

Setting development priorities right in 2021



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As the Covid-19 pandemic left a deep dent on the development trajectories of Bangladesh, the country must set its development priorities right in 2021. Bangladesh aims to achieve the stiff Sustainable Development Goals (SDGs) by 2030, and it aspires to become an upper-middle-income country by 2031.

However, to meet these development targets, Bangladesh had been confronting many development challenges even before the onset of Covid-19.

The slow progress in the structural transformation of the economy, the lack of export diversification, the high degree of informality in the labour market, the slow pace of formal job creation, the weak status of physical and social infrastructure, the slow poverty reduction and rising inequality remained the critical challenges.

The Covid-19 has aggravated many of these development challenges.

Looking back to 2020, Covid-19, in particular, has aggravated PIE that stands for three key development priorities namely poverty, inequality and employment. There is ample evidence that the poverty rate in Bangladesh has gone up significantly in 2020.

Many new poor people may not be able to get out of poverty quickly due to various factors. For many new and old poor, poverty may remain as a

long-standing phenomenon.

Therefore, poverty will continue to be the foremost development challenge in 2021 as the economy is yet to recover from the shocks, supply chains of various economic activities are not fully operational and the social protection programmes are insufficient to address the sufferings of the poor.

There are also reasons to believe that Covid-19 has worsened the inequality situation in Bangladesh. In addition to the conventional factors, such as income opportunities, wealth, land-ownership and corruption, which aggravate inequality, Covid-19 has stimulated new avenues of inequality like the digital divide. Furthermore, job losses are yet to be fully recovered, and people are either engaged in inferior jobs or are low paid.

Concerns related to PIE suggest that no reason is there to remain complacent now and in the days to come. The apparent economic and social effects of Covid-19 can be deceiving.

The macro-level picture of robust growth in remittance earnings, positive growth in exports and the steep increase in the foreign exchange reserves can give rise to improper expectations of early and quick economic recovery.

In recent months, the negative import growth has also contributed to the piling of foreign exchange reserves. The negative import growth is not conducive for investment and business expansion - much needed for economic recovery in the days to come.

Also, the ground-level pictures of PIE can be very different from these macro pictures.

In such a crisis, the expected positive spill-over effects of macro variables may remain weak for long. The broken or suppressed supply



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There is ample evidence that poverty rate in Bangladesh has gone up significantly in 2020 due to the pandemic.

chains and social networks in the economy may take a long time to heal and to generate employment and reduce poverty and inequality.

Therefore, while the current focus of the discourse is more on economic recovery, the social recovery may take a long time. The gravity of social losses might be much higher than that of losses measured through economic indicators.

The adjustment cost of recovery can also be huge. For survival, the crisis has forced poor-households to sacrifice prospects of better health, better education and a better life. There will

be long-term intergenerational effects of these trade-offs.

Also, when schools and educational facilities have remained closed for months, it is possible that students from distressed backgrounds will face a higher burden, and many of them will be out of the education system permanently.

At the firm level, many micro and small enterprises have been struggling for their survival.

There are also new challenges emerging from post-coronavirus health complications. Even though most of the Covid-19 affected patients

recover, many face various post-Covid health complications for which they need extra medical care.

The already stressed health sector needs major overhauling to address these challenges.

What should be the development priorities in 2021?

First, the current discourse on the development priorities needs to change its focus from the narrow GDP growth rate to broader development issues, i.e. poverty, employment and inequality.

Inability to effectively address these three critical development challenges

will make the economic and social recoveries weak and fragile.

Therefore, there is a need for significant expansion of the allocation and coverage of social protection programmes.

Furthermore, the urgency to effectively sorting out the institutional challenges in social protection programmes to reach out to poor people is more than ever.

In this context, a comprehensive understanding of the economic and social losses due to the pandemic is warranted.

Therefore, the usefulness of credible and timely data cannot be overemphasised.

Second, the Eighth Five-Year Plan needs to be complemented by a comprehensive and pragmatic recovery plan of the economy. There is a necessity to align stimulus packages with the recovery plan. Many micro, small and medium enterprises and many vulnerable sectors are feared to remain out of support through stimulus packages.

Therefore, there is a need for a thorough reviewing of the challenges and constraints in implementing the stimulus packages. This review can help re-designing and re-targeting the stimulus packages.

Third, the Covid-19 crisis time has given the policymakers the much-warranted opportunity to undertake reform in critical economic domains.

No doubt, these reforms should aim at reducing the cost of doing business, simplifying regulations, and faster and cost-effective implementation of the mega projects and the SEZs, thus establishing a favourable environment for the domestic private investment and the foreign direct investment.

The writer is an economics professor of Dhaka University and executive director of South Asian Network on Economic Modeling (SANEM).

IFAD pledges \$18.07m for pandemic-hit microenterprises, smallholders

STAR BUSINESS REPORT

The International Fund for Agricultural Development (IFAD), a specialised agency of the United Nations, will provide Bangladesh with an additional loan of \$18.07 million to rebuild microenterprises and support smallholders, who have been adversely affected by the Covid-19 pandemic.

The international financial institution and the UN's food and agriculture hub based in Rome is dedicated to eradicating poverty and hunger in rural areas of developing countries.

The additional financing will scale up activities under the ongoing Promoting Agricultural Commercialisation and Enterprises (PACE) project, which is being implemented by the development organisation the Palli Karma-Sahayak Foundation (PKSF).

The funding will complement the government and PKSF's efforts to assist microenterprises and smallholders and recover the severely affected rural economy from Covid-19 induced losses.

This additional loan will finance activities from January 2021 to December 2022 to help restore microenterprises in the farm and non-farm sectors, as well as, scale up and strengthen successful value chains under the PACE project.

"The impact of the pandemic is long-term in nature and requires building back the economy



better," Rasha Omar, IFAD's South Asia hub head.

"The additional resource is IFAD's response for rehabilitation of microenterprises and smallholder families who lost their businesses and income due to the Covid-19 induced constraints. The initiative will restore their livelihoods and develop strategies to reduce future risks."

The PACE project—jointly financed by IFAD, the government and PKSF—was launched in 2015 with the aim of improving profitable business opportunities for microentrepreneurs nationwide and create employment for the extreme and moderate poor people.

To date, the PACE project has directly benefited about 321,000 microentrepreneurs and other actors engaged in value chains in select farm and non-farm sectors through 74 value

chain and 25 technology transfer sub-projects.

It providing them with microcredit support, technical assistance, and technological promotion, and facilitating market access, according to a statement.

With the additional loan, the total value of the PACE project now amounts to \$129.81 million, with IFAD financing of \$58.07 million and over the next two years, the project will directly benefit another 168,000 beneficiaries, including 48,000 microentrepreneurs and 120,000 value chain actors.

In order to respond to the growing demand of shifting to e-commerce to promote contactless transaction, with the additional financing PKSF will work with existing e-commerce businesses to facilitate the development of a microenterprise friendly platform covering the entire supply chain.

The platform will eventually be interactive and offer advisory services to farmers, including pandemic management, according to the statement.

The additional resources will be invested in three broad agri-business subsectors: horticulture; fisheries and aquaculture; and poultry and livestock including processed products, and cover 40 districts in Barishal, Chattogram, Dhaka, Khulna, Rajshahi, Rangpur, and Sylhet divisions.

Alesha Mart launches e-commerce site

STAR BUSINESS DESK

Alesha Holdings on Friday launched an e-commerce site to get a slice of the rapidly expanding market ensuring customers with faster delivery and quality products.

The aleshamart.com will also provide medicine delivery service, hefty discounts, attractive membership package, cash home delivery of MFS transferred money, convenience of buying grocery products on credit, work scope for the freelancers and a platform for small entrepreneurs to export local products.

The announcement came at a time when online sales witnessed a turbocharged growth because of pandemic as many people opt for home deliveries in order to avert the contact of the lethal pathogen.

With the aim of ensuring easy and hassle-free online shopping experience to customers and providing the fastest delivery at doorstep, Alesha Mart offers varieties of products and services to meet the market demand of emerging digital e-commerce industry, according to a statement.

"It is my immense pleasure to introduce Alesha Mart to meet the growing demand of trusted and quality e-commerce service provider in Bangladesh, which will truly



add value to customers' daily life," said Md Monzur Alam Sikder, chairman of Alesha Mart.

"Alesha Mart is committed to reaching faster at doorstep to put a smile on customers. We have designed some unique services to enrich online shopping experience and enhance customer satisfaction."

"I am delighted to start the new journey of Alesha Mart in the e-commerce sector of Bangladesh.

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GLOBAL BUSINESS

Drugmakers to hike prices for 2021 as pandemic, political pressure put revenues at risk

REUTERS, New York

Drugmakers including Pfizer Inc, Sanofi SA, and GlaxoSmithKline Plc plan to raise US prices on more than 300 drugs in the United States on Jan. 1, according to drugmakers and data analyzed by healthcare research firm 3 Axis Advisors.

The hikes come as drugmakers are reeling from effects of the COVID-19 pandemic, which has reduced doctor visits and demand for some drugs. They are also fighting new drug price cutting rules from the Trump administration, which would reduce the industry's profitability.

The companies kept their price increases at 10 per cent or below, and the largest drug companies to raise prices so far, Pfizer and Sanofi, kept nearly all of their increases 5 per cent or less, 3 Axis said. 3 Axis is a consulting firm that works with

pharmacists groups, health plans and foundation on drug pricing and supply chain issues.

GSK did raise prices on two vaccines - shingles vaccine Shingrix and diphtheria, tetanus and pertussis vaccine Pediarix - by 7 per cent and 8.6 per cent, respectively, 3 Axis said.

Teva Pharmaceuticals Inc hiked prices on 15 drugs, including Austedo, which treats rare neurological disorders, and asthma steroid Qvar, which together grossed more than \$650 million in sales in 2019 and saw price hikes of between 5 per cent and 6 per cent. Teva hiked prices for some drugs, including muscle relaxant Amrix and narcolepsy treatment Nuvigil, as much as 9.4 per cent.

More price hikes are expected to be announced on Friday and in early January. In 2020, drugmakers raised prices on more than 800

average, according to 3 Axis. Drug price increases have slowed substantially since 2015, both in terms of the size of the hikes and the number of drugs affected.

The increases come as pharmaceutical companies like Pfizer are playing hero by developing vaccines for COVID-19 in record time. The

hikes could help make up for lost revenue as doctors visits and new prescriptions plummeted during the global lockdown.

Pfizer plans to raise prices on more than 60 drugs by between 0.5 per cent and 5 per cent. Those include roughly 5 per cent increases on some of its top sellers like rheumatoid arthritis treatment Xeljanz and cancer drugs Ibrance and Inlyta.

Pfizer said it had adjusted the list prices of its drugs by around 1.3 per cent across all products in its portfolio, in line with inflation.

"This modest increase is necessary to support investments that allow us to continue to discover new medicines and deliver those breakthroughs to the patients who need them," spokeswoman Amy Rose said in a statement, pointing in particular to the COVID-19 vaccine the company developed with Germany's BioNTech SE.



REUTERS/FILE

Customers wait in the pharmacy department at a Target store in the Brooklyn borough of New York.

NEWS In Brief

China says it will take action against US delisting of its telecom firms

REUTERS, Shanghai

China will take "necessary measures" to safeguard the interests of its companies after the New York Stock Exchange began delisting three Chinese telecom firms that Washington says have military ties, the country's commerce ministry said on Saturday.

The NYSE said on Thursday that it would delist China Mobile, China Unicom and China Telecom following President Donald Trump's move in November to bar US investment in 31 firms that Washington says are owned or controlled by the Chinese military.

Delta Air Lines CEO expects positive cash flow by spring

REUTERS

Delta Air Lines CEO Ed Bastian said in a memo on Friday that he continues to expect that the company will achieve positive cash flow by the spring.

In his new year note to employees, Bastian said that company will likely "experience two distinct phases during the next 12 months." The first phase will be similar to 2020, he said.

"The second phase will begin only when we reach a turning point with widely available vaccinations that spur a significant return to travel, particularly business travel."