EXPECTATIONS FROM 2021

Vaccination, education and sustained economic recovery

ZAHID HUSSAIN

The new year always carries the legacy of the year gone by. Expectations for the new year are naturally conditioned by these legacies. This is true every year. But 2021 is starting from an exceptional footing. Preceded by a prolonged 10 months of unprecedented trauma and fear all the world over, 2021 inherits the legacies of a year that will go down in history as the most cursed in last hundred years.

Looking back

The pandemic caused the wheels of the global economy to brake and restart off and on as the virus found a way of striking back even in countries that excelled in flattening its' spread. Bangladesh like others had no immunity from the health and economic consequences of the virus. Thousands died and tens of thousands got infected. As in most countries, official statistics underrepresent the full extent of infections and fatalities.

The economy slowed like never in recent memory. Progress on poverty reduction and human development was partially reversed as the incomes from employment in services crashed suddenly, industrial activity suffered serious setback, trade faced major disruptions and schools remained closed since March till we still do not know when. A vast majority of the population receded down the income ladder while few lucky ones with higher order skills, digital access and elite connectivity prospered.

The never ending 2020 ended with a shining note of optimism as vaccines begun to emerge successfully from clinical trials. Yet the virus found a way of saying forget me not by mutating into a 75 per cent more transmissible new strain in several parts of the world including Bangladesh.

What then can we reasonably expect from 2021? While the wish list is long, expectations must respect the laws of the probable.

Fortification against the virus

Among these, fortifying the population with vaccination against the virus is central. Herd immunity through vaccination of a critical mass is the only permanent solution followed by cures or therapeutics. Until these are attained, public health measures such as testing, treating, and isolating couple with behavioural changes such as masking, social distancing, hand washing and so on are the only ways of containing the community spread of the virus. As we are learning from most countries, the latter are challenged by virus fatigue. It will therefore make sense to shoot for vaccination of a critical mass of Bangladeshi population by the end of 2021.

About 20 per cent population may be vaccinated by next June, according to some reports. High level government officials assure that the 120,000 centres under the Expanded Program on Immunization across the country can vaccinate 5 million people per month. This will not get us 20 per cent vaccination in six months even if we start from January 1. The government is reportedly planning to vaccinate slightly over 138 million people to achieve herd immunity. With 5 million vaccinated per month it will take 27.6 months to get there. This will complicate achieving herd immunity if the vaccines provide protection for only a year or so.

The existing immunisation workers are reportedly adept in post-vaccine risk management, cold chain monitoring and record keeping, including vaccine card preparation. But the existing numbers may be inadequate, thus requiring partnership with non-state actors to bridge the gap with adequate and speedy training for all. Procurement and distribution of the vaccine throughout the country will be a challenge unmatched in its magnitude by anything else in recent memory. Getting nearly 280 million dozes of the vaccine when rich nations have already pre-ordered dozes far exceeding expected supply will require more than just the ability to pay. Most countries facing severe Covid-19 epidemics are mature advanced economies with vast resources, strong institutions, and powerful administrative systems. This favours their capacity to acquire and distribute the vaccines as felt needed by their authorities.

Getting children back on learning track

Reopening schools to stem the acceleration in learning poverty is the second key expectation. This cannot wait for achieving herd immunity. The whole enterprise of online learning is plainly and irrevocably inadequate when a vast majority of school age population cannot access it. Evidence is already emerging that online learning is leading to an education gap that is almost certainly growing wider by the day. Children in poor households suffer disproportionately from school closures are missing out on school meals and find it harder to access digital learning in oftentimes overcrowded and poorly connected environments. Children are not learning. Worse, they are unlearning what they had learned before the pandemic. The lucky ones have digital access and parents who can take time off from work to help with lessons and maybe even conduct supplementary lessons of their own. Most families do not have such capabilities.

If the community transmission risk of returning to school does not appear to be high for either students or teachers, as the data seems to suggest, why are schools still closed in large parts of the country? There is growing international evidence that reopening is not only safe but, in fact, one of the few safe things a nation can do in a pandemic. Of course, we want to be safe than sorry. This means schools must be armed with an environment allowing access to testing, and adherence to masking, social distancing, and sanitisation practices. This is challenging but doable if the parents, public health specialists, teachers, regulatory authorities, and schools' management act in concert.

Surely, a solution can be worked out that would stop bleeding in learning. Our expectation from 2021 is to get back on track to achieving the reduction in learning poverty goals. According to the World Bank, 5 months of school closures due to Covid-19 can result in an immediate loss of 0.6 years of schooling adjusted for quality. Bangladesh was already struggling with a learning crisis prior to the outbreak of the pandemic.

Sustaining and accelerating economic recovery

Sustaining and speeding up economic recovery is the third major expectation. Covid-19 shuttered factories, curtailed domestic demand, postponed investments, and collapsed global trade. Unemployment, loss of income and inflation in healthcare prices pushed existing poor deeper into poverty and the vulnerable into poverty, including many middle-income households. This was particularly the case for household depending on the large informal sector without access to health care and social protection.

Putting poverty reduction back on track will require containing food inflation while restoring income and employment back to pre-pandemic levels. The latter were weak to begin with. All the key macroeconomic activity indicators such as exports, imports, private credit, VAT collections, industrial production, electricity generation and mobility, available monthly through November, suggest significant recovery relative to April-May, but either lower or close to the pre-pandemic levels in most cases. The largest services sector is stuck what may turn into a secular stagnation because of aggregate demand externalities. A simultaneous shock to income of a vast majority of households and relatively high contraction risk in human contact-based services have depressed demand for services in general, not to speak of demand for many fast-moving consumer goods.

A strong rebound in the global economy, propelled by the unleashing of pent-up demand as vaccination spreads in developed and emerging economies, will present renewed and expanded opportunities for exports of both merchandise and labour.

While successful immunisation will not act as an instant economic remedy, economies and businesses globally are currently expected to recover to pre-pandemic levels by the end of 2021. Unlocking of strong pent-up demand in key economic sectors such as tourism, aviation, restaurants, entertainment, and medium and small businesses could subsequently generate economic expansion not seen in recent decades.

The IMF is projecting the global economy will grow by plus 4.3 per cent in 2021 and by plus 3.7 per cent in 2022. We expect to see Bangladesh get better organised in 2021 to reconnect with the process of a rejuvenated global recovery.

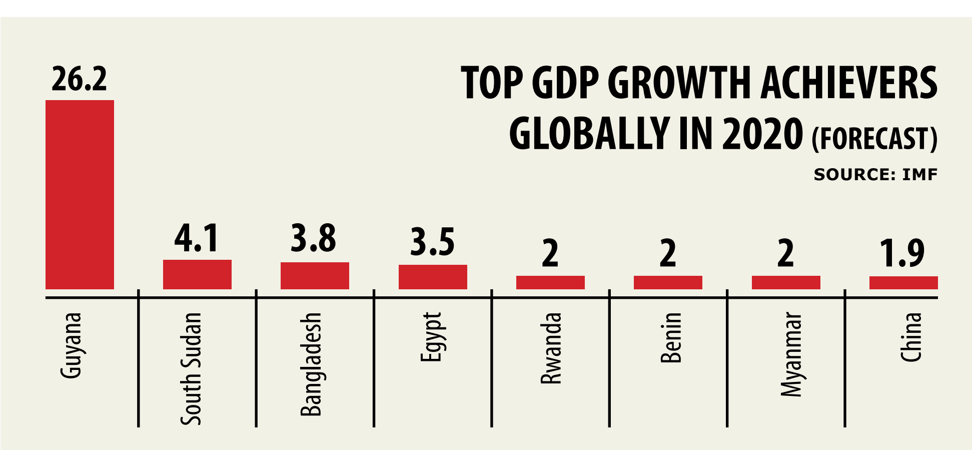
Effective public health measures such as ramping up testing and treating; behavioural change such as masking, social distancing and minimising congregated indoor gatherings; and improved design and implementation of policy support can be expected to revive feeble domestic demand and make the operation of supply chains safe.

But these will not be enough to trigger up the animal spirits that drive private investments. Structural reforms, policy predictability and macroeconomic stability will be key to earn the financial votes of confidence from the local as well as foreign entrepreneurs and investors.

The writer is the former lead economist at the World Bank's Dhaka office.

SK ENAMUL HAQ

Schoolgoers are unlearning what they had learned before, as the ongoing pandemic has kept educational institutions closed since March.



GLOBAL BUSINESS

Trump administration bolsters order barring US investment in Chinese firms

REUTERS, *Washington*

The Trump administration on Monday strengthened an executive order barring US investors from buying securities of alleged Chinese military-controlled companies, following disagreement among US agencies about how tough to make the directive.

The Treasury Department published guidance clarifying that the executive order, released in November, would apply to investors in exchange-traded funds and index funds as well as subsidiaries of Chinese companies designated as owned or controlled by the Chinese military.

The "frequently asked questions" release, posted on the Treasury website on Monday, came after Reuters and other news outlets reported that a debate was raging within the Trump administration over the guidance.

The State Department and the Department of Defense had pushed back against a bid by Treasury Department to water down the executive order, a source said.

Secretary of State Mike Pompeo said Monday that the announcement "ensures US capital does not contribute to the development and modernization of the People's Republic of China's (PRC) military, intelligence, and security services."

"This should allay concerns that US investors might unknowingly support (Chinese military-controlled companies) via direct, indirect, or other passive investments," he added.

The Chinese foreign ministry said on Tuesday that China is firmly opposed to the "smearing of China's military-civilian integration strategy."

"Politicizing economy and trade, abusing the power of the state, stretching the concept of national security, such actions go against the principles of market competition and international trade that the United States has always prided itself with," the foreign ministry's spokesperson's office told Reuters.

Specifically, some media outlets reported that Treasury was seeking to exclude Chinese companies' subsidiaries from the scope of the White House directive, which bars new purchases of securities of 35 Chinese companies that Washington alleges are backed by the Chinese military, starting in November 2021.

The guidance released on Monday specifies that the prohibitions apply to "any subsidiary of a Communist Chinese military company, after such subsidiary is publicly listed by Treasury."

It added that the agency "intends to list" publicly traded entities that are 50 per cent or more owned by a Chinese military company or controlled by one.

Donald Trump

How India's grain policies have stoked FCI's debt binge

REUTERS, *New Delhi/Mumbai*

Food Corporation of India (FCI), the state grain procurement agency, buys rice and wheat from growers every season at guaranteed prices but farmers fear that those purchases may end under new agricultural laws at the centre of recent protests.

Farmers say the new laws will shut the regulated wholesale markets they depend on to take their produce. But FCI has racked up huge debts from the purchases required to meet its role as a buyer of last resort and to supply India's food welfare program.

For years, India's federal government, across different administrations, has ordered FCI to purchase grain in excess of its requirement to run the world's biggest food welfare programme as a buyer of last resort to placate farmers.

FCI's safety net encourages farmers, especially from states such as Punjab, Haryana, Madhya Pradesh and Chhattisgarh to grow tonnes of rice and wheat.

FCI supplies grain to more than 800 million beneficiaries entitled to receive 5 kg (11 pounds) of rice and wheat every month at 3 rupees (4.1 US cents) and 2 rupees a kg, respectively.

Robust output in many states and rising purchases by FCI have led to overflowing warehouses.

By the end of the crop year to June 2020, FCI's rice and wheat stocks surged to 97.27 million tonnes against its requirement of 41.12 million tonnes.

According to official estimates, the value of the extra grain lying at state warehouses comes to about $39 billion.

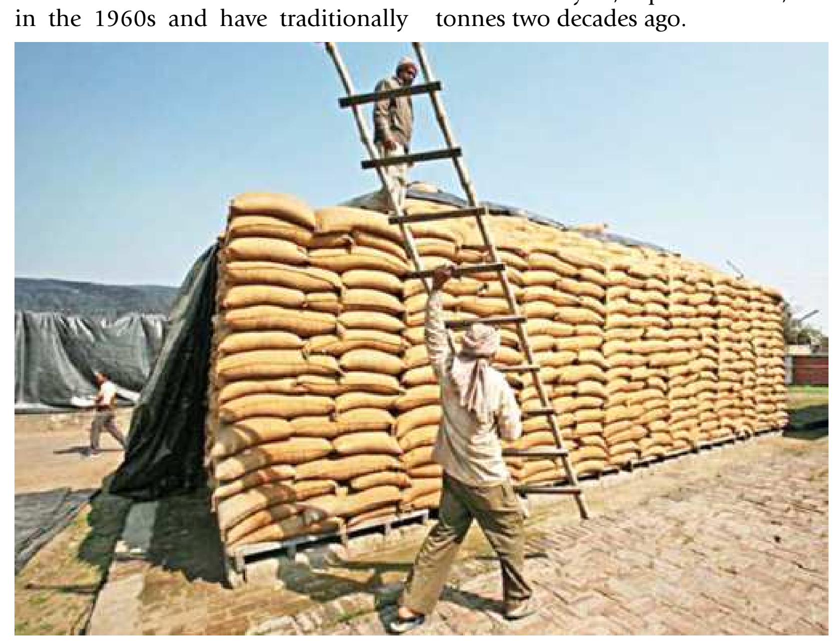
FCI cannot export the grain as its rice and wheat are more expensive than world prices.

Also, World Trade Organization rules restrict exports of grain meant for welfare programmes.

Punjab and Haryana were at the forefront of India's Green Revolution in the 1960s and have traditionally accounted for the bulk of FCI's purchases.

But in the past two decades farmers from other states such as Madhya Pradesh and Chhattisgarh have ramped up rice and wheat output, increasing FCI's purchases.

In 2020, Madhya Pradesh sold 12.94 million tonnes of wheat to FCI against 351,000 tonnes in 2000/01. FCI's purchase of rice from Chhattisgarh totalled 5.2 million tonnes this year, up from 857,000 tonnes two decades ago.



REUTERS/FILE

A worker carries a ladder past sacks filled with wheat at a Food Corporation of India (FCI) warehouse in Morinda in Punjab.