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Towards A Green Recovery: Perspectives from Bangladesh

Atiur Rahman

The ongoing COVID-19 pandemic has already caused about a million deaths worldwide. The uncertainty in fully suppressing this virus still remains there despite most countries have, by now, learnt to a great extent how to live with this in the ‘new normal’ situation. Besides the health disaster, the global economy was also forced to a standstill for months with a huge implication for the livelihoods of the people who were around the poverty lines. Fortunately, the economy has started reviving, though slowly.

However, the scars of the economy have been so deep that it will take a long time to bring the global economy to its pre-COVID level and this has been feared by the multilateral organisations despite extraordinary measures taken by most governments. The banks have also been motivated to think ‘out of the box’ and provide needed support to the struggling real economic actors. The International financial institutions have also extended a huge amount of emergency support to the governments to face the challenges of the ongoing pandemic.

No doubt, almost all the governments have been very aggressive in providing unusual stimulus packages to support both business enterprises with low-cost working capital and individuals with various kinds of social protection programmes, in addition to lavish health expenditures to help people survive. Bangladesh has not been an exception in following the same response trajectory. Bangladesh, despite having a weak health system and abundance of poor people, has done quite well not only in passing the infection peak but as well in regenerating the economy. And certainly, the inclusive development strategy of Bangladesh has already started paying its dividends in terms of its faster economic recovery from the pandemic. In particular, its farm sector has been playing a heroic role by keeping the production of its staple food in motion and also mending the broken agricultural supply chains as fast as possible using both traditional and digital trading platforms. Moreover, it did not let its dominant manufacturing sector (i.e. ready-made garments (RMGs)) go to sleep by taking extraordinary measures of paying the salaries of the workers through mobile financial services from the specially created low-cost credit lines by the central bank. In addition, a number of stimulus packages worth about 3.6 per cent of total GDP have been rolled out to help the entrepreneurs, both large and small & medium, to come out of this pandemic induced business slump. Although the large ones are picking up their share in stimulus pretty fast, the small and medium entrepreneurs are struggling hard through the maze of regulatory complexities and lagging behind in getting their due share. The central bank is certainly trying hard to activate the financial institutions to reach out to the latter. However, the pace of implementation for them still remains slow. A suitable partnership with micro-finance institutions could have surely improved the pace of implementation of the stimulus packages. Hence is the need for a well-designed multi-stakeholder monitoring approach using the latest data management system including artificial intelligence.

In this wider context, let me now focus on an aspect of the response to this pandemic which has been relatively less discussed. This is about the other side of the coin. This pandemic has also revealed the need for caring for nature which has been badly treated by humans in the past. The erratic behaviour of the climate confirms this assertion. The partial and full lockdown has already shown that given a chance, nature can revive if we care to let it live in harmony with the humans. Hence, the policy focus for greater
through the long-term cost-benefit lens, the renewables the advancement in solar technology. So, if seen been dropping at an accelerated pace due mainly to that the cost of renewable energy per unit has also economic vested interests. However, this is also true countries is still deeply enmeshed with the political and this may not be that easy as the policy-making in most policymakers look at it through a long-term lens. And a case for a lower-carbon economy unless also dropped so much that it will be difficult to make the economy towards green finance. Bangladesh Bank has been a front-runner in this campaign for green and inclusive finance (see, for example, Rahman, 2018). However, these are only marginal moves. The ongoing pandemic has taught us that we need to cross many more miles to make our development journey much more inclusive and green.

Most experts feel that the carbon emission might have dropped by about 10 per cent during the 'lockdown', which is the largest level of reduction since the Second World War. Yet, this is still not enough to take the world to the 1.5-degree Celsius trajectory by 2050. Moreover, there is a significant danger of rebound in carbon emissions as well as a delay in a major transformation of the economy towards green goals. We have seen how the economy moved back to the environmental red zone as it started recovering following the global financial crisis only a decade back. When the economy starts recovering, the priority shifts to growth at any cost. The environment may not get the central focus as desired due to a number of exigencies.

It cannot be denied that the asset base of the global economy is still overwhelmingly dependent on fossil fuels and its production, and business models are intricately intertwined with this dependence. With 'business as usual' policy framework, there is every likelihood that most countries will revert to a high level of combusting coal, oil, and gas once the economy starts recovering. Moreover, the cost of fossil fuel has also dropped so much that it will be difficult to make a case for a lower-carbon economy unless policymakers look at it through a long-term lens. And this may not be that easy as the policy-making in most countries is still deeply enmeshed with the political and economic vested interests. However, this is also true that the cost of renewable energy per unit has also been dropping at an accelerated pace due mainly to the advancement in solar technology. So, if seen through the long-term cost-benefit lens, the renewables may certainly get the policy preference it deserves. No doubt, the European Union (EU) has been moving fast to embrace this policy change. The Indian policymakers are not far behind them as well.

The global funding capacity to go for green growth has also declined significantly in general, which has only worsened due to the pandemic. Many of the private sector actors who pledged to be green may hesitate now to keep up to their promises with the turn of the events. The Paris Climate Agreement requires huge funding support of USD 75 trillion. Thanks to the UN stewardship, many of the corporates started pledging funds to invest in sustainability linked investments. The process is still on. However, the momentum may have been lost due to this sudden turn of the global economy. For example, both the Stan Chart Group and HSBC have committed to go for sustainability linked investments in trillions of dollars. Other corporates have also pledged similar commitments for green investments. Many green bonds were in the pipeline.

We only hope that this pandemic is well managed so that the private sector can continue to invest in green infrastructures and products as planned earlier. But it is too early to say how these global investors will behave in the changed context. The focus may shift as well. The governments and the public may become more focused on addressing the urgent challenges of the hour like retaining the jobs, maintaining health, and economic well-being instead of addressing long-term climate challenges. In the process, the much-aspired economic transformation, which was supposed to be rolling out, may be put on hold in the post-Corona scenario.

The world is indeed at a crossroads. We can go back to our ‘business as usual’ mode as things were before the pandemic, or we can resolve to create a greener and more resilient pro-nature new world. The governments, businesses and investors can be more socially responsible now to go for a green recovery that addresses the ongoing crisis, and simultaneously, start building a stronger foundation for a climate-friendly world.

Governments can certainly look far beyond their noses and prioritise sustainability in their massive stimulus packages that amount to no less than 4 per cent of global GDP. They can surely focus on green jobs and manage the transition of the workforce to adapt to the carbon-neutral economy. In particular, there is now a huge scope for going towards producing and consuming renewable energy as its price has been going down as well with the advancement in technology. In the same vein, regulators can create more incentives for the companies so they can be more efficient in reducing carbon output, revisit their supply chains so that they procure green products and services, and make their portfolios more resilient to climate risks.
The investors can help finance a green recovery, improve the investment process by integrating climate considerations in it, and enhance transparency and accountability with broader disclosures of climate risks and opportunities. In other words, the global economy should commit to a fundamental shift towards greener recovery.

Nature has already been demonstrating a perceptible revival as greenhouse gas emissions have been substantially reduced. This has been made possible due to significant changes in our work and living styles during the pandemic. We now are getting accustomed to remote work, foregoing frequent and long-distance business and personal travels, and at the same time, businesses are looking for shorter supply chains to de-risk their operations. If we can stick to these behavioural changes even after the suppression of the virus and the availability of credible vaccines and medicines, this will have a long-term impact on our society and economy through motivating all the stakeholders to become more socially responsible and climate-friendly.

In the 'new normal', we probably would prefer to walk or ride bicycles or take public transport to reach our workplaces rather than burning fossil fuels to spoil the environment with our overused private vehicles and creating unnecessary traffic jams. This can indeed be a lifetime opportunity for all of us to invest in a green recovery that will lead to optimal social, environmental and economic outcomes. In order to drive green recovery, the governments should put sustainability at its heart (which was missing while responding to the last global financial crisis) by promoting projects that create more opportunities for jobs, and at the same time, reduce carbon emission.

Large scale renewables, building renovations, improving energy, and water efficiencies for the industrial units can be some of these green options. The Canadian Government has already created a $750 billion carbon emission fund to help companies reduce pollution and waste while maintaining and creating jobs as part of the stimulus packages created to address the COVID-19 challenges.

The governments can motivate the stakeholders to provide more support to those who are ready to go for greener and more digital investments including ‘smart investments’ like start-ups promoting e-marketing for agricultural products, encouraging more women-led small and medium enterprises (SMEs), skilling and reskilling of human resources for the post-pandemic world, and, of course, e-government and e-learning. The catalytic use of public funding to mobilise additional private funds to accelerate the transition to a cleaner energy-based economy could be one of the positive spin-offs of the ongoing pandemic. In addition, there has to be a more coordinated global response to address climate change. There should be greater international emergency financing support for a focused green transformation of the developing countries from the International Monetary Fund (IMF), WB, the Asian Development Bank (ADB), the Arab African International Bank (AIIB), and the Islamic Development Bank (IDB) etc.

The developing countries—that are already struggling to cope with the current pandemic—deserve special support to build resilience to tomorrow’s climate change. Bangladesh stands a better chance in making this recovery greener as it has already made early gains in the green transformation of its finance and economy while responding to the global financial crisis. We focused on a more inclusive and productive investment in agriculture, micro, small and medium enterprises (MSMEs), green products, and women entrepreneurship over the years.

Our central bank played a pioneering role in the green transformation of the economy—such as—by introducing a handsome refinance scheme for the small and medium green enterprises including providing support to small and medium entrepreneurs involved in bio-gas, organic fertiliser, solar energy plants, green RMG factories, green brick production, ETPs, green housing, etc.

"The catalytic use of public funding to mobilise additional private funds to accelerate the transition to a cleaner energy-based economy could be one of the positive spin-offs of the ongoing pandemic.

As already indicated earlier, Bangladesh Bank went out of the box to provide funds in foreign exchange for the green transformation of the textile and leather industries. The central bank has a large solar panel on its roof and encourages banks to follow environmental, social, and governance (ESG) guidelines to attain sustainability. The government has also been supportive of promoting climate-friendly agriculture and desalination in the coastal belt by supporting green research and development. The dedicated financial institution called Infrastructure Development Company Limited (IDCOL) has been promoting millions of solar home systems, mini-grid solar system, solar irrigation programme, rooftop solar solution programme under the guidance of the Sustainable and Renewable Energy Development Authority (SREDA) and regulatory support from the central bank.
The government has recently gone for a large solar energy plant with G2G support from China. All this has created a strong base for the green transformation of the economy. The focused attention of the government on inclusive and sustainable growth process promoting rural and blue economies has been instrumental in strengthening this base.

We should plan to make agriculture more bio-diversity positive, and support sustainable production and consumption to conserve the resources provided by nature. In the process, with the right investments for green recovery, we will not only be able to avoid future damage but also to make everyone’s life and livelihood better.

“Never let a good crisis go to waste”, said Winston Churchill. Indeed, disasters are our great educators. The Bangladesh government was farsighted enough in transforming the Rana Plaza tragedy into an opportunity for the RMG sector by introducing social and environmental compliances with the support of the stakeholders. I am sure we will be able to achieve a greater good in the post-pandemic environment through the cooperation between the government, non-government organisations (NGOs) and citizens. We hope to further strengthen prudent strategies of addressing climate change, pollution and bio-diversity already initiated by the government while making a smart recovery from the pandemic focusing both on reducing emission and adapting to the present and future impacts of climate change.

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Impact Assessment of COVID-19: A Modelling Approach*

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Background

The COVID-19 pandemic is causing serious health and economic crisis for global economies including Bangladesh. Initially, governments worldwide implemented large-scale containment and economic shutdown measures. Those actions resulted in unprecedented short-term economic losses. After the withdrawal of lockdown measures, economic activities are gradually resuming although it is not clear when a full-swing recovery will be possible. The economic fallout of COVID-19 on Bangladesh is being transmitted through two main channels: (i) depressed domestic demand and disrupted supply response in the local economy, and (ii) slowdown in global economic activities affecting global trade and international financial flows. Impact assessment of this global pandemic is not an easy task. There have been several attempts to study the consequences using some kind of economic modelling framework. This paper utilises the Global Trade Analysis Project (GTAP) model—a multi-region/multi-country computable general equilibrium framework—to explore COVID-19 induced disruptions for Bangladesh. It also summarises the likely impact of the government stimulus package in mitigating the adverse consequences.

Methodology

Utilising the GTAP framework, the consumption demand shocks along with international trade and tourism disruptions are introduced for all global economies (including Bangladesh). More specifically, the global modelling approach incorporates four sets of shocks: (i) a consumption demand shock for all economies, (ii) an oil price shock, (iii) a tourism shock that cuts domestic and international tourism and related activities, and (iv) a trade shock that raises the cost of exports and imports. The demand prospects for global economies have been surveyed from different studies to build low, medium and high shock scenarios. For introducing demand shocks, domestic private consumption is considered to decline by 2 per cent, 3.5 per cent and 5 per cent under low, medium, and high shocks scenarios, respectively.\(^1\) Oil prices are thought to be 10 per cent, 15 per cent and 20 per cent weaker under the three different scenarios. The decline in global tourism activities is modelled by a consumption tax on tourism-related services, i.e. transport, accommodation and recreation services.\(^2\) Finally, global trade disruptions are modelled by considering higher trade costs for exports and imports. It is assumed that trade costs rise by 1.5 per cent, 2.5 per cent and 5 per cent under low, medium, and high shocks scenarios, respectively.\(^3\)

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* This paper is based on a research project undertaken by the BRAC Institute of Governance and Development (BIGD).
\(^1\) This has been based on the review of various studies and the authors’ assessment of demand contraction for the whole year rather than the peak crisis period only. The demand contraction for other global economies are based on a survey of the existing studies and analyses.
\(^2\) The cost of tourism-related services is increased by raising the tax rates by 10 per cent for domestic tourism and 20 per cent for international tourism under the low-shock scenario. The corresponding tax rates are increased by 15 per cent and 30 per cent under the medium shock scenario and by 20 per cent and 40 percent under the high shock scenario. It is worth pointing out that international tourist arrivals are anticipated to decline by 58–78 per cent in 2020 (UNWTO, 2020).
\(^3\) ADB (2020) and Maliszewski et al. (2020) have used similar trade costs. The global trade is anticipated to fall by 15–32 per cent in 2020 (WTO, 2020).
Finally, policy response simulations have been performed under each scenario to assess the impact of government interventions through fiscal stimulus packages. The government interventions have been categorised into direct income support to consumers, working capital assistance to firms, and wage support and other incentives to enterprises. These are used in the model to support consumers (as subsidy), labour (as wage input into production) and producers (e.g., as working capital to firms contributing to production).

Results derived from the GTAP analysis have been fed into a social accounting matrix multiplier model to assess the impact on various types of households. The resultant income shortfalls are then compared with the Household Income and Expenditure Survey (HIES) database to obtain poverty implications.

The GTAP model comes with an integrated database with the current version (version 10) having the base year of 2014, which is updated to 2020 for undertaking the simulation exercises. There are 65 sectors (45 goods and 20 services sectors) and 141 regions/countries which have been aggregated to 27 regions/countries and 24 sectors to closely reflect the Bangladesh situation.

Simulation Results

The results obtained from the first approach—introducing shocks to all individual global economies—suggests that under a low-shock scenario, in the absence of public policy interventions, the simulated gross domestic product (GDP) impact for Bangladesh in 2020 is $11 billion (3.7 per cent) lower than the baseline level in the absence of COVID-19 (Figure 1). The impacts under medium and high shock scenarios are much higher: 6.2 per cent and 9.3 per cent lower than the baseline for Bangladesh. The impact on GDP for China and India would be in the range of 6.6–11 per cent and 5–9.6 per cent, respectively, under different shock scenarios. Considering disaggregated sectoral outputs, the leather sector is likely to be hit hardest with the sector's output declining between 20 per cent and 31 per cent from the pre-COVID baseline. (Figure 2). It is followed by apparel (9–18 per cent decline) and textile (6–15 per cent decline in output). Agricultural production are found to be 2.2–4.6 per cent lower than the baseline output.

Figure 1: A summary of COVID-19 impacts on GDP, exports, and imports (% deviation from the baseline)
Bangladesh's overall trade volume without any policy intervention is simulated to decline by 6.1 per cent, 9 per cent and about 14 per cent, respectively, under the low, medium, and high shock scenarios. Bangladesh's exports could decline by $4.6 billion under low shock scenario, which rises to $9.4 billion under the high shock scenario (i.e., a decline in the range 10.6–21.5 per cent from the baseline of no COVID-19 situation). Apparel items for Bangladesh are found to experience the largest absolute export contraction (estimated to be in the range 8–15 per cent contraction in apparel exports from the baseline). In terms of percentage changes from the baseline, exports of textile products could decline by 34.5 to 58 per cent, while the corresponding changes in leather and leather goods exports would be 28 to 56.3 per cent under low to high shock scenarios. The overall contraction in exports in Bangladesh is comparable with China, India, Indonesia, and Pakistan, while Cambodia and Vietnam are simulated to have a lower contraction in terms of percentage changes.

**Policy Implications**

Several surveys and analyses in Bangladesh have highlighted the immediate impact of lockdown on income and poverty situations of poor and vulnerable households. In this modelling exercise, a short-to-medium term approach is considered against a baseline without any COVID-19 related disruptions (in which case the Bangladesh economy would register an 8 per cent GDP growth). When the sectoral output shocks obtained from GTAP simulations are introduced in the 2020 social accounting matrix (SAM) of Bangladesh, the resultant multiplier effects seem to suggest falling earnings of various households. This pushes up the proportion of the population living in poverty up to 22.7 per cent from the immediate pre-COVID rate of 20.5 per cent under the low shock scenario. The corresponding figures for medium and high shock scenarios are 24 per cent and 25.7 per cent, respectively.

When the stimulus package spending (3.6 per cent of GDP) is incorporated into the model, the simulation results show the adverse impact of COVID-19 on the economy to fall to 2.9 per cent to 7.2 per cent of GDP under the three alternative shock scenarios (Figure 3). That is, because of government policy measures, the impact on overall GDP would be 0.6 percentage points lower under the low-shock case, and under both medium and high shock scenarios the impact would be around 1 percentage point lower (Figure 3). On exports, the impact of the stimulus package is between 3 and 5 percentage points while for imports the comparable impacts are in the range 2.5–3.9 percentage points.

In the stimulus package, there is an allocation of BDT 4,819 crore for providing a one-off transfer to vulnerable households and for expanding social security programmes including old-age allowance, support for the widow, deserted and destitute women, open market sale of rice and wheat at subsidised prices. The multiplier effects of this direct transfer obtained from the SAM-based model can offset half a-percentage point reduction in overall household income with slightly higher impacts of about 0.8 percentage points and 1.05 percentage points for small farmers and day labourers, respectively. This, in turn, can reduce the headcount poverty incidence by 0.4 percentage points under the low-shock scenario.
The poverty impact of the stimulus is low due to the relatively small size of direct transfers. Increasing such transfers to households can substantially contribute to poverty reduction. It is estimated that Bangladesh can restore the pre-COVID baseline poverty rate of 20.5 per cent under the low shock scenario by spending 1 per cent of GDP as direct cash transfer to low-income households, in addition to the current social security spending.

Finally, this study shows the potential of model-based exercises in providing informed policy inputs. It is however important to consider the caveats of such exercises. Models greatly simplify complex matters of the real world, and the derived results depend on certain assumptions to make them operational. Also, such issues as institutional effectiveness and/or the quality of public spending, for example, in delivering the targeted outcomes are difficult to consider. Nevertheless, an ex-ante model-based assessment can greatly assist the policymaking process by considering alternative options and scenarios within a well-founded analytical framework. Given the evolving circumstances, it is important to continually update the likely scenarios to assess appropriate policy implications.

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The Ministry of Health and Family Welfare (MOHFW) of Bangladesh introduced health sector reforms in 1998 to promote greater equity and efficiency in health systems. The contextual factors of introducing the reforms included—demographic and epidemiological change, ideology and public policy, changes in economic and financial policies, process of social and economic change, and influence of development partners. The overall budget for the health sector in absolute terms increased considerably over the period, from BDT 11,520 crore in the first Health and Population Sector Programme (1998-2003) to BDT 115,486 crore in the fourth Health, Population and Nutrition Sector Programme (2017-2022). The contribution of Government of Bangladesh (GOB) in the 3rd health sector programme was 76%, which has increased to 83.68% in the 4th sector programme. Fund absorption capacity of MOHFW had increased during the 3rd and the current health sector programme implementation with increased efficiency in resource allocation and utilisation of funds. However, after two decades of the reforms, the health sector is still facing critical challenges in providing quality health care—preventive, promotive and curative—to the population. The COVID-19 pandemic has further exposed the inherent weaknesses of the health system in Bangladesh.

One of the major reasons of inefficiency within the health sector is the centralised decision-making process, where top-down decisions are ultimately made at the central level, with limited consideration of local needs. The MOHFW initiated a local level planning process, however, the process remains non-functional, except in a few donor-supported areas. The budgets are centrally determined and local needs are not considered while allocating resources. The revenue budget follows a typical line-item based approach and there is no scope for taking into account the health care needs of the administrative areas while preparing it. The revenue budget is allocated to hospitals and health complexes based on the number of beds and staff in salaried posts. The classification system of the revenue budget does not allow linking the financial inputs to measures of service output and to health outcomes. In contrast, the activity-based budgeting approach of the development budget helps the financial inputs to be related to measures of service output and to health outcomes. However, the development budget, as a whole, also does not consider health care needs of administrative areas. It still follows a project approach; though some projects are run nationally, there are a number of projects which cover only a small part of the country.

The current incremental, norm-based allocation process clearly suggests that it does not take into account the health care needs of the population of the administrative area. The local level managers consider the service utilisation patterns in the inpatient departments for preparing the ‘budget requests’; however, populations with the same level of utilisation may have different health care needs. Individual districts or upazilas also have little flexibility over the use of funds, and virement between lines is not possible from pay code (such as staff pay and allowance) to another code (such as medical and surgical requisite). The centralised decision-making process, and lack of authority in decision making, planning, and budgeting at the lower administrative levels are obstacles to develop a pro-poor and gender-focused health care resource allocation system.

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This is the high time that the MOHFW take initiative to implement ‘district level planning’, and develop a system to assess the population health needs of districts based on size of the population, demographic status, disease pattern, and service utilisation—and allocate resources according to "need". It is important to recognise that economic activities, income status, environment and lifestyle of the population of an area may lead to special health care needs, such as, relatively high incidence and prevalence of malaria in Rangamati, ‘kala-azar’ in Mymensingh, diarrhoea in Bhola, goitre in Lalmonirhat, and even COVID-19 in Dhaka, Narayanganj and Gazipur. A system should, therefore, be in place to assess: a) the health care need of the population; b) the need of health care providers and equipment at the hospitals to meet the health care need; and c) gaps in the availability of staff and equipment at the district level. Resources from all sources—development partners and the MOHFW, from both the health and family planning Directorates, should be allocated to the district based on the need assessment. The initiative should therefore be taken by the MOHFW along with the development partners to set up a district planning system where the managers at the district level will be responsible to prepare district plans. The central level needs to allocate funds directly to districts based on a needs-based allocation mechanism to accomplish the planned activities.

Development and implementation of district planning system would require enhancing skill and knowledge of health professionals on planning, resource allocation, budgeting, financial management, audit, and health technology assessment, both at central and local levels. It would also need to develop a geographic information system incorporating the demographic, socio-economic and health status of the population, healthcare-seeking behaviour of the population, the cost boundary flows, availability of services, and distance of the public health facility from the area. The MOHFW can collaborate with other ministries and Institutions, such as, the Ministry of Education, Bangladesh Bureau of Statistics (BBS), Bangladesh Institute of Development Studies (BIDS) to jointly develop the geographic information system. In addition, strengthening the role and capability of the divisions and delegation of roles, authority and resources to each division is essential for strengthening the health system. Planning, managing the budget, human resource management, health technology assessments, coordination with stakeholders, information collation, and regulation of the private sector—all these activities can be delegated to the divisional level.

The MOHFW needs to work on developing consensus among the Ministry of Finance, Ministry of Planning, development partners, and other Ministries about the district level planning and introducing a needs-based allocation system for allocating health care resources.

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The post-budget placement period in June brings with itself an inundation of various analysis, scrutiny and assessment of the most important policy document of the year. As a clear reflection of the political commitment of the government, the budget-making process remains at the centre of attention of various interest groups and stakeholders. If, however, we are to investigate the role of the legislature in the budget cycle in the Bangladesh context, it can be aptly said ex-ante (pre-budget) oversight is an area where there has been a gaping hole for years.

Public Participation and Political Representativeness

Every year, before placing the budget in parliament, the finance minister holds pre-budget discussions with various stakeholders such as economists, think tanks, business associations, chairs of various parliamentary standing committees but very few of their recommendations are reflected in the budget. The information gap remains a major problem, as government websites and relevant data sources tend to play a limited role in engaging the mass public. In Bangladesh, parliamentary tools of accountability remain largely underutilized as the trajectory of parliamentary oversight has seen a significant decline in capacity over the years. The prolonged absence of a strong opposition combined with a confrontational political context has further weakened the Parliament’s ability to play a credible role as the apex law-making institution. Quite unsurprisingly, the 8th, 9th, 10th and 11th Parliament witnessed a sequentially lower turnout of opposition members in parliamentary sessions, often discouraged by the non-acceptance of demand for grants raised by the members during budget sessions.

Pre and Post-Budget Engagement

Apart from the lack of public engagement, a major constraint which limits parliamentary engagement in the budget formulation phase arises due to inadequate pre-budget discussion between lawmakers who are also parliamentary committee members. Ministerial consultation with selective stakeholders and interest groups are often incomplete, as pre-budget statements are not fully revealed to them, thus disallowing necessary engagement with the budget itself. As a form of pre-budget consultation, the Finance Minister holds a formal consultation on specific parts of the budget document with all the chairs of Standing Committees, which is often deemed as an inadequate effort. Pre-budget consultations allow MPs to carry out one of their key legislative functions: that of representation. Because MPs are mandated to draw views and opinions from the public, from private citizens as well as from organised groups about the contents of the next budget, they can provide a variety of views to the government. This is done by MPs who are members of Financial and Expenditure Committee in the UK (Budget policy statement) and Finance committee in Canada (pre-budget statement) and many other commonwealth and European countries. However, the provision of pre-budget consultation with relevant stakeholders by any parliamentary committee is missing in Bangladesh.

Usually, the budget is tabled so late that hardly any meaningful discussion is possible; altogether two to three weeks, which is inadequate compared to other Westminster parliaments. When it comes to post-budget discussions, parliamentary sessions are more often rhetorical, due to MPs lacking sufficient knowledge and training required to make an informed
post-budget review. Therefore, the absence of an institutionalised parliamentary budget and (or) research office which would act as a research support wing for the Members of Parliament, is an issue that has been identified as requiring immediate attention, along with the activation of the Act (2001) which promulgates the establishment of the Institute of Parliamentary Studies (IPS), a formal institutional setting where experts on parliamentary and policy affairs can support the Members of Parliament (MPs) in their policymaking endeavours.

The Public Accounts Committee

One of the most important parliamentary limitations in Bangladesh is that the Rules of Procedure prohibits referral of the budget to any parliamentary committee for scrutiny thus depriving the MPs of the opportunity to go into budget contents in more depth before general discussion in the House begins.

Two of the most vital internal organs of the Parliament that are also involved in ex-post oversight are the standing committee on ministries (SCM) and the Public Accounts Committee (PAC). The PAC is traditionally entrusted with the task of scrutinising appropriation of accounts of government and examining the reports of the Controller and Auditor General (CAG) as well as financial statements showing the income and expenditure of autonomous and semi-autonomous government bodies. Although entrusted with great responsibilities, the PAC allegedly lacks the skilled/trained human resource, and logistical as well as infrastructural support needed which have led to consecutive logjams in reporting.

Conclusion

All around the world, the role of the legislature in budgetary process is enhancing, thanks to the gradual strengthening of parliamentary committees, institutional autonomy of entities supporting the legislature and greater legislative access to comprehensive and timely information needed for understanding the impact of budget allocations. In Bangladesh, reforming the existing system of parliamentary oversight of the budget will be a revolutionary step towards empowering the legislature. To ensure such a change, budget-making must be considered in its totality—as a comprehensive process of formulation, approval, implementation followed by monitoring. By publishing a probable draft budget (pre-budget statement) on websites before the actual budget proposal, the government can encourage feedback from various quarters, a move that can enhance bureaucratic as well as public accountability by manifolds. A standing committee should be mandated to examine budget proposal which can be followed by public hearings, a mechanism for ensuring a people’s friendly budget that is currently missing.

A budget that reflects people’s aspirations is a long-cherished dream. It is high time that we realise that the onus of fulfilling this dream must be equally shared by the Parliament as well.

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In Bangladesh, reforming the existing system of parliamentary oversight of the budget will be a revolutionary step towards empowering the legislature. To ensure such a change, budget-making must be considered in its totality—as a comprehensive process of formulation, approval, implementation followed by monitoring.
What Can We Do for Stabilising Onion Prices?*

Nazneen Ahmed & Md Mainul Hoque

Sudden hike in onion price appears to be a common phenomenon in Bangladesh though the solution to the problem is yet to reach. This paper attempts to analyse possible reasons for onion price hikes in Bangladesh and suggests some remedies for ensuring price stability. The analysis of this paper is based on a study we conducted on the onion supply chain in 2018 (Ahmed & Hoque, 2018).

When there is a sudden rise in onion price, many people believe that a “syndicate” reigns in the market, without even understanding what is meant by a “syndicate”. According to the Cambridge Dictionary, a “syndicate” refers to “a group of people or organisations who join together to share the financial risk involved in achieving something”. Such syndication in onion marketing would refer to collusion among few of the actors involved (mostly different types of traders) in the onion supply chain. However, “syndication” is not possible in the onion market as there are numerous actors involved, who are utilising the strategy of profit maximisation; and onion, as an essential good with low level of elasticity, allows the price hikes with any mismatch in the demand-supply situation.

Effective policy and market intervention to stabilise the price of essential agricultural products depends on proper understanding of the supply chain of a product and the actors involved in the supply chain and their power to distort competition in the market. If price volatility is associated with a sub-optimal level of competition in the market, then correction to price volatility could be managed by bringing more competition in the markets of these commodities. However, if price volatility is created by market forces, then it is not possible to correct it immediately by any intervention, rather long-term planning is required.

Before analysing the supply chain of onion market, let us note some interesting features of onion consumption. Consumption of onion increases with the level of income. On average, a household with four members consumes around 3.7 kg onions per month (HIES, 2016). Moreover, urban people consume more onions on average compared to rural people. It is noted that onion comprises only a small proportion (1.1 to 1.6 per cent) of monthly food expenditure of an average-income household. All this information indicates that a rise in the price of onions should not be a major concern for relatively higher-income households as this comprises a tiny proportion of their food expenditure. It is a concern for the poor, especially the poor people of the urban areas (as the average urban consumption is higher).

Around 60 per cent of the yearly consumption of onions is locally produced and the remaining 40 per cent is imported. Around 80 per cent of the imported onions come from India. Therefore, the onion market in Bangladesh is strongly linked with the market in India. Although India is a large producer of onions, its supply is often affected due to weather factors, and the price of onions in India is also politically sensitive. Whenever the local price of onions goes up, the Indian government imposes restriction on onion export in several ways: banning export and setting minimum export prices at an extremely high level to make onion import prohibitively costlier. When the local market stabilises and the price returns to a normal level, the trade restriction is lifted. Such actions extend heavy

*A modified version of this article appeared in The Daily Star on 8 December, 2019.
impact on onion price, part of which is for supply shock and part is for inflationary expectation. In Bangladesh, onion prices usually go up in the last four months of a calendar year (starting from September) as the harvesting period of onion is March–April, starting from February in many areas.

There is no uniform market structure for onions that fits places and regions across the country. The supply chain in the onion-growing region is relatively simple than the supply chain between growing and non-growing regions. More actors are added when onion moves from growing to non-growing regions and commission agents with large investment play a big role in linking actors of growing regions and the consuming regions. Importers also play a key role in the supply chain, and again commission agents link importers to traders in large markets in big cities.

There is no clear indication of anti-competitive behaviour in the onion market. There is a significant number of buyers and sellers in the market, and entry into the market is not prohibitively costly in most of the stages in the supply chain. It is rather the inherent structure of the onion market that assigns high value to experience and market knowledge. Neither is there any strong evidence of collusive price-setting in major markets, nor does it turn out that traders are information-constrained regarding the essentials of the market. The role of the traders’ association is largely non-existent. In brief, the onion market appears to hold most of the pre-conditions for a competitive market.

The government should observe and monitor the production and price of onions both inside the country and in India, especially before the beginning of the slack season in September each year. If there is poor harvest in India, Bangladesh cannot expect that India would export onion (to Bangladesh) by depriving their own citizens. Decision to import from different sources should be taken in advance following the situation and forecasts about Indian onion production. Onion can be imported more from China, Turkey, Pakistan, Myanmar, and the Netherlands.

When there is already a tendency of rise in prices in Bangladesh at the end of the season, any information regarding ban on onion export by India sparks speculation among both Bangladeshi sellers and buyers of onions regarding price hikes. The price spiral gets fumed with inflationary expectations of the onion prices with natural forces of supply and demand. The rich people start bulk purchases without even noticing that onion constitutes only a tiny share of their food expenditure. The real hardship of the onion price hikes falls on the low-income people. Rather than searching for a syndicate, the government needs to organise large-scale open market sale at a lower price in different parts of the country. The low-cost open market sale must be undertaken mainly targeting the urban poor. Moreover, rich people need to be made aware that they should not go for panic purchase of onion causing harm to the poor.

Initiatives should be taken to increase the productivity of onions. High-yield variety onion seeds should be made available to farmers at a proper time. Special initiatives could be taken to produce high-yield varieties in flatlands of hilly regions. Even during the dry season, onions could be produced in haor (low lands in Sylhet region) areas. The storage facilities of onions should be expanded.

Seed treatment and selection of the variety are important technical practices for increasing the yield of onions. Hence, the extension agencies should take up suitable training programmes for farmers so that farmers are properly educated.

Delay in the land ports leads to loss of weight in onion and causes price hike by traders to cover the loss. Thus, measures should be taken for quick release of trucks in land ports.

Initiatives should be taken to increase the productivity of onions. High-yield variety onion seeds should be made available to farmers at a proper time.

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Exploring the Environmental Governance in Leather Tanning

Md Imran Hossain Bhuiyan

Environmental governance encompasses a set of actors, organisations, policies, regulations, and other relevant processes through which state as well as non-state actors interact and influence environmental policies and actions. The idea of environmental governance has been evolving in nature and scope over the last few decades. Initially, the environmental policies and governance in the industrial sector were strictly under governmental jurisdiction where non-state actors were either absent or insignificant. Gradually, other non-state actors appeared to exert significant control over the years to strengthen the environmental governance of the industrial sector. Business owners, civil society organisations (CSOs), non-government organisations (NGOs), consumers, buyer groups, and development partners have become key actors in the environmental governance of every important industry by early twenty-first century, both in the context of developed and developing countries.

Like other developing countries, Bangladesh has seen government-led environmental governance of the industrial sector at the initial stages of industrial growth. The country established a full-fledged ministry named the Ministry of Environment and Forest (MOEF) and restructured the Department of Environment (DoE) to strengthen environmental governance in late 1980s. Though a significant number of environmental regulations were formulated from 1970s to 1990s, implementation of the policies and regulations remained weak. Moreover, while most of the environmental policies and legislation aimed to curb industrial pollution over the decades, the pollution of the natural environment seemed to be continued by a large number of industries. Among many of the polluting industries like fertiliser, textile, and cement industries, the leather tanning industry was considered as one of the worst polluters. The leather tanneries of Hazaribagh, Dhaka, were heavily criticised for polluting nearby water and land by discharging wastes and effluents without any treatment.

Though the old tannery hub in Hazaribagh started commercial operations in the 1960s without a proper waste management system, the issue of stricter pollution control for the tanneries came into public debate in the early 1990s. An unplanned concentration of the leather tanneries at Hazaribagh, the lack of individual as well as central effluent treatment system, and the resulting environmental pollution prompted severe criticisms from the environmental CSOs and activist groups. However, both the responsible government agencies as well as the tannery owners remained indifferent to the pressure from the CSOs until the dawn of the new century. Meanwhile, the High Court, in response to a writ petition by the Bangladesh Environmental Lawyers Association (BELA), ordered the government in 2001 to relocate the tanneries from Hazaribagh, and the government accordingly signed a Memorandum of Understanding (MoU) with the two leading tannery owners’ associations in 2003. As a result, by the early years of the 21st century, CSOs along with relevant government and business organisations became key actors in shaping the environmental governance of the leather tanning industry.

The commencement of the tannery relocation process, however, was initiated later in 2014 when a revised MoU was signed in October 2013. Disagreements between the concerned government and business organisations on financing of the Central Effluent Treatment Plant (CETP) in the relocated industrial estate and the reluctance of the tannery owners had apparently resulted in the deadlock in terms of the relocation process for about a decade. In the meantime, the key parties kept forestalling High Court’s order by extending the given timeline for relocation.
Finally, in 2013, leaders of the tannery owners’ associations started to pay serious attention to this matter given the consistent pressure—over the non-compliance issues—by the European buyers of Bangladeshi leather products. In response, the tannery owners’ associations joined hands with development partners like the Asia Foundation to negotiate with the government agencies for enhanced technical and financial support in the relocation process. In this way, buyer groups and development partners like The Asia Foundation and European Commission also became important actors in moulding the environmental governance of the leather tanning industry.

Government initiated the construction of CETP and other facilities in the Tannery Industrial Estate (TIE), the official name of the relocated site, in early 2014 which was followed by the construction of the tanneries. After rounds of high-level meetings and follow-up visits by relevant stakeholders, majority of the new factories started operating in April 2017 as the government apparently decided to discontinue the supply of electricity and gas to the old tanneries at Hazaribagh. As of June 2020, newspaper reports refer to 123 tanneries operating in the TIE. However, the true purpose of relocation, i.e. to stop water pollution by the wastewater and effluents from tanneries, has remained under question to date. There are now widespread claims about the poor quality of water and waste treatment by the water treatment plant (WTP) and the CETP in the TIE.

Leather sector stakeholders, including the technical experts and the tannery owners, are apparently seeking further government support to increase the capacity of the existing CETP and to get it certified by international organisations like Leather Working Group (LWG) in order to officially achieve the environmental compliance status.

Considering the recent changes in the environmental governance of the leather tanning industry, the emergence of a ‘cooperative approach’ can be observed since the government has facilitated the relocation process by financing the construction of the CETP at TIE and also by providing a compensation package for the tannery owners during relocation. The changes, hence, indicate a positive shift from the traditional form of ‘compliance-based’ environmental governance to a cooperative one. In theory, the cooperative approach allows the government to move away from the ‘compliance approach’ and to incentivise the industrial sector to materialise environment-friendly changes (Hoque et al., 2014). Therefore, under the cooperative approach of environmental governance in the leather tanning industry, a proper incentive structure needs to be designed and implemented by the government to provide rewards to the compliant factories and penalties to the non-compliant ones. Besides, as the regress in the local as well as global demand for leather and leather products during the recent COVID-19 outbreak may exacerbate the financial crisis for the owners of small and medium tanneries, further government support may help the tanneries to achieve and retain environmental compliance in the coming years. Moreover, stronger collaboration with the relevant international actors including the development partners, business organisations, and the compliance certifying agencies is an immediate need for the leather tanning industry to attain the compliant status and to build a positive image of Bangladeshi leather in the global market.

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Under the cooperative approach of environmental governance in the leather tanning industry, a proper incentive structure needs to be designed and implemented by the government to provide rewards to the compliant factories and penalties to the non-compliant ones.
Devising Right Policy Responses for Rawhide Management

M Abu Eusuf

The leather industry in Bangladesh has been facing many challenges on multiple fronts after the relocation of tanneries from Hazaribagh to Savar in 2017. Business enterprises in this sector have been experiencing a slump since the tannery relocation. It needs pointing out the fact that both the government and traders were not fully prepared for the relocation. Businesses continue to struggle as the Savar Leather Industrial Estate is yet to become fully operational. Amongst others, improper waste management in Savar Leather Estate has become a trouble for the sector. Industry insiders report that, because of the incomplete relocation, many businesses lost the certificate of leather working group (LWG), a global body for compliance and environmental certification in the leather and leather goods sector. Also, the increased use of synthetic leather products could be partially responsible for the reduced demand for leather goods.

Now, the global economy is witnessing an economic downturn due to the COVID-19 outbreak, and like many other sectors, the leather sector has also been severely affected. Globally, the price of leather products has experienced a decline. Falling prices in the international market affected the local market as well. When income gets squeezed, people tend to consume less of the leather goods as leather goods are often expensive and generally deemed as non-essential. As a result, coupled with the pre-pandemic challenges facing the sector, reduced consumption of leather goods has exacerbated the crisis experienced by the industry.

The government has taken some praiseworthy initiatives for the development of this industry. However, there are some weaknesses. Although leather and leather goods were declared as the product of the year previously, the industry could not adequately reap the benefits. Generally, the leather industry experiences a huge amount of rawhide collection (nearly six–seven million pieces) during the Eid ul Azha which drives trade between tanners and seasonal traders. Getting the right price of the raw leather from the tanners has been a pressing concern particularly in recent years. Another issue is that the price of salt-dusted hides has been fixed by the government. But no directives were provided regarding the price of unsalted hides.

Even though initiatives have been taken before Eid ul Azha 2020 to preserve the rawhides, there are some drawbacks in terms of management. Although a large volume of skins were collected at that time, only a small number of traders were assigned with the responsibility to collect the skin. These traders have taken this opportunity to buy rawhides at their desired price defying the price set by the government. Furthermore, the government’s initiative to collect rawhides through the control room has proved to be far from being a successful one. Supervising the titanic task of hide collection cannot be dealt with control-room approach only.

Usually, local people, seasonal traders, merchants (known as aratdars), and tannery owners participate in the rawhide trade. There is a tendency to drive down the price of rawhides even at the local level before the tanners purchase the hides. We have seen instances of seasonal traders dumping rawhides to rot on the streets. Tanners also face the problem of paying the merchants. This issue becomes more pronounced during the Eid season. There is no official estimate of the total dues payable by the tannery owners to the merchants. According to the information obtained from the Hide and Skin Merchants Association, after Eid ul Azha 2019, such dues totalled at least BDT 4 billion.
Against this backdrop, there is a critical need to act decisively and revamp existing strategies to navigate this sector not only through the ongoing crisis but also for the post-pandemic future. Following options can guide the way forward for the sector:

Devising appropriate policy initiatives will require mapping out the existing challenges first and then act accordingly to address them. For example, announcing a sudden decision to export rawhides will not solve the existing problem. We need to carefully assess the demand and prices in target export destinations. It might also be the case that, instead of exporting rawhides, processed goods can fetch more export earnings. The key consideration should be to create informed policy inputs backed by robust evidence and then supporting the businesses to navigate the sector.

During Eid ul Azha, the government initiative to fix the price of rawhides only applies for the tannery owners who purchase rawhides. But there is no such measure to regulate the price at grass-roots level. One way forward to address this challenge would be to carefully review the existing price-setting mechanism and set clear guidelines for rawhide trades along with the local value chain reaching up to the grass-root level. Then strict enforcement measures should be put in place to monitor the prices.

Almost 50–60 per cent of total rawhides are usually being collected during the Eid ul Azha period. There is a common tendency to sell the rawhides as soon as the animals are slaughtered. A usual misconception is that the rawhides will be spoilt if it is not immediately traded and delivered to tanners. It is important to note that applying salts to the rawhides within three hours of the sacrifice can help preserve the rawhides. This can cost only 100 taka per hide, according to industry experts. Therefore, such a rush to trade the rawhides in a single day, which contributes to the reduced price of hides, can be tackled with a simple and cost-effective measure—an awareness campaign. As it costs very less to preserve the skins at the individual level, awareness campaigns can aim at disseminating information and thus slowing the mass sale of rawhides per day which partly drives the prices down.

The government can make deals with large-scale tanneries to properly preserve the skins of sacrificial animals. It appears that hide collection may need a similar intervention which the government follows to collect paddy from the Upazilla level. The government can collect the leather and export it after processing through the tanneries. Experiences from other countries can be used as examples to prevent skin damage in cold storage. This method could be used on a public-private partnership (PPP) basis.

At present, Bangladesh Small and Cottage Industries Corporation (BSCIC) is working for the small and medium enterprise (SME) sector and it cannot manage a large sector like leather. A dedicated government body could be formed to fast-track the progress needed in this sector. The government will not need to invest too much money if the right steps are taken with proper research and monitoring. To efficiently manage the activities in this sector, the Leather and Leather Products Development Authority can be formed under the supervision of the Prime Minister's Office.

For the tanners, access to finance has become a major impediment in the face of reduced demand and depressed exports. This has created a ripple effect across the value chain of the leather sector. Media reports reveal that merchants are getting affected severely. Steps can be taken to provide loans from the Corona Stimulus Package to overcome the financial crisis plaguing the businesses in this sector. At the same time, the activities of this sector should be guided through complying with international standards with attention to building eco-friendly factories and promoting product exhibition in potential markets. A comprehensive and well-coordinated approach can address the existing problems and revamp the industry for the post-pandemic world.

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“A DEDICATED GOVERNMENT BODY COULD BE FORMED TO FAST-TRACK THE PROGRESS NEEDED IN THIS SECTOR.”
Changes have occurred in the educational system due to the COVID-19 pandemic, and these changes have outpaced the capacity of our current system to respond. There are great resources and tools but it is very difficult to disseminate those at this crisis moment. For the pandemic crisis, a number of underprivileged students as well as mainstream students are dropped out due to the lack of technological and other supports. It is creating a huge gap in education for the students. Though the educational institutes are continuing academic activities online, the gap is not reduced, rather it is increasing in an alarming way. Now it must be the prime concern for all the policymakers to rethink immediate policies for meeting up the needs raised in this situation for the learners unable to receive education at normal platforms. Due to the crisis, normal education of about 40 million students is being hampered who need immediate interventions to carry on their academic life.

Consequently, excellence and equity are threatened in every part of education but our greatest concern could be how to minimise the challenges for the learners of Bangladesh. As it is a new crisis, we should try to find a new solution to meet the existing and upcoming gaps in education. We might fail to see the approaches working in some cases, but we have to reassess the existing resources and deliver those according to the needs. At this juncture, the educational challenges of Bangladesh could be broadly identified as: i) identifying the needs for ensuring access to education in the changing circumstances triggered by COVID-19, ii) discovering a fit-for-purpose solution, and iii) implementing the right intervention.

It is very important now to identify the need for the learners to ensure a quality education for all since the quarantine methods are being ordered to cope with the global pandemic. It is very difficult to safeguard children from anybody who belongs to the risk group. They may discontinue their education and the number of dropouts might increase consequently after the pandemic. Additionally, it is very important to discover fit-for-purpose solutions for the current struggles of the learners’ deep anxiety, loneliness, teachers’ lack of training to use the digital resources, parents’ lack of knowledge to use them as well as balancing the work and home-schooling and finally reaching the marginalised students all over the country including the urban poor children living in the slums where no digital resources are available. There are currently few scalable solutions with a reliable internet connection and access to digital devices for countries like ours (HundrED, 2020). The probable solutions for these struggles in the education crisis moment could be resolved if we can initiate the following steps as early as possible.

The concept of a wide-open school might be offered to the students who are deprived of digital resources during this crisis. Media can help the learners in spreading education by telecasting online classes. However, steering the digital resources to continue learning is a crying need. Since our teachers are not well equipped with digital resources, proper training should be arranged for them to support the students who are not getting technical assistance to continue their education. Thus, a strong network can develop among teachers, and they will be benefited to share their ideas with one another. Collaboration is very necessary to ensure a quality education during this pandemic. But a team of policymakers is essential to prioritise the needs of the learners at this crisis period who can guide us to focus on the existing challenges of education and ways of solving many of them. However, assessment of students is quite challenging under the current situation to ensure the quality of education. It is still not the prime concern, rather emphasis should be given to prevent the rate of dropouts, understand the actual facts of how this pandemic affected educational attainment, and how the students are suffering from this pandemic-induced gaps in education.

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The economy of Bangladesh was characterised by a growth shift from the average 5–6 per cent growth to 6–7 per cent growth and 7–8 per cent growth in the very recent fiscal years. The economic growth was achieving an optimistic upward trend quite auspiciously. With the emergence of the novel coronavirus pandemic, the steady estimates, soon after, seemed unstable; and many pessimistic, optimistic and some average scenarios were gauged by—the World Bank, the Asian Development Bank (ADB), the International Monetary Fund (IMF), many researchers, and the government of Bangladesh itself. For example, the World Bank forecasted a highly pessimistic growth of 1.6 per cent only for FY20 which was considered as the lowest figure in 37 years in Bangladesh and 1 per cent for the upcoming FY21; ADB forecasted 7.8 per cent growth in FY20 and 8 per cent in FY21, and the Government of Bangladesh forecasted 5.2 per cent growth in FY20 and 8.2 per cent in FY21 by assuming a v-shaped sharp recovery process. Thereby, according to the pessimistic view, the growth momentum turned into a stalemate and the lightened hope turned into a black hole whereas, according to the optimistic view, Bangladesh will follow the growth miracle-trajectory by overcoming the shortfall of growth in some sectors of the economy shortly. In this backdrop amidst these two opposing views, it is important for us to point out what actually precipitated the assumed abrupt decline in growth estimate or which steady and resilient characters made us optimistic for a sharp recovery in the next fiscal year.

What determines economic growth rate? Uncertainty—anticipated or unanticipated—is the key determinants of economic growth (Moral-Benito, 2012). In the real economy, some determinants are—the initial growth, level of human capital, people’s health condition, level of investment, government spending, trade openness, terms of trade, democracy, and institutions (Barro, 1996). For example, Chen & Feng (2000) showed that the private and semi-private enterprises, higher education, and trade openness—all lead to an increase in terms of economic growth. Rodrik (2003) focused on institutions, integration, and geography to search for the deeper determinants of economic growth. This paper aims to explore the growth trajectories in the last three decades and to hunch the potential growth factors. Such exploration will help us to know the relative strength of the growth contributing sectors and to draw some possible growth scenarios for Bangladesh. The paper uses the relevant secondary data from the Ministry of Finance of Bangladesh and the World Bank for the period of FY94–FY19 and examines the economic trajectories explaining the sources of growth and the trends.

Bangladesh’s economy is majorly determined by the private sector—private consumption and private investment in private enterprises. The national income identities showed us that private consumption spending had the major share of the gross domestic product (GDP)—around 82 per cent in FY94, and that declined to 69.77 per cent in FY19 but remained as a major factor in GDP calculation. With the decline in consumption spending, private savings along with private investment (savings-income identity) as percentage of GDP increased from 11.8 per cent in FY94 to 23.4 per cent in FY19, almost doubled within the given period. On the other hand, government spending as percentage of GDP showed a slowly rising trend, and in FY19, government spending as percentage of GDP was 14.47. The average consumption share to GDP was around 86.1 that of private investment was 7.6 share, government spending was 10.4 share, and net export of -1.99 share. Within the given period, the private consumption grew nominally at an instantaneous rate of 11.4 percent, private investment by 14.7 per cent, government spending by
12.3 per cent, exports by 14.3 per cent and imports by 13.2 per cent. This discussion shows that private consumption and private investment are the major components of GDP estimates. The restricted regression technique shows that the growth of private consumption and government spending determines the GDP growth rate: for one percentage point increase in private consumption increases the GDP growth rate by 0.06 percentage point holding other components constant, and for one percentage point increase in government spending, holding the effects of other components constant, the GDP growth rate increases by 0.075 percentage point.

The economic losses due to COVID-19 pandemic will be shared by the two fiscal years: the last quarter of FY20 and the first quarter of FY21. The economy was in a frigid state during the last quarter of FY20 due to the lockdown situations to combat COVID-19. The global concern of COVID-19 pandemic generated the fear of a short-term to long-term recession.

Before the COVID-19 pandemic, the economy was on the trajectory of high growth which confirmed that the components of GDP were heading in the expected directions. After three months of the pandemic, the last quarter of FY20, the consumption, investment and net exports were heavily hampered. Assuming no change in the growth of government expenditure and balanced trade, a 5 percentage point reduction in private consumption and 10 percentage point decrease of private investment will reduce the GDP growth rate by 0.94 percentage point, and the growth rate will therefore stand at 6.8 per cent, whereas the presumption of as usual case with the reduction of 10 percentage point in private consumption and private investment growth results in an estimated GDP growth of 6.5 per cent.

"Before the COVID-19 pandemic, the economy was on the trajectory of high growth which confirmed that the components of GDP were heading in the expected directions. After three months of the pandemic, the last quarter of FY20, the consumption, investment and net exports were heavily hampered."

Figure 1: Growth trajectories in Bangladesh

Source: Author's presentation based on Ministry of Finance and World Bank data.

Note: The sum of private consumption, private investment, and government spending could be greater than 100, because the net export as percentage of GDP is not shown here which is negative for the given period.
Around three-fourths of the value addition come from six economic sectors: a) agriculture, forestry and fishing; manufacturing; b) construction; c) trade (retail and wholesale); d) transport, storage and communication; e) real estate, renting and business activities; and f) financial intermediation. In FY19, their shares were 13.1, 23.3, 7.3, 13.3, 10.6, 5.9, and 3.3 per cent whereas their growth rates were 2.58, 14.7, 9.6, 7.7, 5.2, and 8.3 per cent respectively. In the last quarter of FY20, the performance of the agriculture sector was on track but other sectors were heavily affected. Under the assumptions that a 4 percentage point reduction in the growth of the manufacturing sector, a 3 percentage point reduction in each of the growth of construction, trade, real estate, and financial intermediation sectors will lead to a GDP growth rate of 6.13 per cent. Therefore, the GDP growth rate for FY20 will be no less than 6 percent.

There will be the challenges of attaining 6+ growth for the FY21 as the first quarter of that year starts with a paused economic condition. The economic turmoil in labour market (labour supply and demand, employment and unemployment scenario) and in goods markets as well as financial markets may further pull down the economic growth for FY21, and the scenario might get worse depending on the duration of the pandemic and the potential measures to combat it. Moreover, the effects depend on people’s expectations and responses to the economic shock like job loss, returns to investment, and asset depletion during the pandemic situation. The proposed spending as declared by the government for FY21, though much debate exists, is supposed to help the economy to be in the restore mode. The fiscal incentives and the allocation for safety nets and other packages will help the economy to be on an uptrend.

Bangladesh’s economy is primarily influenced by the private sector. The stability in agriculture is not sufficient to cope with the growth loss during COVID-19 pandemic. Although the specific forecast of GDP growth rate is challenging, an interval of the forecasted growth is possible. For FY20, the growth rate could be in between 6 and 7 per cent whereas for FY21, the growth rate might go down further if the COVID-19 situation remains in its peak for two successive quarters. On the other hand, the return of the economy on rising trend will depend on the major initiatives taken by the government both to trigger the economy and to combat COVID-19 as well as the intensity of natural calamities faced and managed.

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Improving Access to Finance for Women Entrepreneurs*

Dalia Rahman

In a resource-constrained country like Bangladesh, especially where women’s asset ownership is scarce, the lack of financial resources often acts as an obstacle to the advancement of women entrepreneurs. The Government of Bangladesh has taken a number of initiatives to promote access to finance for women, yet problems still prevail as women entrepreneurs identify the lack of capital as the major barrier to the development of their entrepreneurship. For instance, a recent study by The Asia Foundation suggests that 58 per cent of women entrepreneurs mentioned that they lacked the capital to start their business, and around 29 per cent reported that access to credit was limiting their business start-up (Eusuf, 2020).

The problem of limited access to finance for women entrepreneurs can be divided in two groups: the demand-side problems and the supply-side constraints. The demand-side problems mostly include the knowledge and information gap among women entrepreneurs on potential business and credit opportunities; high interest rates; inability to manage large number of legal documents as collateral and guarantor for loan as required by banks and financial institutions; lack of technical experience; and adequate support from their families (Al-Muti & Warren, 2017). On the other hand, the supply-side constraints include absence of a proper policy framework, negative attitude among commercial banks toward women entrepreneurs, and requirements of collateral and personal guarantor. Many banks and financial institutions are under the impression that a lot of women-led businesses are not creditworthy, rather loans are provided to a number of selected business ventures.

Though women entrepreneurs are supposed to be provided collateral-free loan up to a certain amount set by Bangladesh Bank, the scenario, in reality, is somewhat different. According to Bangladesh Bank, a maximum loan facility of BDT 2.5 million at 9 per cent interest rate will be provided without collateral against a personal guarantee. Women entrepreneurs are getting only around 5 per cent of total small and medium enterprise (SME) credit though it should cover at least 15 per cent. In practice, women entrepreneurs’ experiences are not business-friendly due to the fact that formal lending agencies remain reluctant to provide loans to women entrepreneurs who usually fail to meet such requirements as reliable guarantors or collateral.

A loan is hardly sanctioned without collateral. It becomes difficult to find the guarantors for new entrepreneurs. They are asked to submit collateral (original deed of the property) and personal guarantor. In some cases, banks and financial institutions only accept those as personal guarantors who have account in the same institution with good financial track records. As most of the people in Bangladesh are risk-averse, most of the time they are reluctant to become guarantor of any kind of risk-taking activities. Moreover, most of the women start their own businesses either with their savings or with the help of family members. It is difficult for them to arrange enough assets to pledge as collateral in banks.

Besides, banks and NBFI’s have doubts on the capacity, intelligence and skills of women entrepreneurs (Rahman, 2020). They are too choosy to provide credit to female entrepreneurs because the bank officers have to bear the burden in case of default loans. This sceptic attitude of banks lead to the delay in disbursements of loans; in fact, women entrepreneurs are asked for more documents. Under the

*Some parts of this article have been adapted from Rahman (2020).
circumstances, micro and small women entrepreneurs can rarely meet such rigid requirements; and as a result, they are not covered systematically under the existing system based on the bank-client relationship approach. If we really want to bring micro and small women entrepreneurs under financial inclusion, we need to look for an alternative and innovative financial model targeting women entrepreneurs.

The government of Bangladesh has declared a stimulus package worth BDT 200 billion for small and medium enterprises at an interest rate of 4 per cent as working capital loan. Five per cent of the money amounting BDT 10 billion is supposed to be disbursed to women-led SMEs. Based on our recent consultation with the district women chambers across the country held on 28th July, 2020, the progress of the implementation of such stimulus package is very slow. The majority of the women-led SMEs are yet to receive the benefits. As the package mostly depends on the bank-client relationship, small women entrepreneurs who are the real victims of the pandemic without having good bank transaction track records are left out from this package. Due to the pandemic crisis, most of the women entrepreneurs need money for their survival. It is uncertain when they would be able to restart their business. The government should provide some grant to support women entrepreneurs during COVID-19 pandemic period in addition to working capital.

The existing framework for financial inclusion of women entrepreneurs, especially those who lead SMEs, needs to be revamped with an innovative financing model that would ensure quick access to finance them. A separate institutional arrangement can be established which would form a joint-liability lending mechanism involving the loan-recipient women entrepreneurs as well as the representatives from women chambers and sector-specific development actors such as SME Foundation. The fund can be channelled through Palli Karma Sahayak Foundation (PKSF) and other leading microfinance institutions (MFIs) at the bank rate with interest subsidy to be provided by the government. Besides, to streamline the financing model, the central bank can take the initiative to introduce a target-based approach, where targets will be set for the MFIs for providing loans to a certain number of women entrepreneurs each month. District women chambers and SME Foundation can work as facilitators in this regard.

Besides, many women lack necessary skills and training to initiate and promote their business under existing competitive business environment. It is very important to focus on women entrepreneurship development from both demand and supply-side perspectives. District Women Chambers, SME Foundation and the Directorate of Women Affairs may jointly organise training and workshops regularly to enhance the capacity of the women entrepreneurs.

On July 2020, Bangladesh Bank approved a credit guarantee scheme worth BDT 2 billion for cottage, micro, small, and medium enterprises (CMSMEs) which lack adequate collateral to apply for bank loans. This is definitely a good initiative in the right direction. Successful and timely implementation of this scheme will help alleviate the financial woes of the entrepreneurs. It needs to be ensured that women entrepreneurs are given special emphasis under this scheme. Finally, the government may consider seriously to establish a Women Development Bank which may facilitate to empower women and maintain gender equity in Bangladesh.

References


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The existing framework for financial inclusion of women entrepreneurs, especially those who lead SMEs, needs to be revamped with an innovative financing model that would ensure quick access to finance them.
Addressing Welfare Concerns of Housemaids

Faiza Tahsin

The COVID-19 pandemic has heavily affected the informal sector workers as many of them lost their jobs and struggle to find livelihood opportunities to make their ends meet. BRAC Institute of Governance and Development (BIGD) found that due to the pandemic containment measures economic activity came down by 71 per cent in urban areas and by 55 per cent in rural areas (Sakib, 2020). Housemaids are a crucial part of the lives of urban people and they fall under the informal sector. The coronavirus pandemic has rendered many of these housemaids jobless. Although the economy is showing signs of recovery, a lack of concrete data on housemaids makes it extremely difficult to ascertain the impact of the pandemic on them.

After the boom of the readymade garments (RMG) sector, the housemaids are seen as a luxury for some households as most women prefer to join the RMG sector as they find independence there; while, in most households, this freedom barely exists. However, in recent years the housemaids work part-time in most houses as it is economy-friendly as well as good for their house-making.

They can work in several houses on a single day while having a good amount of salary each month, renting houses, educating themselves or family members, and paying bills too. Yet for the pandemic, most of them lost their jobs and are staying at home without food. The Government of Bangladesh has announced a suitable BDT 2,500 package for targeted 50 lakh families each month (started from May), but the number of poor people here is more than millions.

Although housemaids are supposed to get the benefit packages from the government, the question is—are they getting it? I interviewed five women who work in my building and found the following results which are listed in Table 1. However, the results (Table 1) show a small picture of the current situation which may or may not align with others as the nature of these people and their employment status might be far different in individual communities. I found the employment of these people reduced in most cases even though they are skilled in their field of work.

Article 14, 15, and 20 of our constitution provides the notion of basic informal employment and human welfare but these are hardly maintained by most organisations or entities. Article 34(1) prohibits forced labour and The Labour Act-2006 mandates the employers to grant the workers the basic necessities of life. Yet, there remain gaps in regards to the compliance of the Labour Act The informal sector is exploited more during the pandemic as the policies of employment are hardly maintained (Sejan, 2019). Furthermore, as the majority of the housemaids work without any formal contract, they tend to refrain from help-seeking possibilities. The absence of formal contract also poses a challenge to their job security.

Feminisation of poverty is evident for the housemaids as always, but it is also perceived to have increased amid the pandemic. The ongoing crisis has underscored the necessity for formalising the informal economy and accommodating the welfare of informal sector workers like the housemaids. There is a critical need to have well-coordinated policies to reduce the vulnerabilities of housemaids and extend adequate social protection measures. This crisis represents an opportunity to identify informal workers like housemaids and devise appropriate social protection interventions with better targeting measures.
Identity number and regular ration card monitoring can be a good approach to keep track of informal labour while the government can directly help these people through allocated resources. Developing a comprehensive database of the housemaids and providing them with identity cards can further help the government to identify the vast number of workers. A feasible wage structure given by the government for the informal labour and especially for the housemaids like most developed countries (hour charge) can be a possible solution for these women. In Singapore, the hourly charge of cleaner’s ranges from $50 to $60 per visit. In Malaysia, a minimum fixed amount of salary (RM12,000 to RM18,000) has to be given to the maid depending on area and agency charge (Andria, 2018). Both of the countries have developed distinct databases (Andria, 2018).

We can also learn from country experiences such as Malaysian Kurnia Insurance for the employer which provides insurance in case of theft or damage done by the housemaids; and FWD insurance for maids to address their medical concerns and Security Bonds declared by the Ministry of Manpower (MOM) and Etiqa Insurance of Singapore which provides various services to the housemaids including special grants, rehiring, and protection against physical abuse (Etiqa, 2019; FWD, 2020). Similar policies can be introduced for the housemaids under the umbrella of the Social safety net in our country. The government can also set up an emergency support number to report domestic violence which is another pressing concern for the housemaids. This will allow the law-enforcement agencies to extend support for domestic violence against all. To summarise, the ongoing crisis should be leveraged to ramp up the social protection towards housemaids and devise appropriate interventions for their welfare.

Table 1: Employment status of five housemaids

<table>
<thead>
<tr>
<th>Name Of Participant</th>
<th>Age Group</th>
<th>Current Employment</th>
<th>Previous Employment</th>
<th>Received Help From</th>
<th>Ration Card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Putuler Maa</td>
<td>20-35yrs</td>
<td>One Household</td>
<td>Four Households</td>
<td>Employer</td>
<td>None</td>
</tr>
<tr>
<td>Reshma</td>
<td>25-30yrs</td>
<td>Two Households</td>
<td>Six Households</td>
<td>Private Charity Organisation</td>
<td>In Process</td>
</tr>
<tr>
<td>Sheuly</td>
<td>20-30yrs</td>
<td>One Household</td>
<td>Four Households</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Kamruler Maa</td>
<td>55-60yrs</td>
<td>Unemployed</td>
<td>Three Households</td>
<td>Local People</td>
<td>None</td>
</tr>
<tr>
<td>Shoma</td>
<td>30-35yrs</td>
<td>Two Households</td>
<td>Five Households</td>
<td>Government</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Author’s presentation from the interviews conducted.

References


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Cushioning the Educational Fallout of COVID-19*

M Abu Eusuf & Rabiul Islam Rabi

The COVID-19 pandemic has disrupted educational activities across Bangladesh. Closure of educational institutes have affected the regular learning activities of nearly four crore students throughout the country. Also, the economic slowdown, triggered by the pandemic, is affecting learners as well as their families. Evidence from the Ebola outbreak reveals that, protracted closure of educational institutes leads to learning loss, increased dropout and higher inequality. The economic shock deteriorates these damages, by suppressing education demand and supply as it adversely affects households, particularly the disadvantaged ones. In the long run, these will impose a cost on human capital and welfare.

As health and safety are now top priorities to protect human life and slow the outbreak, governments across the globe have been confronted to rethink access to education and ensure quality academic activities. Needless to say, the pandemic reality has forced the traditional teaching methods and classroom activities to take a back seat. The new reality now requires innovative approaches to address the crisis in the education sector.

Due to the unprecedented nature of the crisis, there is limited evidence on the actual impact of interventions or different approaches to action, coordination, funding or prioritisation in the education sector. However, lessons learnt from the Ebola outbreak can help devise recovery and coping strategies. Following recommendations can be considered to address the challenges of education sector.

Adopt and Deliver New Learning and Evaluation Methods

While the adoption of online learning methods can only partly address the problem, focus should be given towards promoting inclusive alternative learning methods to build back better on the already ailing education system of the country. Bangladesh is still far away from embracing the full-fledged online learning solution. A study by Global Partnership on Education found that there is no evidence that online learning, screen or mobilephone-based technologies had played a positive role in supporting at-home learning during Ebola.

The so-called claim that this pandemic being ‘ed tech’s moment’ appears to be somewhat misplaced in Bangladesh’s context. Rather, in the developing country contexts, the evidence of radio seems to be more promising. A UNICEF estimate indicates that more than one million children were reached through radio education during Ebola. Then again, we must not lose sight of the fact that accessibility will be a key concern.

In this regard, low-cost yet simple mobilephones with radio option can be a way forward. Mobilephone radio is expected to be the mass media with the greatest outreach, quickest start-up, and least likelihood of being a vector for COVID-19 transmission. Integrating telecommunication services, radio channels, educational bodies and non-government organisations (NGOs) into a single platform can constitute a possible policy response in this regard.

*A version of this article was first published in The Daily Star on 23 September, 2020.
Paper-based self-study materials (SSMs) can be considered as an option to facilitate learning. Self-study materials need to be tailored to children depending on different levels of attainment. It is important to note that, self-study really means that—a huge portion of students will not have access to literate family members who can support their study. It is worth noting that, paper-based learning materials come with logistics challenges as well which should be carefully dealt with. With regard to conducting exams, creative yet effective evaluation methods can be designed at least temporarily.

Take an All-Out Approach to Prevent Dropout

To prevent dropout, proactive policies should be pursued. The Ministry of Primary and Mass Education is collaborating with the United Nations World Food Programme (WFP) to distribute high-energy take-home biscuits to nearly three million school children throughout Bangladesh who are missing their school meals due to school closures due to the pandemic. This programme is spread across 15,200 primary schools across 104 upazilas of the country. Similar interventions should be rolled out which will act as incentive for the households with schoolgoing children. It is worth indicating that measures should be also targeted to address the nutritional needs of the children who are not enrolled in the school.

Social safety nets should also be ramped up. Existing stipend programmes need to be revamped. New and innovative awareness campaigns should be put in place to reach the mass population. Besides education and nutrition, policies should also aim at providing psychosocial support to the learners and family as well. We are already aware of stigmas triggered by COVID-19. Extending psychosocial support and raising awareness can thus be important ways forward.

Prepare and Enforce Proper Health Protocols Before Reopening

When schools would re-open, appropriate and strict health protocols as per the guidelines of the World Health Organization (WHO) should be maintained. It is anticipated that we may experience periodic outbreaks. Therefore, adjusting to the ‘new normal’ will require early action and stern containment measures.

Train the Teachers

Educators also struggle to cope with the new modes of teaching methods. Ensuring teacher’s training is likely to be a less challenging one as teachers tend to own mobile devices even in low-income settings. Evidence from Africa suggest that Kenya and Rwanda are already using smartphones and secure digital (SD) cards loaded with videos of teaching practices to support coaching and training. In recent times, Bangladesh has also been cited as a success story in imparting teacher’s training through mobile phones implemented via ‘English in Action’ project. Therefore, remote teacher training might be feasible and impactful to facilitate learning activities now and in the days to come.

Ensure Judicious Spending of Funds

To meet the budgetary needs, the government must exploit every possible opportunity to chip in the funds required for the recovery and continuity of this sector. As funds from development partners have started flowing in, judicious and accountable spending of the money can help navigate through the pandemic. While capacity and resource constraints will inevitably prioritise sectoral action, funding can be channeled towards new rapid responses or to empower existing interventions to adapt to evolving predicaments.

Generate Data and Evidence to Initiate Informed Policy Response

Finally, the government should aim at generating good data and evidence as these are considered to be sound long-term investments. For recovery and building back better in education, a sound evidence-based practice will help devise informed policy-inputs. Early action in this regard will help government agencies to initiate evidence-based educational response to address the challenges caused by the COVID-19 pandemic and in case of future possible outbreaks as well.

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"The government should aim at generating good data and evidence as these are considered to be sound long-term investments."
Development Letters, a quarterly peer-reviewed periodical, focuses on bringing together issues, ideas, and approaches that can be researched, refined, experimented, and investigated further. This periodical intends to advance innovative research/intervention ideas so that analytical work and evidence can meaningfully lead to practical actions and maximise developmental impact.