

# 'Institutional reforms are central to effective budget implementation'

*Economist and researcher Dr Binayak Sen, Director-General of the Bangladesh Institute of Development Studies (BIDS), speaks to Shuprova Tasneem of The Daily Star about the proposed budget, poverty and workers' rights in Bangladesh, and the importance of data-driven policy*

**Does the proposed budget make adequate provisions for the new poor that have been created by the Covid-19 pandemic, and do you think the expanded social protection measures will reach them?**

At the moment, we do not know exactly what proportion of the new poor are transient poor—those who fell into poverty due to lockdowns but will gain access to employment income again when restrictions are properly lifted—and what proportion are a permanent addition to the existing poor. Our quarterly estimates found that the poverty rate increased from 20 percent in the first quarter of last year to 29 percent in the second quarter (when Covid-19 first hit the country) before decreasing again—overall, the poverty rate for 2020 was estimated to be around 25 percent at the national level. In 2016, our poverty rate was 24 percent

involved in this process.

In fact, the involvement of community organisations is critical not only for social protection programmes, but also for health and safety practices. I don't see that kind of drive beyond government machinery involving private sector, NGOs, community level leaders, etc. Imams, for instance, were involved in the family planning drive in the early 80s, so why can't we involve them and other local political/social leaders in the campaign against Covid-19? Without Covid safety and mass immunisation, especially in cities, we cannot aspire to achieve the kind of stability that will generate employment and ultimately address new poverty.

**Despite a global pandemic, in FY20-21, the health ministry failed to utilise its allocated funds. Why do we always see this disconnect between policy and action, and in the new fiscal year,**



Dr Binayak Sen

be on vaccines. At least 50 percent of the population should be vaccinated for smooth functioning of the economy and to open educational institutions, and it is absolutely a requirement for addressing new poverty and unemployment.

**Do you believe the proposed tax cuts/benefits and other economic stimulus will reach the industries that have been most affected by the pandemic?**

Every year, the proposed budget announces benefits such as concessionary measures, tax holidays, cash incentives, interest rate subsidies, etc. However, whether these benefits actually lead to greater labour productivity and export competitiveness, or whether they only add to profit accounts, has to be discussed, analysed, and monitored. During the pandemic, we also saw that the larger industries were better able to utilise the stimulus packages that were provided.

However, instead of pursuing problem-oriented discussions, let us try to change the narrative and focus on solutions-oriented thinking. For instance, how do we reach the cottage industries or small/micro industries that are not registered and not under the banking radar, and may not even be covered by mobile financial services? My proposal is that their NID cards can be linked with their tax ID/banking information, including mobile banking. That would help the finance ministry monitor the transfer of incentives and stimulus packages to this segment. SME Foundation, BSCIC, PKSE, Agent Banking, etc. can become involved in disbursing industrial incentives to cottage and small industries.

Another issue is tax revenue. Year after year, our tax-GDP ratio is stagnant at nine to 10 percent of GDP, while our neighbours (India, Nepal) have around 18 to 20 percent of GDP. In the budget speech, it was lamented

that only 25 lakh people are giving direct income tax in a country of 170 million. If we really want to advance public goods and social protection systems, it goes without saying that we need more public revenue, but how do we increase it? One experiment the tax authorities can try is a randomised control trial where selected tax zones are given certain incentives, while other zones are given different incentives or no incentive at all. In six months' time, they can check whether the incentives have had an effect on the number of taxpayers and the amount of tax collected. We really need this kind of experimental design in government policies, especially in the area of taxation, in addressing banking debt default and in disbursing industrial incentives to small and cottage industries. In short, we need a solution-oriented state and solution-oriented discourse.

**We have seen worker's wages become more precarious in the pandemic. How do we make sure they are able to claim their rights in the post-pandemic era?**

In that respect, the rural agricultural workers are in a better position. Due to a tightening of the agricultural labour market as people leave villages for towns/abroad, and increased mechanisation, agricultural wage workers' situation has improved overall. Agriculture provides the broad social protection for the poor so this is going in the right direction.

What concerns us in the industrial sector is that when we are talking about adequate measures to protect workers during the pandemic, say in garments factories, we are not checking to what extent these rules are being implemented. It is being done in certain categories of factories of course, but can we say the same in relation to all four million plus RMG workers in Bangladesh? I'm not so sure. We must have institutional factory inspections or some such mechanism of periodically checking these conditions. However, it cannot end there. Health and safety in the workplace does not ensure residential health and safety. It is quite possible that they are getting masks and hand sanitisers in the factories, and then going home to crowded and unsanitary conditions.

This is an issue faced by all capitalist countries in the early stages of industrialisation. In 19th century Victorian England during the 1830s-40s Chartist movement, the choleric infection rate in labourer areas led to one of the biggest investments of that time—the underground sewerage system. It later turned out to be a convenient place of shelter during World War II bombing campaigns, but it started off as a public health measure. We need to have similar public health-oriented thinking for our workers as well.

As a minimum, we need a counterpart of community health clinics in urban areas. How can we have zone-based lockdowns but not a zone-based public health system? Reinvigorating the urban healthcare system is essential for the urban working class. Everyone can have some kind of health card or minimum health insurance, similar to what government employees have. In the case of industrial workers, it can be co-sponsored—partly financed by their own arrangements, and partly financed by factory owners and the government health budget. This is especially critical at a time when we are only providing workplace based protective measures in the form of masks and sanitisers and thinking we are done with our responsibility towards workers.

Of course, this is just one part of workers' health rights. Going forward, we have to seriously consider and provide for their right to housing as well.

**How do we ensure that our policies are informed by the evidence/data being generated by experts?**

This depends on whether there is a demand for data use, and that demand will depend on the institution behind it. Already, we are lagging in generating reliable poverty data (the latest HIES was in 2016) and employment data (the last LFS was in 2016/17). Clearly, there is not enough demand for up-to-date data. If we need to generate information about the status of the old poor, new poor, and transient poor separately, the BBS needs to undertake fresh surveys, at least in city areas where Covid-19 is more concentrated. For instance, it would be easier if we had some kind of high-level planning/economic advisory council like in other middle-income, developing countries—an overarching body to coordinate economic actions and act as a bridge between knowledge and practice. This can be in Planning, Finance or PMO. There also used to be a post called economic adviser to the Ministry of Finance, whose role was to bring out the yearly economic review as well as create demand for data and analysis from research institutions, BBS, etc. This post is very much functional and quite important in India and Pakistan. That is currently missing here.

These are only two examples of encouraging demand for evidence-based policy, but that can change quite easily. The question is whether in the current institutional culture, there is enough steam for institutional reform. Policy reforms could only do so much in terms of growth and development. There is a limit to which we can effectively pursue policy reforms without undertaking institutional reforms. We need to ensure that the issue of institutional reform, especially in key sectors, does not get lost or sidelined in the discussions about the proposed budget.

*To target the new poor and transient poor, we need up-to-date data. The finance minister himself noted that we do not have the poverty numbers that could have helped the ministry to design social protection for this new segment.*

at the national level. This is not only a one percentage point poverty increase; it signifies a five-year loss in our poverty reduction process. That is the central message—we lost five years of growth efforts from 2016-2020 because of Covid-19 and this is clearly showing up in the poverty data.

To target the new poor and transient poor, we need up-to-date data. The finance minister himself noted that we do not have the poverty numbers that could have helped the ministry to design social protection for this new segment. It is unfortunate that even as we celebrate 50 years of Bangladesh, we do not have vital statistics on poverty and employment.

However, if the pipe is leaky, whatever resources you pump through it will not fully reach the intended beneficiaries, and that is still the case for our social protection programmes. From a multiple indicator cluster survey that was conducted in 2018 by UNICEF/Bangladesh Bureau of Statistics (BBS), we found that 50 percent of social protection beneficiaries are non-poor. This considerable presence of non-targeted beneficiaries cannot be reduced by goodwill. A mechanism must be developed to identify the intruders, such as the National Household Database that was generated by BBS during 2016-18, but which has not been used yet to update the current list. Local government and NGOs also need to be

**how do we ensure effective budget implementation?**

We need to transform the public health sector so that it is consistent with the idea of a welfare state. Article 10 of the 1972 Constitution enshrines Bangabandhu's vision of creating a just and egalitarian society. I don't think that ideal can be served by utilising only 49 percent of public health resources in a pandemic year. As citizens, the least we can expect is a greater emphasis on utilising resources—we are not even talking about the quality of healthcare yet, which has to be discussed as well.

A lot of this stems from years-long neglect for institutional reforms. If you look at the series of reforms that contributed to economic growth and helped us get out of the LDC club—we find that policy reform was in the right direction, but institutional reform lagged behind. This is the next big challenge, whether it concerns tax collection authorities, financial sector vulnerabilities, health sector implementation capacities, or the leaky social protection system. There are other potentially weak areas of course, but from the economic standpoint, banking sector, tax revenue management, social protection and public health are the four key sectors where institutional reform is necessary and the budget does not do full justice to these issues, which need to be taken up urgently.

Right now, the top priority should

## Covid-19 and climate change: World leaders must tackle both

### POLITICS OF CLIMATE CHANGE



SALEEMUL HUQ

**I**N past weeks, there have been a number of significant events which may seem unconnected but are actually deeply connected in terms of whether the world is

able to successfully come out of the current Covid-19 pandemic and also deal with the looming catastrophe of climate change. The first event was Cyclone Yaas, which hit India more than Bangladesh but nevertheless caused significant overtopping of many parts of our coastal embankments, as the cyclonic surge coincided with high tide. This has shown that the existing coastal embankments are no longer fit for purpose against the more severe cyclones that will come with climate change. These, therefore, need to be strengthened to withstand cyclones and the fiercer tides of the future.

The second event was the visit by the President-designate of COP26 Alok Sharma from the UK, who met with PM Sheikh Hasina and held meetings with different government and non-government stakeholders, including the youth. He also visited the Sundarbans. I had the opportunity to meet him while he was in Dhaka and was impressed by his level of understanding of the human-induced climate change impacts that the people and habitats

of Bangladesh are having to face. He promised to ensure that Bangladesh's concerns, both of the government as well as of the people, are heard and taken forward to COP26, which will be held in Glasgow, Scotland in November this year. We sincerely hope that he is able to do so.

The third and perhaps most important event was the just-completed meeting of finance ministers of the G7 countries in London, UK, where they made commitments to both ensuring the global rollout of vaccines against Covid-19 and to finances for tackling climate change. The G7 environment ministers had already met earlier and agreed to phase out all future investment in coal power around the world, in another positive development.

The next major event to look forward to is the meeting of the G7 presidents and prime ministers in the UK this weekend, which will be followed by a meeting of the leaders of G20 countries in Italy a month later. Now is the time for global leaders to become more effective at tackling global problems like the pandemic and climate change, where no single country, no matter how big or powerful, can hope to tackle the problem alone. In fact, often trying to protect one's own citizens while neglecting other countries can be counterproductive. This is clearly true for Covid-19 vaccinations—even if every single citizen in a developed country gets vaccinated, they remain at risk from new variants if citizens



Britain's Chancellor of the Exchequer Rishi Sunak speaks at a meeting of finance ministers from across the G7 nations.

PHOTO: REUTERS

elsewhere remain unvaccinated. No one is safe until everyone is safe.

Our problem is that although we have the UN, where all 200 or so countries are represented, we have no functional global government. So, the G7 and G20 leaders are important decision-makers when it comes to taking concrete steps to tackle global issues. These can be tackled successfully, but only if world leaders think of their primary responsibility as keeping the entire world safe rather than only their own citizens.

The twin global emergencies of

the pandemic and climate change have been well studied by scientists who have come up with solutions, such as the vaccines, as well as recommendations for leaders. What world leaders have failed to do so far is act collectively in the global interest as opposed to their own narrow national interests. The meeting of the G7 and G20 leaders will thus be critical to whether they can exhibit true global leadership. While they talk about the need to build back better, greener and more equitably, they are still failing to deliver on their promises.

An example of this failure is the promise by developed countries to provide USD 100 billion a year, starting from 2020 onwards, to support developing countries tackle climate change via mitigation and adaptation actions. However, 2020 has already passed and the promised amount was not delivered. This amount is no longer sufficient to tackle climate change either, but as Alok Sharma said in a meeting in Dhaka, it is a totemic figure whose non-delivery has tainted any future promises made by these same leaders.

Going forward, the world economies collectively need to not just allocate finance to tackle the pandemic or climate change in separate amounts in the tens, or even hundreds of billions—but rather direct the hundreds of trillions of investment being made in the wrong things (such as fossil fuels) to the right things, such as renewable energy, as just one example.

World leaders in the G7/G20 meetings and the upcoming COP26 have to demonstrate that they can indeed be worthy of being called world leaders, as opposed to just national leaders. This time, they need to represent their children and grandchildren and not just themselves, as the very future of the planet is at stake and time is running out. We shall see if they are able to rise to the challenge.

Dr Saleemul Huq is Director of the International Centre for Climate Change and Development at the Independent University, Bangladesh.