



World Food Programme

SAVING LIVES  
CHANGING LIVES

# Social Protection and Microinsurance: Bangladesh Country Case Study

Anna Machado<sup>1</sup> and Michael Goode<sup>2, 3</sup>

## Country context: overview of social protection main programmes and climate-change exposure

During the last years, Bangladesh has experienced an unprecedented trend of economic growth, with annual Gross Domestic Product (GDP) increases of 6 percent or more over the past decade. Importantly, the economic development contributed to a remarkable progress in poverty reduction, as poverty rates dropped from 48.9 percent in 2000 to 24.3 percent in 2016, considering the national poverty line<sup>4</sup>. Yet, challenges remain for the full achievement of Sustainable Development Goals in the country: at least one third of the population is food insecure (as per WFP estimates for 2022) and a large portion of the vulnerable lives in areas exposed to recurrent climate-related hazards, especially floods and cyclones<sup>5</sup>. Bangladesh is characterized by a high population density, and 90 million people (56 percent of the population) live in high climate exposure areas, which makes it one of the most vulnerable countries to climate extreme events<sup>6</sup>.

According to the INFORM Risk Index<sup>7</sup>, Bangladesh is considered as a high exposure country to climate change, ranking 29th globally. Agricultural production and livelihoods are significantly impacted by climate shocks: according to the Intergovernmental Panel on Climate Change (IPCC), in a scenario with significant productivity losses Bangladesh could experience up to 15 percent increase in poverty by 2030<sup>8</sup>. Against this background, social protection and disaster risk reduction (DDR) programmes aimed at supporting households' livelihoods and their ability to cope and adapt to climate shocks are increasingly important.

Bangladesh's national social protection system has been progressing over the last 10 years. In 2015, the country launched a National Social Security Strategy (NSSS), that broadened the scope of social protection and consolidated the system structure to encompass social assistance, social insurance and labour market policies, while also adopting a life-cycle approach<sup>9</sup>. The NSSS implementation is divided in phases and guided by Action Plans – a Phase 1 plan covered 2016-2021; and a Phase 2 is currently covering 2021-2025<sup>10</sup>.

Social protection coverage has also increased in Bangladesh, especially in rural areas, where poverty rates are historically higher. The proportion of the population covered by social assistance doubled in just five years, from 13 percent in 2005 to 25 percent in 2010. Although indicators are not fully comparable, data for 2019 reports that 34.6 percent of households in rural areas are covered by at least one social protection programme, mostly through food support (that covers 51.2 percent of the poor) and cash transfers (that reaches 12.9 percent of the poor)<sup>11</sup>.

The Ministry of Disaster Management and Relief (MoDMR) is listed in NSSS as a key stakeholder in the national social protection system, as it is responsible for the second largest portion of the social security budget implemented by the Government (only after the Finance Division). The Ministry is responsible for implementing in-kind, cash and public works programmes, mostly aimed at reducing the risk of the poor and vulnerable from the consequences of 'natural, environment and human-induced hazards'<sup>12</sup>. MoDMR flagship programmes are the Food for Work and the Test Relief, that benefited 1,623,000 and 1,555,000 individuals, respectively, in Fiscal Year 2020-2021<sup>13</sup>.

December 2022

Despite its substantial coverage, the national social protection system in Bangladesh is very fragmented. In addition to MoDMR, other institutions integrating the system are the Finance Division from the Ministry of Finance (responsible for social insurance and employment schemes), the Ministry of Social Welfare, the Ministry of Food and the Ministry of Agriculture, among others. In total, 119 different social protection programmes were implemented in Fiscal Year 2020-2021<sup>14</sup> - which poses an additional layer of complexity for the overall coordination of programmes aimed at reducing poverty and increasing household's ability to absorb climate shocks.

## Relevant linkages of microinsurance and social protection/programme features

Bangladesh's exposure to climate hazards (especially floods, storms and cyclones) is a critical factor for the country's capacity to ensure its food security. It is estimated that 88 percent of agriculture producers are either smallholder farmers or day labourers, groups that traditionally have limited access to social protection and risk-transferring mechanisms when compared to large scale producers.

Against this context, WFP in Bangladesh is implementing the R4 Rural Resilience Initiative, which is aimed at improving the food security of families affected by climate shocks, as well as to increase their livelihoods through Integrated Risk Management (IRM) approach project interventions such as Forecast based Financing (FbF), Climate Risk Insurance (CRI) and Seasonal Livelihood Programming (SLP). In 2020, in collaboration with Oxfam and other partners, WFP piloted an index-based flood insurance programme as part of the Resilience Innovation Programme, and in 2021 designed and implemented a weather index-based crop insurance targeted at smallholder farmers. The projects are being implemented in Kurigram district in the Northwest of Bangladesh, where 12,500 people living in 2,500 households are covered with WFP support, totaling USD 60,000 of insurance premium<sup>15</sup>. At the pilot stage, farmers participated in risk reduction activities that contribute to the environment, such as tree plantation in their own homestead ground, while WFP was responsible for contracting the insurance policy transferring the premium amount to insurance companies on behalf of participants<sup>16</sup>. In 2022 farmers' financial participation in the programme increased and a portion of the policy is now deposited by the policy holders themselves, as their own contribution.

To develop index-based insurance solutions to smallholder farmers and flood-affected households, WFP has been working with several stakeholders, including the Financial Institute Division (from the Ministry of Finance), the Sadharan Birma Corporation (SBC) (the only state-owned non-life insurance company in Bangladesh), and collaborating with the Ministry of Disaster Management and Relief, local government authorities, agricultural labourers organisations in Kurigram District, and Oxfam and Green Delta Insurance Company Ltd. who are the implementing stakeholders of climate risk insurance on the ground. In 2020, the geographic areas covered by the programme experienced the highest number of days above dangerous water levels in the last 20 years. According to predefined triggers, a payout of 15 percent of the lump sum insured was paid for all 2,000 participant households, which received US\$ 32 (BDT 2,700) each to protect them from the impact of floods<sup>17</sup>.

In 2021, approximately 2,000 agriculture workers were covered by WFP's flood-index insurance solution, with WFP subsidising the full insurance premiums on behalf of participants. Triggers are pre-determined considering the number of days that the geographical area (taking into account agriculture labourers organisation location) is inundated, as well as the surface area flooded; as of 2020, payouts were transferred directly to participant households, who received the money through mobile money (BKash)<sup>18</sup>. In 2022, the index-based crop insurance was tested and provided payouts for 1,451 smallholder rice farmers - out of 2,000 covered by the pilot programme<sup>19</sup>.





Efforts from WFP in Bangladesh to integrate climate risk transfer solutions into the national social protection system gained scale through strong advocacy efforts and collaboration with the Sadharam Birma Corporation and the Financial Institution Division (especially its Insurance Development and Regulatory Authority), major stakeholders of insurance programmes in the country. By inviting the government to monitor and oversee the implementation of index-based insurance pilots for smallholder farmers, WFP is working towards promoting programme sustainability, scalability and its integration to the national social protection system, as the recurrence of climate shocks in Bangladesh increases the demand for innovative solutions to support smallholder producers, especially in highly exposed areas such as the northwest of the country.

Advocacy was key to create awareness and sensitise national stakeholders on the innovations and solutions to expand index-based insurance solutions to vulnerable, low-income households, who are commonly excluded from risk transfer programmes either due to the difficulty to pay for a full premium contribution, or to low financial literacy levels and knowledge on the potential benefits of insurance coverage<sup>20</sup>.



Importantly, reference to weather-index based crop and flood insurance to smallholder farmers was included in the II Action Plan for the National Social Security Strategy (2021-2026). The II NSSS Action Plan reports two government experiences in implementing microinsurance: (i) the Weather Index Based Crop Insurance (WIBCI), conducted with support from the Asian Development Bank<sup>21</sup>; and (ii) the Haor (wetland areas) Index-Based Flood Insurance, implemented with support from Oxfam<sup>22</sup> - both piloted by SBC as innovative climate adaptation tools. By the promotion of microinsurance experiences in the II NSSS Action Plan, the Government of Bangladesh recognises their potential to promote livelihoods of vulnerable households, protecting them from the risks of climate hazards and improving their living standards by the provision of financial compensation when an extreme climate event occurs<sup>23</sup>.

## Conclusion: opportunities for the integration of microinsurance and social protection

Bangladesh's national social protection system has extensive coverage in rural areas, which is linked to the implementation of a high number of social assistance schemes aimed at reducing poverty and increasing both productivity and food security of low-income families and smallholder farmers. The combination of good coverage levels and the experience gathered by the Government of Bangladesh in implementing social protection programmes in rural settlements can be considered as important advantages and opportunities for a scale-up of index-based insurance solutions in the country, for instance, by targeting current or former (graduated) beneficiaries of government programmes living in highly exposed areas.

Yet, data availability and data management capacity are still great challenges in Bangladesh. The Government still does not count on a strengthened Management Information System (MIS) for social protection, and each individual programme has a different registration and data management mechanism. The development of a Single Registry is listed as a key priority in NSSS Action Plan for 2021-2026, and it is key that WFP and development partners work with the Government to ensure that projects (including climate-risk transfer pilots) are aligned with the ongoing efforts to consolidate MIS in the country.

Also, climate data and the development of Weather Index Insurance parameters are still incipient in Bangladesh, and it is key to keep working on design improvements to adapt index-based insurance triggers and features to the needs of low-income and smallholder farmers.

The integration of climate risk insurance solutions into the II Action Plan for the National Social Security Strategy for 2021-2026 is a remarkable achievement. Nonetheless, the consolidation of index-based insurance as an effective tool to support the most vulnerable and climate-exposed families will request WFP and partners to invest on continuous technical support, advocacy and coordination with national stakeholders, especially the MoDMR (responsible for the implementation of PwP linked to resilience and livelihoods objectives) and SBC. This can be done, for instance, by exploring potential synergies and linkages between index-based insurance and public works programmes implemented by the Ministry of Disaster Management and Relief (such as the Food for Work and the Test Relief), based on the lessons learned and experience gathered by WFP's Insurance for Work modality in its pilots.

Synergies and increased coordination with and between development partners working to support the Government on climate-risk transfer solutions (such as Oxfam and the Asian Development Bank) is also crucial to (i) strengthen technical support projects targeted at national stakeholders, (ii) increase overall capacity to evaluate and generate evidence on the implementation of index-based insurance in the country, (iii) increase data management and climate assessment capacity, and (iv) develop a roadmap for a sustainable scale-up of index-based insurance solutions in Bangladesh, aiming at making it an inclusive and accessible programme for the most vulnerable households, while also linking it to other national social assistance schemes.



- 1 International Consultant and Social Protection Specialist
- 2 WFP Climate Risk insurance and Financial Inclusion Consultant, Climate Unit (PRO-C)
- 3 The authors are responsible for the choice and presentation of the facts contained in this publication and for the opinions expressed herein, which are not necessarily of, and do not commit, WFP. We are also thankful to WFP PRO-S, PRO-C, Country Offices and Regional Bureaus who provided inputs to this piece.
- 4 World Bank, 2022. [Poverty headcount ratio at national poverty lines \(% of population\) – Bangladesh](#). Most recent year: 2016.
- 5 WFP 2022. [WFP Bangladesh Country Brief – September 2022](#).
- 6 USAID, 2018. [Fragility and climate risks in Bangladesh](#).
- 7 [INFORM Risk. Country Profile 2023 – Scores. Zambia](#).
- 8 Khatuan and Saadat, 2021. Climate change in Bangladesh: a sustainable development perspective.
- 9 [Bangladesh Planning Commission of the Ministry of Planning, 2015. National Social Security Strategy \(NSSS\) of Bangladesh](#)
- 10 [Bangladesh Planning Commission of the Ministry of Planning, 2021. NSSS Action Plan – Phase II \(2021-2026\)](#)
- 11 World Bank, 2021. Bangladesh Social Protection Public Expenditure Review.
- 12 [Bangladesh Planning Commission of the Ministry of Planning, 2021. NSSS Action Plan – Phase II \(2021-2026\)](#)
- 13 [Bangladesh Planning Commission of the Ministry of Planning, 2021. NSSS Action Plan – Phase II \(2021-2026\)](#)
- 14 [Bangladesh Planning Commission of the Ministry of Planning, 2021. NSSS Action Plan – Phase II \(2021-2026\)](#)
- 15 WFP 2022. Climate Risk Insurance Annual Report 2021.
- 16 WFP 2022. Bangladesh Annual Country Report 2021.
- 17 WFP 2021. R4 2020 Q3 report.
- 18 WFP 2021. R4 2020 Q3 report.
- 19 WFP 2022. Building resilience through Integrated Climate Risk Management in Bangladesh.
- 20 [Solornazo and Cárdenes, 2019. Occasional Paper N° 26 Social protection and climate change](#).
- 21 [ADB, 2019. Bangladesh: Pilot Project on Weather Index-Based Crop Insurance](#)
- 22 [Amarnath G, Pavez AT. 2020. Project Completion Report- 2020 of Index-Based Agriculture Insurance in Haor Area. CGIAR Research Program on Climate Change, Agriculture and Food Security \(CCAFS\)](#).
- 23 [Bangladesh Planning Commission of the Ministry of Planning, 2021. NSSS Action Plan – Phase II \(2021-2026\)](#)

Photo credits: WFP/Sayed Asif Mahmud