

## Whatever happened to the Covid-19 budget?

*Priorities of the crisis were not addressed in proposed budget*

**A**T a time when we are floundering in fear and uncertainty amidst a raging Covid-19 pandemic, a budget FY 2020-21 has fallen short of making significant allocations to the hardest hit sectors such as health, education, social safety net and agriculture. We are baffled and disappointed that when a budget should primarily have been focused on mitigating the devastating shocks of the pandemic in terms of huge loss of lives, livelihoods, hunger and gaps in education, it has made minimal commitments to these ongoing crises.

Even going by the official death counts and infection rates, it is more than obvious that we are far from controlling the deadly coronavirus. Our already shaky health system is on the verge of a collapse, with hospitals being overwhelmed and patients being refused life-saving treatment. Right now, we need more hospital beds, ventilators, ICUs and isolation units, central oxygen units, more health workers, PPEs, masks. We badly need more testing. Yet the health budget was increased by only 13.63 percent from the current fiscal year's original allocation. So how is the health sector supposed to cope with the exponential increase in Covid-19 infections?

Moreover, it is disheartening that agriculture, supposed to be the second priority of the budget, has received no extra allocation. Why is there no special stimulus package for small farmers who are the hardest hit by the pandemic? How will these farmers, most of whom are out of the banking system and cannot take advantage of the refinancing schemes, get fair prices for their produce? Without recovery allocations targeting these farmers, the possibility of disruptions in supply chains and shortage of food is more real than ever.

That more people have become poorer and the number of "new poor" has increased is obvious, with experts estimating that about 35 percent are now living in poverty. But allocation for social protection to poor households was increased marginally, from 2.58 percent of GDP this fiscal year to 3 percent, which will hardly address the joblessness of an estimated 1.4 million people (ADB). Without investments in skills development, there is little scope for people to get jobs either at home or abroad.

Education, another priority sector that has received very little priority, has been allotted a meagre 2.09 percent of GDP which, obviously, has not taken into account the 4 crore students who are not going to school because of the pandemic. Education experts fear large-scale dropout rates and an increase in child marriage as financial hardships will bear down heavily on families during this pandemic. This was, therefore, an opportune moment to ensure that children remain in school and keep on learning through digital or other innovations, that teachers can survive and help their students through this crisis and in the post-Covid-19 scenario.

On top of that, the budget has projected an unrealistic growth rate and unattainable revenue generation target. The finance minister has assigned the National Board of Revenue (NBR) with a near impossible task of collecting Tk 330,000 crore—while the NBR chairman has said that tax collectors would be able to collect Tk 250,000 crore at best. How this deficit of Tk 80,000 crore will be removed, with businesses shutting down or flailing and jobs disappearing in practically all sectors, is surely a mystery.

It is befuddling that the priorities mentioned by the finance minister in his speech—health, education, agriculture as well as creation of jobs—is not reflected in the budget allocations. We can only hope that post-budget review will take these disconcerting deficiencies into consideration and come up with revised allocations that will alleviate the fallouts of the crisis with a realistic, practical approach.

## Surge in violence against women and children

*Why are the authorities failing to protect them?*

**A**S we have commented before, there is an immediate need to address the increase in violence against women and children during the lockdown. Lockdowns make victims more vulnerable as they are less likely to get help from neighbours or relatives or even law enforcers. A recent telesurvey conducted by Manusher Jonno Foundation (MJF) reveals that a total of 13,494 women and children experienced different forms of violence in 53 districts of the country in the last month alone. Of them, 11,025 were women. Also, 4,160 victims admitted that they were abused for the first time in their life.

The number of incidents of violence against women and children increased by 31 percent last month compared to the data from April. Women were subjected to psychological torture, physical torture and even sexual abuse in their homes by their husbands or other family members. Apart from the incidents of domestic violence, women also faced sexual harassment (even while receiving relief goods), rape and murder. Moreover, numerous children were also subjected to torture within their families while many faced violence at their workplace. They also suffered other forms of violence including rape, kidnapping and murder. The survey also shed light on the 170 incidents of child marriages that took place in May.

Although MJF conducted the survey within its own limitations, it can be surmised that this is representative of the country in general. During these trying times, ensuring the safety of women and children must be a priority for the government, especially when they are within the confines of their homes, cut off from the outside world. The government's rescue programmes must include ways to protect women and children from violence facilitated by a lockdown situation. Local representatives can also take proactive actions against such violence. All concerned authorities must strengthen their collective efforts to address the seriousness of the situation. Even though the lockdown has been eased, unfortunately, it is very unlikely that the violence will too. Therefore, in addition to helplines like 109 and 999, setting up shelters to provide refuge around the clock for the victims of violence is also crucial. Virtual courts can play an integral part in carrying out swift hearings. Violence against women and children has been a perpetual curse, it is about time we fought against it with greater determination.



ABDUR RAZZAQUE

**P**REPARING the budget for FY 2020-21 amid the Covid-19 pandemic has certainly been an extremely difficult task. Even then, there was room for being more realistic in providing

headline budget targets and being more proactive in dealing with the profound health and livelihood challenges faced by numerous households in the country.

The targeted GDP growth of 8.2 percent for 2020-21 will be a daunting prospect. As virus infection and death rates are still rising, economic activities are likely to remain subdued over the next several months, if not longer.

More than 70 percent of all investment comes from the private sector in Bangladesh. Therefore without a healthy growth in private investment, such a high overall economic growth cannot be achieved. The confidence of the private sector is at a critically low level now, and thus a shortfall in the investment for achieving a high growth is almost inevitable.

In the past several months, economic activities were weak as reflected in the revised GDP growth estimate of 5.2 percent. Considering this rather subdued base of the economy, one can expect a better economic growth prospect in the future if normalcy returns soon. However, as things stand, we are passing through a protracted crisis.

In the budget speech given by the finance minister on Thursday, the revised private sector investment for 2019-20 has been shown to be 12.7 percent of GDP. This is almost half the private investment-GDP ratio of the previous year (2018-19). This shows how badly the private sector has been affected. Low investment in the past year will also have adverse impacts on economic activities and job creation in the coming year through its lag effects. There is a great deal of apprehension surrounding investment activities slowing down further over the next few months.

Over the past several years, the medium and large manufacturing enterprises have been the primary drivers of economic growth. In many cases, the depressed demand situation compels slow supply-side response from them. The export-oriented readymade garment industry is already badly hit by falling export orders. Given the gloomy world trade situation, it is not expected that export growth will pick up any time soon. Although the amount of remittances received grew during 2019-20, such flows are projected to fall in the global economy as well as for Bangladesh.

Apart from the readymade sector, Bangladesh's manufacturing sector is overwhelmingly dominated by supplies for the domestic market. But the Covid-19 pandemic has made most consumers poorer.

Furthermore, in any crisis, consumers become overly cautious and conservative about their spending decisions. It is

extremely unlikely that the dynamism in domestic demand for furniture items, clothing, plastic products, utensils, processed food, etc.—that has been the hallmark of our manufacturing growth in recent times—will continue.

Many enterprises including the micro and small enterprises are already out of business and will find it difficult to resume their business. Supply-side constraints can also affect medium and large enterprises. It is the interaction of low consumer and investor confidence, depressed demand, supply-side constraints, featuring the great uncertain times, inflicted by an unprecedented global pandemic, that will likely take a toll on our economic activities. We need to acknowledge it sooner to prepare better.

Meanwhile, financing the budget has also been a challenge over the past several years, as reflected in high revenue targets set in successive budgets only to be missed.

The targeted total tax revenue of Tk

in nominal terms (i.e. when inflation is adjusted, the growth becomes 8.2 percent). If this nominal GDP growth drops to 8 percent and revenue generation falls short by 8 percent, which is most likely given the usual trend, the budget deficit will rise to 7.3 percent of GDP.

Unlike the widely expected significant rise in social security spending, the proposed increase has been a modest one. In the revised budget for the outgoing FY20, the spending on social security (Tk 81,865 crore)—at 2.9 percent of GDP—saw a rise from about 2.5 percent of the previous year.

However, the allocation for 2020-21 is just 3 percent of GDP and thus will remain more or less unchanged from this year. Of the allocations for social security, almost a quarter will be spent on pension payments of public employees. Therefore, while there have been a lot of discussions on helping the poorest and most vulnerable people during this crisis, the budget seems

adequately reflect the sheer scale of the crisis being confronted by the country with so little health support being available.

It is worth noting that, even amidst this crisis, our health budget can hardly match the average health expenditure of the least developed countries (1.02 percent of GDP). In the budget speech, however, the finance minister mentioned that currently 13 ministries and divisions are implementing various programmes related to health and family welfare. In the next fiscal year, Tk 41,027 crore has been allocated for this purpose, which is 1.3 percent of the GDP and 7.2 percent of the total budget.

In terms of financing the budget deficit, after a whopping growth of bank borrowing from Tk 47,364 crore in 2018-19 to Tk 82,421 crore in 2019-20, the expected volume of such borrowing is expected to grow further.

The reduced flow of private investments, thanks to the Covid-19 crisis, has somewhat contained the adverse crowding-out impact of such excess government borrowing. What is, however, most striking is not considering significantly higher foreign financing, which has been kept at 2.5 percent of GDP. A more realistic and proactive approach would be to secure more external funding and thereby to finance, amongst others, social security spending for the coming unusual year. The cost of external borrowing is lower than that from the domestic sources, so inability to mobilise foreign aid would be a missed opportunity at this critical time.

The revised budget for FY20 shows slightly lower Annual Development Plan (ADP) spending—of Tk 192,921 crore—than the original budget target. However, this revised spending turns out to be much higher than that of 2018-19 ADP spending (of Tk 147,287 crore), despite the fact that project implementation during March-June of this year was likely to be severely affected due to the economic shutdown. Large payments incurred due to some mega projects could have resulted in such rise in ADP spending in FY20. The proposed budget for 2020-21 aims to register a 6.5 percent growth in ADP spending. This can be an important area of review where resources can be saved from some of the not-very-urgent projects to be allocated in favour of health and social security spending.

Any analysis of budget will put due emphasis on effective utilisation of resources available. This issue is even more important than ever for implementing the next fiscal year's budget and work programmes. A rigorous scrutiny of the quality of public spending and stern actions against any wastages and corrupt practices can greatly help deliver much more than what we have been able to get from the money spent.

Overall, that an unprecedented crisis requires an extraordinary response is well reflected in the proposed budget.

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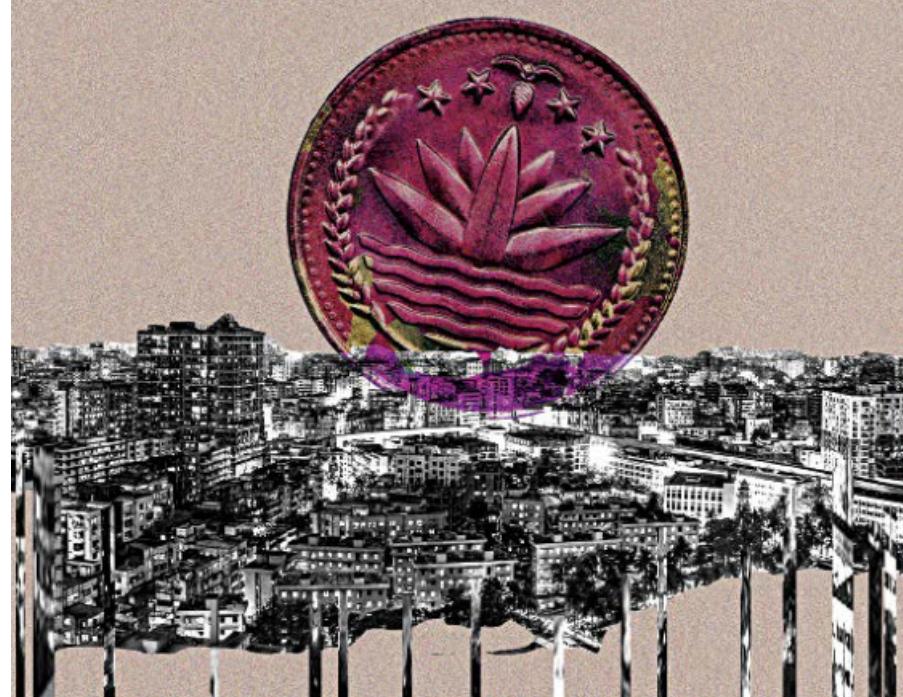


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378,000 crore for 2020-21 is almost unchanged from the original budget target of 2019-20. That is, there has been some acknowledgement that revenue collection would be a challenge. However, the actual revenue mobilisation for 2019-20 would be significantly lower (by Tk 30,000 crore) as per the government's own revised estimate. Against this backdrop, the proposed budget considers about a 9 percent growth in revenue collection. This will be challenging given the disrupted economic activities.

The proposed budget shows a budget deficit equivalent of 6 percent of GDP for 2020-21. This is somewhat higher than the usual 5 percent level deficit that Bangladesh has so religiously maintained over many years. However, the situation can change rapidly if the ambitious economic growth and revenue mobilisation targets get compromised.

For 2020-21, the budget considers a GDP growth of more than 13 percent

to suggest a lacklustre drive to execute it. This is rather striking as Covid-19 cases are rising fast and millions of households have already been hit hard by disrupted economic activities.

The government has proposed to allocate Tk 29,247 crore for the Health Services Division and the Medical Education and Family Welfare Division in FY2020-21. This allocation is 5.1 percent of the proposed budget and 0.9 percent of the GDP for FY21. This is a 23.44 percent rise from the revised budget of Tk 23,692 crore for FY20. To address emergency requirements, there is, however, a lump sum allocation of Tk 10,000 crore.

While this is a sizeable increase in percentage terms, the allocation is likely to be grossly inadequate for the current need. Even after taking into consideration the fact that it may not be possible to suddenly absorb a very big increase in spending, most analysts would agree that the proposed allocation does not

## A Pedestrian Education Budget

*It sidesteps the Covid-19 impact*



MANZOOR AHMED

**I**T is disappointment again for the advocates of education who have been pleading for stronger public commitment to education. The new budget maintains Bangladesh's record for having one of the lowest allocations in South Asia and among developing countries for education as share of GDP and of the national budget. Moreover, there is no sign of an education rescue and recovery plan to offset the impact of the pandemic.

Campaign for Popular Education (CAMPE), a civil society forum of education NGOs, had warned that progress made in the last two decades in education in the country is in danger of being lost due to the immediate and longer term consequences of the Covid-19 crisis. Similar alert has been raised by UNESCO for low and middle income countries. CAMPE urged in an open appeal to the prime minister to allocate at least 15 percent of the national budget and initiate a three-year education recovery plan.

The proposed total education budget for FY 2020-21 is Tk 66,000 crore, or 11.6 percent of the national budget. The development part of the budget is Tk 23,379 crore, or 11 percent of the development budget. The nominal increase from the current fiscal year's education budget of Tk 61,000 crore (in total) and Tk 19,500 crore (for development) barely offsets the annual inflation rate of 5.6 percent.

Ten years ago, in FY 2010-11, the education budget was Tk 18,277 crore (including Tk 400 crore for the science and technology ministry). Proportionately, this was 13.9 percent of the national budget. The proportions have gone down every year since then, except for a spike

in 2016, due to a large external assistance disbursement for primary education that year. The low education allocation trend continues, despite the call for protecting and raising education investments in the face of the pandemic's immediate and longer term impact.

A paramount question is why the education budget has not proposed special initiatives or shown a sense of urgency to offset the pandemic's impact, despite the fact that various rapid surveys and studies have warned about it and a recovery and rescue plan has been urged.

Any new initiative or creative idea has to emerge from, and designed and proposed by, the education authorities. There are three "divisions" under the two ministries of education and various directorates. They apparently have not come forward with new initiatives to confront the crisis. They have opted for continuing in a business-as-usual mode.

There is an upbeat official narrative as heard in the finance minister's budget speech: "Bangladesh is now a role model for the developing countries in terms of increasing the literacy rate and eradicating gender gaps in education." He, however, admitted that due to the pandemic, "the loss to the overall education sector has been enormous." He added, "Our most important task in education for the next fiscal year would be to bring back continuity in the curriculum and cover this loss from a long study break." In the coming days, there will no doubt be a claim that the "highest ever" allocation has been made for education—which will be the case every year just because of the normal growth of the economy, the national budget and inflation.

There is a surfeit of ideas about what could be included in an education rescue plan. A post-pandemic recovery plan could emphasise teaching and learning as well as extra classes (offering support to schools and incentives to teachers for this purpose), rather than conducting

examinations and preparing for examinations. "Bringing back continuity" should not be about just going back to the familiar ways which have not been so great for the majority of students, who have now become more vulnerable.

CAMPE recommended an expansion of the scope of school meal and stipends going beyond current services. Health check and mentoring of students, and counselling for students and parents were proposed. Investments were urged for making online and ICT-based learning a regular feature in schools. ICT infrastructure, connectivity, broad-band access, availability of devices such as tablets, educational technology support and training for teachers were suggested as necessary components.

Going beyond the allocation numbers, a continuing concern is the use of the funds allocated. A combination of inefficiency, corruption and lack of accountability has proven to be a deadly virus that kills imperceptibly and slowly. It cannot be denied that the special initiatives suggested call for responsive and flexible action at the school and community level that is challenging for the usual bureaucratic ways and practices.

The decision-makers are averse to entertaining the idea that effective implementation of responsive measures requires decentralised planning and management of primary and secondary education in each upazila, involving local administration and close collaboration with NGOs and CSOs.

One suggestion, not considered by the authorities, was to make a special allocation of Tk 5,000 crore to be used to engage education NGOs actively at the upazila level to support measures responsive to the specific circumstances of students, families and communities. These could be designed at school level to prevent dropout and irregular attendance, offer extra lessons and counselling for lagging students and incentives for

teachers to take on these tasks. A fund of Tk 10 crore on average for each upazila, prorated by the student population, could be allocated to support students through school-based plans. These plans could be reviewed and approved at upazila level by an education recovery committee involving local government, education authorities and NGOs, and implemented with the help of the education NGOs.

Are our decision-makers inspired by the notion of "radical uncertainty"? It is a concept put forward by John Kay, director of Saïd Business School at Oxford University, and Mervyn King, former governor of Bank of England and professor at London School of Economics. There are situations when parameters are not known, there is no basis for assigning statistical probability to variables, and a reasonable model of scenarios cannot be constructed. The choice then may be to do nothing or have various contingency plans and be prepared to adapt and adjust these as we go along. Another option is to rely on divine intervention. (*Radical Uncertainty: Decision-Making Beyond the Numbers*, John Kay and Mervyn King, Norton, 2020)

The Covid-19 pandemic seems to have placed us in the realm of radical uncertainty.

At least for the education sector, the strategy seems not to do much and hope for going back to the old normal over time. Without excluding divine benediction, a rational course could be to plan for contingencies and adjust these as we learn from experience.

Can the parliamentary discussion of the budget proposal help make the budget more responsive and cognisant of the crisis? It can also decide to make the budget a provisional one and come back in six months to look at options based on the reality by then.

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# Ambitious targets are of no comfort in times of great distress