the article presents estimation and simulation analyses that provide insights and possible solutions necessary for the transformation of the programme.

II. The Importance of The OAA as a Social Protection Scheme

Bangladesh stands at the edge of a profound demographic transformation. Currently, 9.8 per cent of the population is aged 60 or above (according to HIES 2022 data), but this proportion is set to surge. By 2050, the elderly population is projected to increase more than twofold (22%) (Figure 1), signalling a significant shift in the country's demographic structure. As the elderly population grows, the financial strain on the younger generation to support an ageing populace will intensify, creating new economic pressures and social challenges.

This demographic shift highlights the urgent need for proactive measures, particularly in expanding and strengthening the OAA. Without such support, the burden on younger generations and the state, will exacerbate the poverty and inequality situation of the country.

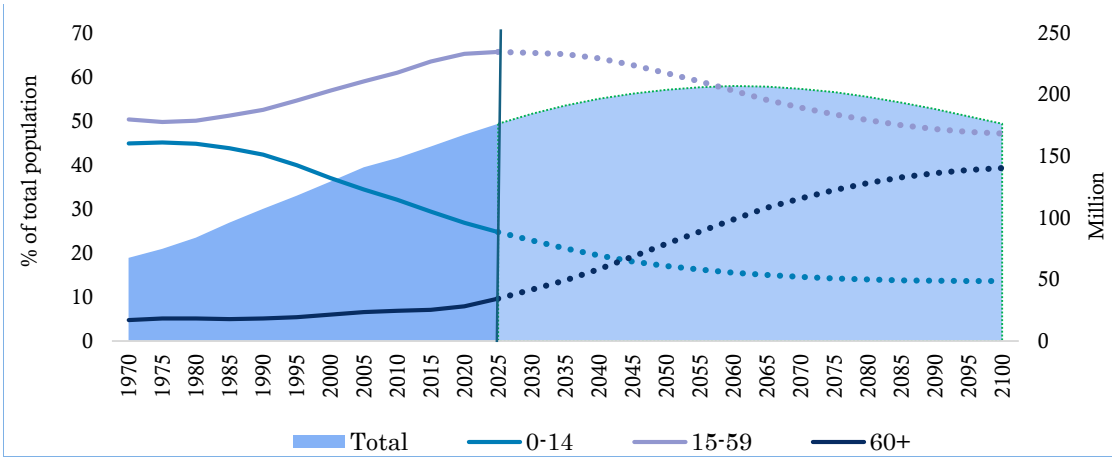

Figure 1 | Population composition by broad age groups (% of the total population)

Source: Authors' illustration based on data from the UNDESA.

When the OAA was introduced in FY98, it offered a small monthly allowance of BDT 100. Over the years, this amount increased to BDT 600 by FY24. However, the increase in nominal value may be misleading as the trends of the OAA benefits in real terms (adjusted for inflation) reflect that the value did not translate into higher purchasing power. Initially, the real value of the OAA showed some growth due to consistent inflation adjustments made between FY03 and FY10. However, these adjustments became sporadic in subsequent years. Consequently, it

FY24, the inflation-adjusted real value of the OAA stands at just BDT 115—merely 19 per cent of its nominal value (Figure 2c).

Moreover, initially, the allowance amounted to over 6 per cent of the country's per capita Gross National Income (GNI), but this modest share has fallen to just 2.5 per cent by 2022. Similarly, while it once (in 2005 to 2010) covered around a quarter of the national poverty line, it now accounts for a mere fraction (14% of poverty line), (as reflected in Figures 2a and 2b). This long-standing insufficiency underlines that the OAA has fallen short of being a transformative intervention, which draws attention to the fact that the majority of the social protection programmes in Bangladesh mainly rely solely on tax-based funding, leading to the limited fiscal space for key interventions like old age allowance. Better resource mobilisation within the social protection budget could pave the way for lifecycle-based programmes comprehensively addressing old-age vulnerability.

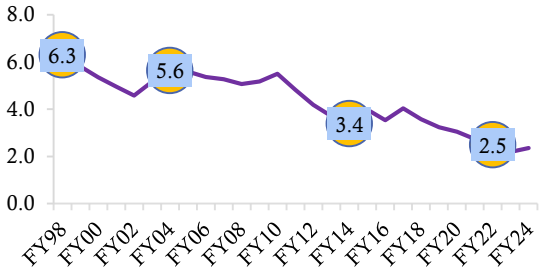

Figure 2a | Old age allowance as % of per capita GNI

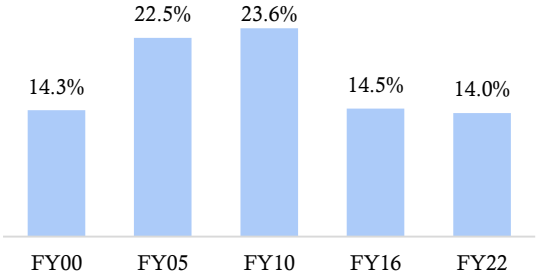

Figure 2b | Old age allowance as % of poverty line

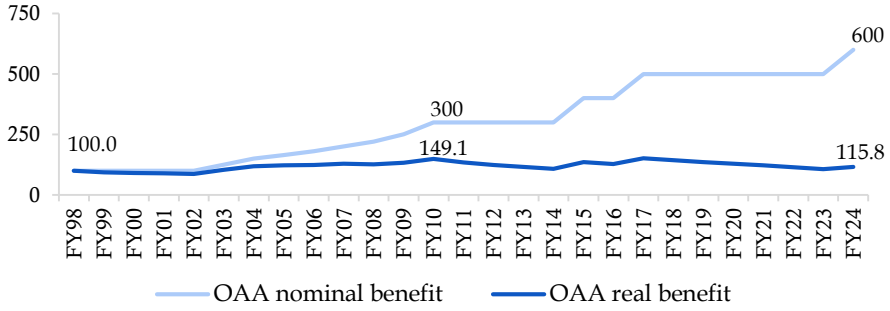

Figure 2c | Old age allowance in nominal and real (inflation-adjusted) value

Figure 2 | Trends in the growth, real value, and adequacy of old age allowance over time

Source: Author's estimation using BBS data from various years and MoSW.

III. Navigating the Labyrinth of Eligibility: Who Gets Left Behind?

Eligibility for the OAA hinges on strict criteria: men aged 65+ and women aged 62+ with individual annual incomes below BDT 10,000. According to the Household Income and Expenditure Survey (HIES) 2022, only 5.7 per cent of the population qualifies under these conditions. Yet, paradoxically, 17.7 per cent of elderly individuals are excluded because their incomes marginally exceed the threshold, even if they remain economically vulnerable. If the income criterion is removed, the OAA benefit would expand its reach to 6.9 per cent of the population.

Using income as an eligibility criterion presents its own challenges, potentially deepening social inequalities, as there is no guarantee that elderly individuals receive adequate support within the household, irrespective of their income status.

Therefore, moving towards more inclusive coverage can better address the realities faced by older population.

Compounding this issue is the persistent problem of targeting errors, which strain the programme's limited resources. Eligible individuals are often excluded, while ineligible individuals are wrongly included, resulting in resource wastage and inequities. For instance, in FY22, the programme reached 5.7 million beneficiaries with a budget of BDT 34.4 billion.[1] Yet, inclusion errors stood at 16.3 per cent, and exclusion errors were even higher at 25 per cent, driven by income and age criteria. These figures, while insightful, are limited by the constraints of HIES data, where scattered income records make it challenging to assess the financial status of elderly individuals accurately. Despite these limitations, the data highlights the need for improved targeting mechanisms to ensure support reaches those in genuine need.

Efforts to address exclusion have included piloting universal OAA coverage in 262 of the poorest upazilas during FY21 and FY22 (Finance Division, 2022; Ferdousi, 2023). [2] While the government envisions nationwide universal coverage for elderly citizens, fiscal constraints have shifted the focus toward adjusting benefit levels and prioritising the most deserving (Anwar, et *al.*, 2019; CD & GED, 2022).

IV. Economic Implications of OAA

Think of poverty as a relentless storm and the OAA as an umbrella. Currently, the size of this umbrella is insufficient, leaving many elderly individuals exposed to the harsh realities of financial insecurity. An analysis of the OAA's impact provides compelling evidence of its critical role (Figure 3), for instance, depicts the relationship between OAA and monthly average consumption level relative to the poverty threshold. When the OAA is withdrawn (as shown by the "Pre_OAA" line), average consumption levels for many elderly individuals drop significantly, pushing 0.284 million elderly below the poverty line, raising the national poverty rate by 0.17 percentage points.[3]

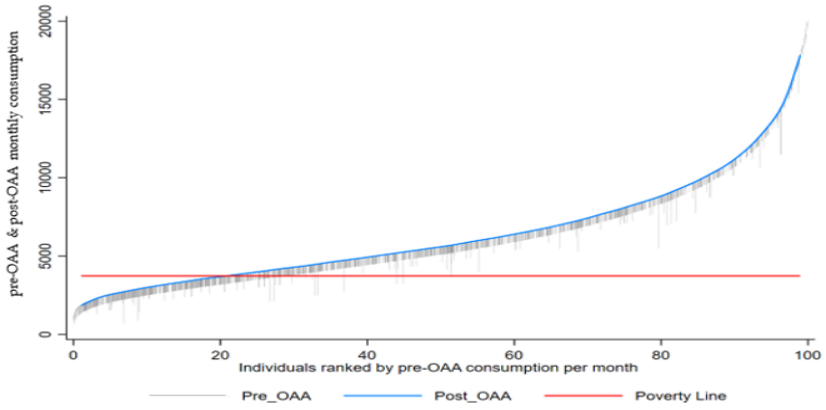

Figure 3 | Impact of OAA on monthly consumption relative to poverty line

Source: Author's estimation and presentation using HIES 2022 data.

Similarly, 0.351 million elderly individuals would fall into extreme poverty, increasing the extreme poverty rate by 0.21 percentage points, and 0.368 million elderly would slip into vulnerability, raising the vulnerability rate by 0.22 percentage points. Without the OAA, elderly poverty, currently at 17.8 per cent, would jump to 19.5 per cent—a 1.7 percentage point increase.

Simulations (illustrated in Figure 4) show that increasing the OAA benefit by 50 per cent would

[1]Most of the statistics presented in the article are based on FY2021-22 to align with HIES 2022 (the most recent survey).
[2] Gentilini, (2019) highlights that the social protection programme could mitigate the exclusion errors by extending the scheme to cover all eligible individuals.
[3] The average consumption level was determined by dividing total household consumption by weighted household size.

result in modest improvements: elderly poverty would drop by 1.3 percentage points, extreme poverty by 0.5 percentage points, and vulnerability by 1.3 percentage points. Doubling the benefit would amplify the impact, reducing elderly poverty by 2.6 percentage points, extreme poverty by 0.9 percentage points, and vulnerability by 2.4 percentage points. The most transformative scenario, however, envisions a universal benefit model, acting as a robust and expansive umbrella. This approach could reduce elderly poverty by 4 percentage points, extreme poverty by 2.2 percentage points, and vulnerability by 6 percentage points—offering a lifeline to millions of elderly individuals.

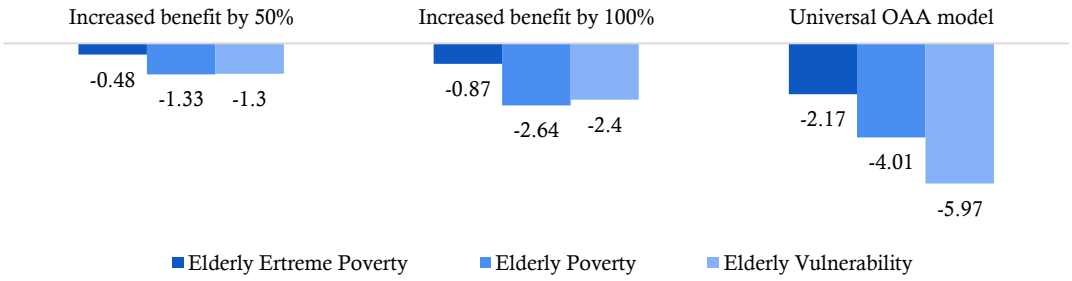

Figure 4 | Simulated impacts of increased OAA benefits on poverty and vulnerability among elderly individuals

Source: Author's estimation using HIES 2022 data.

V. Policy Implications

The OAA is not merely a safety net but a vital instrument for poverty and vulnerability reduction, as emphasis by the findings of this article. Expanding the programme and ensuring adequate funding could strengthen economic resilience, reduce vulnerabilities, and promote social justice for an ageing population. As Bangladesh prepares for its demographic transformation, a well-structured and inclusive OAA could be a cornerstone of a fairer and more secure future.

First, eligibility criteria must be broadened, eliminating errors in targeting and ensuring no vulnerable elderly individual is excluded from support. Second, the benefits must be set at a reasonable level, transforming the allowance into a meaningful lifeline rather than a token gesture, so that the elderly poverty and vulnerability can effectively be addressed. Third, alternative financing avenues should be explored, such as leveraging zakat funds, national lotteries, or public-private partnerships to expand fiscal space. Finally, streamlining the broader social protection budget by consolidating fragmented schemes can redirect resources toward lifecycle-based programmes like the OAA, ensuring a more effective allocation. However, expanding coverage is not just a question of resources but of political will and appropriate approaches to funding social protection.

Bangladesh now stands at a pivotal juncture. The decisions made today will determine whether its ageing population faces a future of struggle or one of dignity and security. It is time to view ageing not as a burden but as a phase of life deserving of respect, support, and opportunity. With the right reforms, the OAA could become the cornerstone of a compassionate and inclusive social protection framework, paving the way for a brighter tomorrow.

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