

PRESERVING

the Mother and Child Benefit Programme (MCBP)

transfer value against inflation

Key message and recommendation:

The value of the MCBP cash transfers has diminished by 35.8% since 2018. The MCBP transfer value of BDT 800 set in 2018 is now worth BDT 513 in 2023 when adjusted for inflation.

RECOMMENDATION

There is an urgent need to review the transfer value to maintain the purchasing power of the transfer value. Adjust the MCBP monthly cash transfer value to at least BDT 1,087 (inflation adjustment) or BDT 1,600 (DIP planned adjustment) in the upcoming 2023-24 budget. The MCBP Detailed Implementation Plan recognize the need to periodically review the transfer value.

BACKGROUND

Bangladesh's investment in women and young children

Mother and Child Benefit Programme (MCBP) is Bangladesh's flagship social protection investment in early years of disadvantaged children, formed from the consolidation of the rural-based Maternal Allowance (MA) and the urban-based Lactating Mother Allowance (LMA) programmes in 2019. The programme is designed to contribute to improved nutritional status, cognitive ability, and development outcomes during pregnancy and early childhood (0-4) years. Women are enrolled once pregnancy is confirmed and receive monthly cash transfers of BDT 800 (about 7.4 USD¹). The cash assistance is expected to be utilised to ensure nutrition of the mother and the child, i.e., for purchasing wholesome foods, guaranteeing minimal dietary diversity, and taking supplements. The beneficiary women are encouraged to complete up to four antenatal care (ANC) visits, deliver in health facility and follow through vaccination schedule for the newborn.



¹ With April 2023 exchange rate (www.oanda.com accessed on 17 April 2023)

² <https://www.imf.org/en/Countries/BGD>

³ Comparative commodity price report from the Department of Agricultural Marketing, Ministry of Agriculture (http://dam.gov.bd/comparative_report_weekly?L=E, accessed on 25 April 2023).

⁴ Price of rice (Boro - Course) and flour (loose) increased by 7.45% and 38.05% respectively in Dhaka Sadar retail market during the last year.

ISSUE

Significant erosion of the real value of the cash assistance calls for urgent revision

The real value of the monthly transfer has eroded significantly in recent years due to inflation and currency depreciation. Available data shows that the general Consumer Price Index (CPI) has increased from 249.7 July 2018 to 339.1 in March 2023 (Figure

1). The inflation rate is estimated to be about 36 per cent for this period. Trends show that inflation rose sharply in recent years (2021-2023) after a sustained decline since 2015². The rising inflation has been more visible in the prices of basic food items³ such as rice and flour⁴. Considering the general CPI, in the absence of any adjustment, the value of the BDT 800 monthly transfer of 2018-19 now stands at BDT 526.

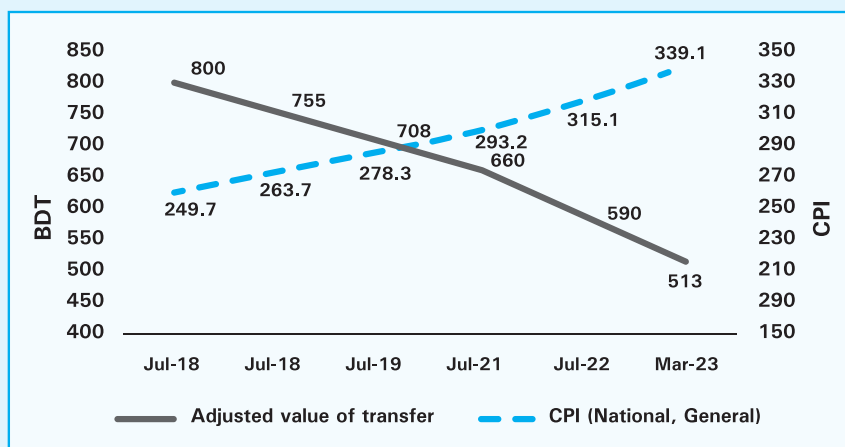


Figure 1
CPI and adjusted transfer value

Source: CPI data published by Bangladesh Bureau of Statistics (BBS)

RECOMMENDATION

Consider adjusting transfer value to account for inflation losses in the interim

If the transfer value is to be restored to the 2018-19 level in the upcoming budget for 2023-24, the monthly transfer value would need to be increased by about 36 percent to BDT 1,087. In the Detailed Implementation Plan (DIP) of the MCBP it was planned to increase the transfer value to BDT 1200 in 2022-23 and to BDT 1600 in 2023-24. However, 2022-2023 adjustment to BDT 1200 did not materialize. Applying the full DIP adjustment in 2023-2024 would mean a 100% increase from the current value of BDT 800.

The economic downturn currently being experienced in the country, characterized by declining reserves and depreciating local currency



is expected to exert pressure on the fiscal space for the 2023-24 national budget. If this limits the scope for a 100% increase in the value of the cash assistance, it should at least be adjusted for by 36% to BDT 1087.

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