Whither Bending the Curves for life and livelihood:

A Rapid Assessment of National Budget 2020-21

Bangladesh Economic Update, June 2020

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1. INTRODUCTION

The 49th national budget of FY 2020-21 has been set forth in volatile circumstances – for the first time in thirty years, the trend of poverty is set to reverse its course – what had been a gradual decline in poverty since 1992 is about to take off in an upward direction, owing to widespread inequality aggravated by the COVID-19 pandemic. Economic growth in Bangladesh has been stalled to only 5.2%, an absolute low for the first time since 1980. We estimate unemployment to reach an all-time high at 7.75% since 1984, a more than 3-point increase from 4.308 in 2018. Amidst such circumstances, the need for a definite point-by-point roadmap in order to reverse this decline in economic performance becomes more crucial by the hour. The massive contraction in the economy has meanwhile taken off. This contraction, however, is not a typical one resulting from declining demand or supply rather it is from the widespread termination of economic activities by governments. Since the causes and the multitude of impacts of the ongoing recession are quite dissimilar to the previous cases, the conventional solutions may not be worthwhile.

Bangladesh has already been facing a plethora of challenges before the COVID-19 pandemic. The ratio of private investment to GDP has remained stagnant for the last few years[i]. There has been negative trend both in public and private consumption[ii]. This is significant since Bangladesh has been observing consumption-led economic growth fueled by the inflows of remittance from home and abroad and the continual greater-than-before participation of women in labour market— particularly in RMG and women's entrepreneurship along with their demonstrated resilience. It is observed that the growth of real wage has decreased by 3 percent in 2017 in comparison with 2015 and 2016. During the period of 2008 to 2017, average real wage growth was the minimum in Bangladesh compared to other south Asian countries (3.4 percent)[iii]. The poverty rate declined by 1.8 percentage points a year between 2000 and 2005, by 1.7 percentage points between 2005 and 2010 and by 1.2 percentage points between 2010 and 2016. This is due to fewer employment opportunities and reduction in return on labour. Inequality is mounting at an accelerating pace due to higher return on capital vis-à-vis labour. The top 5 per cent has their hold over 95 per cent of total income[iv].

As a result of poor mobilization of revenue collection, public expenditures have been compromised, impacting the economy negatively. Major share of the public expenditure, however, goes to unproductive sectors such as recurrent expenditure, resulting in thwarted productive expansion and job creation in the economy[v]. The slow revenue collection has compelled the government into borrowing heavily from banks. The government has borrowed BDT 471.39 billion from banks during July 01, 2019 to December 09, 2019 while the target of bank loans throughout the FY 2019-20 was set BDT 473.64 billion[vi]. The target for the entire fiscal year, therefore, has almost met in only five months— pushing the entire budget management in intense risk. Moreover, such excessive borrowings hamper private investment through creation of liquidity crisis in the banks. It is also observed that the time spans of almost all mega projects have increased. The enhanced spending in mega- projects due to failure of completing the projects on time, therefore, imposes a pressure on public expenditure and overall fiscal management. Besides, during the last decade, the transfer of capital in the form of illicit financial flows has been increasing to such an extent that Bangladesh has ranked second in South Asia and among top 30 countries in the world in terms of illicit outflows of money[vii].

There has been noticeable deficit in current account balance in recent years because of the slow pace of export earnings and remittance income and the high growth of import expenditure. Meanwhile, there can be observed an increasing trend in the amount of medium and long-term foreign loans[viii]. The present state of education and health has been in affinity with previous trends of deprivation and low allocation as well as quality. The pandemic, however, further escalated these problems[ix].

There is, however, a consensus amongst the economists on the priorities of the budget of FY 2020-21 amidst the COVID-19 pandemic. They are neither pursuing their usual practice of concentrating on the headline growth figures nor are they obsessed with budget deficit or fixated on the rate of inflation of the regular years, rather are underscoring for beginning of an allocation, knitted in a pathway charted in the budget, underwritten by a medium term macroeconomic framework for the recovery of the economy. They are now heralding the need for harmonization of fiscal and monetary policy prioritizing education, health and social security.

Against this backdrop, this assessment attempts to examine whether the budgetary measures are consistent with the broader consensus of the economists in order to recover the economy from the ongoing contraction stemmed from the unprecedented closure of the economic activities.

2. GROWTH, SAVINGS AND INVESTMENT

GDP or economic growth mattered little when the whole world has been rampaged by the pandemic. Government as the largest spender in the economy rather required to take the mantle in rehabilitation, recovery and reconstruction of the economy from the global crisis. The downturn will be swollen by income reduction, diminished savings and hence dwindling investment which has been hovering around 23 percent in the last few years. Loss of jobs and reduction of remittance earnings as migrant workers have been sent back because of the crisis, will dampen consumption spending in turn constricting the GDP since private consumption is 70 percent of the GDP. The share of savings has lessened to 27.42% in FY 2017-18. The private sector growth of credit flow dropped to 10.04 per cent by the end of October from 11.32 per cent by the end of the last fiscal year. Recovery and reconstruction at this moment seems farfetched but yet requires prudent measures beforehand.

Inconsistency in growth estimation

Government estimation of growth rate of 5.2 percent in the previous fiscal year remains questionable. Estimations by international organizations in the ex-poste pandemic era determine the growth rate to be anywhere from 1.8% to 3.8%, as opposed to 7.3% before the pandemic emerged. The performance of some productive sectors in the economy has been in peril during the latter half of the FY 2019-20 due to COVID-19 pandemic. Comparing the projected contribution of each of the sectors in 2019-2020 to the respective losses incurred in the three months of economic shutdown may give an estimation of GDP (Table 1).

Table 1: Losses and Contributions of some productive sectors in growth during COVID-19

Sectors	*Projected Contribution to GDP in 2020*[1]	*Estimates of Loss (in crores BDT)*	*Actual estimated contribution after loss*[2]	*Percentage share in GDP*[3]
RMG	446881.7588	38,000[4]	408,882	15.49%
Agriculture	252786.5764	56,000[5]	196,787	8.76%
Small-Medium Enterprises	88974.9024	476[6]	88,499	3.08%
Tourism	27005.50044	5,700[7]	21,306	0.94%
Banks	90015.238	10,956[8]	79,059	3.12%
Airlines	1646.963644	1,361[9]	286	0.06%
Total	907310.9398	112,493	794817.9398	31.44%

Source: Author's calculation based on several statistics

The losses incurred by all sectors shows a 12.4% drop in the overall contribution of these sectors in the GDP. As their total weight in the GDP is 31.44%, a 12.4% drop in their contribution will mean a 3.9% fall in the total GDP.

Table 2: Estimation of GDP

% drop in sectorial contribution	*Provisional nominal GDP in 2019-20*	*Sectorial loss as % of GDP*	*Expected nominal GDP in 2019-20*	*Expected real GDP in 2019-2020*	*Nominal GDP in 2018-19*	*Real GDP in 2018-19*	*Real GDP growth*
12.40%	2885872	3.9%	2773380	1154627	2536177	1105510	4.4%

Source: Author's calculation, Bangladesh Economic Review (several years)

The percentage change between the GDP figures between two fiscal years show the expected nominal and real GDP growth rate for Bangladesh, 9.4% and 4.4% respectively. This is still a moderate estimation yet lower than that of proposed by the government.

Unrealistic growth target for the next fiscal year?

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[1] Bangladesh Economic Review 2019
[2] Author's calculation
[3] Author's calculation
[4] BRAC Rapid Research Response to Covid - 19
[5] BRAC Rapid Research Response to Covid - 19
[6] Lightcastle Partners. Covid Impact on Startups of Bangladesh
[7] https://tbsnews.net/bangladesh/tourism-sector-lose-tk5700cr-because-covid-19-toab-66058?fbclid=IwAR2AuEFKHQxA9i4VlxodDRdA7LaQm7ns7fUZJR1InuYQFF3hjsC8loqxCYo
[8] https://tbsnews.net/economy/banking/state-owned-banks-project-tk7717cr-losses-amid-pandemic-80671
[9] https://www.dhakatribune.com/business/2020/05/16/airlines-count-tk-1-361cr-in-losses-in-covid-19-lockdown

The growth rate projection for the next fiscal year might have irked many as the government proposes a full and quick recovery of the economy from the covid-19 crisis. The growth rate projection of 8.2% in the 2020-21 fiscal year may be deemed unrealistic. Firstly, there is no predicting the end of the Coronavirus as the number of cases still rising in the country and yet to flatten out. There remains the possibility of a second or third wave of contagion. Secondly, in order to achieve the desired GDP, the economy needs to grow three percent faster than present something which no country has achieved.

Table 3: Change in growth rate.

FY	Growth	Annual change in growth	GDP billion	GDP Increment (Billion)
2015-16	7.11	0.56	17328.60	2170.60
2016-17	7.28	0.17	19758.20	2429.60
2017-18	7.86	0.58	22504.80	2746.60
2018-19	8.15	0.29	25361.77	2856.97
2019-20	5.2	-2.95	28057.00	2695.23
2020-21	8.2	3	31718.00	3661.00

Source: Author's calculation

Ready-made garments industry and remittance are the main drivers of the economy. The country, however, lacks control over the course these sectors will take as the global economy is still in recession and require longer to return to its pre-Covid state. Export earnings in April fell by 83 percent compared to last year. Remittances will also take time to rebound. Even though the overall earning in the first eleven months surpassed the amount earned last year, the remittance earnings in April and May were the lowest in the recent times. The growth rate hinges most importantly upon the covid-19 scenario as a two-month shutdown shrunk the economy by almost three percent. Any extension in the current scenario will dash the hopes of achieving such a mammoth task at hand.

3. MEDIUM TERM MACROECONOMIC FRAMEWORK AND BUDGET

A longstanding pandemic heralds the need for a medium term framework

The recovery of the economy calls for a medium term macroeconomic framework with particular principles that need to be reflected in the budgetary measures. The government is following strategies focusing on four particular sections – overcoming the negative impacts of the Covid-19 pandemic, creation of loan facilities for the affected industries and businesses, expanding coverage of the Social Safety Net Programmes to protect the extreme poor and low paid workers of informal sectors and increasing money supply to the economy. The principles analysed here makes a comparative inquiry with the government strategies in terms of the allocation of the budget.

Firstly, the allocation has to be made in order to boost employment. COVID-19 points out public goods provision failure in health, social security etc. because of underfunding in use value generating public provisioning. The amount of real change occurred in the health sector in the proposed budget is 7.8% which is 5.1% of the budget but only 0.9% of the GDP. Other than health, with 2.4% real change in education and technology and 2.5% change in the social security budget this year, it seems almost impracticable for the government to fulfil the strategy.

Secondly, securing decent living for everyone is a priority. A fully-fledged life-cycle-based social security system is needed to achieve the SDGs. The universal system has to include multiple benefits and allowances. In the proposed budget of this year, the allocation for social security is BDT 790 crores higher than the inflation adjusted allocation of the previous year giving a real change of 2.5% only and certainly, it is not ample enough to secure a decent living for the population that has drowned into poverty and unemployment due to the pandemic.

Thirdly, public spending — the money of the public — shall only be allocated to create multiplier effects in an economy, provide public goods and address externalities — negative and positive. The current allocation in education and health is 2.7% and 0.9% of the GDP for the FY 2020-21 which denotes a slight increment in public spending than that of FY 2019-20. With this slight increase, it will be impracticable for the government to provide public goods and address externalities efficiently. Also, the 34% Debt-to-GDP ratio is very low in terms of the economy of Bangladesh being a developing country which indicates a low public spending in the budget.

Fourthly, mission oriented policies can create multiplier effects as well as accelerate growth. For example, technological catching up, particularly in this age of Fourth Industrial Revolution, is a much sought mission to enhance productivity and gain competitiveness. With only BDT 3940 crores allocation to the industry and economic services sector, it will be very obstructive to aid the affected SMEs and entrepreneurs. The real change in the budget this year is -3.9% showing a rigid scope of creating loan facilities with an infirm financial sector.

Fifthly, pushing economy to the next rungs as the country aspires to be a middle-income and eventually a developed country, requires a transformative production pathway, ensuring a cleaner, greener and stable production system. In order for the transformation to happen, a higher allocation in the manufacturing sector and education sector was required.

Sixthly, the transformation of an economy also entails an active citizenship as a sufficient condition, which can only claim accountability of the state and ensure a command over authorities and public resources. It has been observed from the previous economic recessions that increased money supply cannot always pull the economy up from the drawbacks. *In the face of the worst global economic downturn in centuries, fiscal policy must take the lead in fostering a recovery. Monetary stimulus is less effective when consumer and investor confidence have collapsed.*

4. ECONOMIC REVIVAL: THE STATE OF REAL SECTORS

COVID-19 has posited an added layer of challenge to the real sectors of the economy. These sectors had been vulnerable to collapse far before the pandemic emerged and need adequate budgetary allocation for revival in the economy. The decreasing rate of subsidy, inappropriate pricing due to involvement of middlemen and powerful syndicate and inadequate allocation in terms of technological innovation, higher input price and absence cash capital to the farmers are the main hurdles in the agriculture sector and for ensuring food security. The manufacturing sector, whereas, greatly relies on a single industry and needs diversification and financial assistance to the SMEs and the women entrepreneurs. Drastic fall in remittance inflow, insufficient supply of skill and low return on labour are the main drawback to overcome in the service sector and vigorous earmarking and focus on these issues are requisite.

4.1 Agriculture

Farmers fail to acquire fair prices and sustainable practices

In agricultural sector, technological advancement is very trivial and input price is also very high. There has been very little innovation in this sector during post-green revolution. Farmers have been deprived of fair prices due to engineering of middlemen and powerful syndicate. During COVID-19, farmers of Bangladesh has faced loss of more than BDT 56 thousand crores in the last one and half months (BRAC, 2020). The impact of COVID-19 has cost farmers more than BDT 56,000 crores in a month and a half. It has been depicted a loss of about Tk. 15,000 crores in the grain sector and BDT 39,000 crores in the fisheries sector in a month and a half. The average loss of each farmer is about 2 lakh 8 thousand taka (BRAC, 2020). The government is therefore going to introduce two refinancing schemes of BDT 8000 crores in total to ensure support to the farmers but failing to ensure the fair price to the farmers would be the strongest obstacle.

Will the pandemic turn back the clock on achieving food security?

Bangladesh being heavily dependent on food imports would face a severe crisis in food availability in coming days. As the pandemic severely impacts agriculture production across the world, global prices of farm produce will be increasing. Bangladesh needs to annually import 60 to 65 lakh tons of wheat, five to 10 lakh tons of maize, 80 per cent of its required oil including much of its sugar, pulse, spice requirements and different varieties of seeds to meet the local demand. Growers of Boro rice, the largest cereal crop of the country, are incurring heavy losses as they are now forced to sell their grains at a lower price than the rate fixed by the government. Over the last six years, the subsidy in agriculture has remained BDT 9,000 crores which means that the proportion of subsidy is decreasing every year as the size of the budget increases. In the FY 2020-21, the government has increased the subsidy by 500 crores but in face of the global pandemic, this increment is not enough to created stable food security. The scenario indicates that food security is in serious threat in coming days if prudent attention is not paid to agricultural sector.

Diversification remains a distant dream.

Around 40 per cent of the population is dependent on agriculture. In order to unleash the potential, the limited drive for diversification is not adequate. The government has embarked on direct purchase from farmers to ensure fair farm-gate prices and to keep retail prices affordable to ensure food security for all. Financial subsidies for fertilizer, seeds and pesticides ought to be continued along with debt relief. These actions would require a 150 per cent increase from the current budgetary allocation. In this budget, the allocation has only increased by 0.3%.

Budgetary Allocation for Agriculture

Against the backdrop of many suggestions regarding real sectors of Bangladesh, in reality, agriculture is still in less than sufficient priority in terms attaining allocation in the Annual Development Program (ADP). In FY2019-20, BDT 16,985 crores was allocated for agricultural sector (including fisheries and livestock) which is not adequate, especially when the issues of higher input price, lack of technological innovation and over-reliance on imported goods come forward. Emergency fund for farmers, especially when production falls due to natural calamity or pandemic and need of importing goods increases, has not been announced. Farmers do not have adequate cash capital to cope with negative downturn of production. In this case, financial assistance from the government is very low.

In this budget, agricultural sector has an increased allocation worth of BDT 29,983 crores, which is BDT 2,960 crores higher than that of the revised outlay for FY 2019-20. Agricultural sector has been marred with decrease in procurement of crops and income of the farmers, increase in input price and reliance over import. The farmers have gone through a loss worth BDT 565 billion during the 45-day general holidays announced by the government to prevent the spread of coronavirus, according to BRAC. (The Financial Express, 2020). The real change in the agriculture sector is only 0.3% which indicates the incompatibility of the government to resolve the downturns in this sector. As a result, the attempts to distribute food to the poor and extreme poor households may be disrupted due to scarcity in the food stock. Until the third day of the current month, the Directorate General of Food (DGF) purchased only 7,750 tons of Boro paddy from farmers, which is less than 1% of the target of 800,000 tons (The Daily Star). The agricultural sector, having only 0.9% of GDP as the allocation in this fiscal year, is ineffectual in maintaining stable food security and livelihood of the farmers.

4.2 Manufacturing industry and CMSMEs

Manufacturing sector – putting all eggs in one basket?

Manufacturing sector has been struggling for several years since there is a lack of business confidence. The characteristic of being a one-sector based manufacturing sector has made the business climate more susceptible to shocks. Small and medium level owners are not failing to acquire opportunities to avail loan from banks to establish and run their factories. There is miniscule diversification in products and markets which results in negative motion of export growth. Against the backdrop of current predicament, export of RMG has decreased by USD 448 crores during March, April and May from that of the previous year. Order worth BDT 318 crores has been cancelled for 1150 factories where more than 2.2 million workers are involved. They are on the verge of losing their jobs (BGMEA, 2020). An estimated 3.5 million Bangladeshis work in the garment sector, and around one million workers have been reportedly laid off. Exports are projected to contract by around 18 percent in FY20 and further decline by 1 percent in FY21 as demand from major trade partners remains weak (IMF, 2020). To tackle this crisis, the government have created a fund amounting BDT 5,000 crores for the export oriented industries so that the industries can continue to pay salaries and allowances to the workers and employees.

An increasingly volatile business climate

Manufacturing sector has been concentrated in one sector which is at risk of massive loss due to current COVID-19 crisis. Most of the factories are facing cancellation of orders which tends to make huge loss. On the other hand, initiatives to regain the market of China is not that much visible. Vietnam has been able to catch the market of RMG sector through several time-worthy action plans and sub-contracting policies. Bangladesh has already lagged behind Vietnam is terms of export earning in RMG sector. Because of low level efficiency and productivity, average production cost going higher offsetting the low labour cost. The export of Bangladeshi RMG products fell by 7.59 percent to $15.77 billion due to decline in the global demand in between July and November of 2019 (Export Promotion Bureau, 2020). The government have introduced a working capital loan facility of BDT 30,000 crores at a subsidised interest rate for large industries in this budget.

Counting significant losses as the economy slows down

The Ready-made Garments (RMG) industry has already been projected to face a loss of USD 1.6 Billion due to the cancellation of order as an effect of the pandemic. Under these circumstances, the share of manufacturing to GDP is projected to decrease 8.72% in FY 2019-20 than FY 2018-19 and stands at 15.49%. The share of large and medium scale industries has been projected to become 12.41% in FY 2019-20 which shows a loss of 7.95% than the previous fiscal year. The share of small scale industries has been projected to be 3.08% facing a loss of 0.78% from the last year (Bangladesh Economic Review, 2019). In the budget of FY 2020-21, allocation for the industry and economic services is BDT 3940 crores which was BDT 4101 crores in FY 2019-20 adjusting inflation. This reduction in the allocation is not going to reinforce the manufacturing sector combating the pandemic.

Micro, Small and Medium enterprises (MSMEs) are considered the lifeline of the economy of Bangladesh. The SMEs contributed to one fourth of the GDP, the value of which was 79 Billion USD in 2018 and accounts for 40% of the total manufacturing output (ADB, 2015). Every 2 out of 3 jobs in the private sector get employed in SMEs which amounts to 7.8 MN individuals (SME Foundation, 2018) and 31.2 MN people's livelihood depending on SMEs (BBS, 2016).

Around 52% of SMEs have locks hung over their businesses generating zero revenue and 28% of SMEs have seen revenues drop by at least 50%. Two-third of the SMEs have a window of less than 4 months to survive in current conditions before they exhaust all their cash reserves. 40% SMEs from Service industry took a heavy hit of substantial revenue loss by 50% or more. It has been estimated that, 68% SMEs will exhaust their cash reserves and permanently shut down their businesses if the lockdown persists for more than 4 months and an aggregate 31% of the enterprises will go for some sort of layoff (1-50% of staff) to minimize costs and keep their businesses afloat (LightCastle, 2020). Small and medium scale entrepreneurs are not getting easy access to loan provision due to the delicate conditions imposed by the banks. Besides, banks are now experiencing liquidity crisis and lack of capital due to default money and borrowing by government. The government have introduced another working capital loan facility of Tk. 20,000 crore at a subsidised interest rate for the Cottage, Micro, Small and Medium Enterprises (CMSMEs)

Differentiated adversities for women in manufacturing sector

Small women entrepreneurs are the real victim of the pandemic crisis. Most of the women entrepreneurs are not capable of sustaining under the existing situation if Covid-19 induced crisis for another couple of months. Many small entrepreneurs would be forced to close business soon finding no other alternative. Access to finance is a big concern for the women entrepreneurs for long. Women entrepreneurs are supposed to receive at least 15 per cent of all credit within the SME sector. Despite this initiative, most women entrepreneurs are facing difficulties to get credit from the banks and other NBFIs. The key barriers of the women entrepreneurs are related to collateral requirements and guarantee, trade license and rigidity of loan procedures and mindset of the bankers toward women entrepreneurs (Financial Express, 2020). This issue was not adjusted in the budgetary allocation this year as it is only 0.7% of the GDP.

Pathway of reviving the manufacturing sector

The entire manufacturing process must undergo drastic makeovers with a balance between domestic consumption and export orientation. Capabilities in this sector can be ameliorated through diversification, productivity augmentation, technological catching up and increased competitiveness in agriculture, manufacture and service sectors. To address the massive changes in the post-COVID era, mobilising SMEs and start-ups, and the large firms, with the objectives of employment creation, product diversification, value addition, grening and alternative export creation are obligatory. With a negative real change of 3.9%, the allocation for industry and economic services in the budget distinctly demonstrated the lack of focus and strategy to fight the challenges occurred due to the pandemic. Financial assistance and subsidies, tax holidays and tax exemption at different stages has to be disbursed in accordance with the outcomes and targets which seems out of the question with the current budgetary allocation.

4.3 Service sector

A scarcity of required skills

Service sector has been facing hindrances in terms of skill supply. The scarcity of skills has led to hiring of documented and undocumented workers from abroad at higher class positions than the local citizens making a colossal outflow. Inequalities in all cases are mounting. Rate of reduction in poverty has declined due to lesser employment opportunity and drop in return on labour. Illicit capital flows have not been precluded yet. Remittance inflow was going through ups and downs before the arrival of pandemic. During this heinous disease the situation has got even worse than before. Many workers are compelled to repatriate due to massive job loss. There is apprehension regarding sending them again since host countries are reluctant to employ them. Naturally, remittance inflow has fallen drastically. The service sector generally has the highest budgetary allocation. In FY 2020-21 budget, the allocation for services sector decreased in terms of public services, transport and communication, defense services than the budget of FY 2019-20.

Tourism, Transport and Communication take a hit in a pandemic-stricken world

The COVID-19 situation has more or less halted all the sectors of the tourism industry businesses. Till May, 2020, the world has faced a loss of USD 97.05 billion in the tourism sector alone (Pacific Asia Travel Association's Bangladesh chapter, 2020). Tourism experts assume if the lockdown situation continues like this, Bangladesh will have to face economic loss of more than BDT 3 billion. Half a million of people who are directly or indirectly employed in the tourism and hospitality industry, are in the risk of losing their jobs. It has been estimated the loss of around BDT 5700 crores due to the pandemic (New Age, 2020).

The transport and communication sector was hit hard by the pandemic. The transport sector has lost around BDT 500 crores daily due to the lockdown. The allocation for the transport sector in this year's budget is BDT 4742 crores less than that of the previous year. This sector has the lowest real change of -5.5% in this budget. It will be difficult for the government to encounter the effects of the global pandemic in this sector with this reduced budgetary allocation.

5. Infrastructure: Power, Energy and Mega-projects

Megaprojects set to receive the largest share in the ADP

Allocation for mega projects will still be curtailed in the FY2020-21 with allocation of BDT 44,640 crores for the 17 projects, down from BDT 52,758 crores in the previous year. Rooppur nuclear power plant will get the highest among the mega projects in the ADP this fiscal year followed by Matarbari coal power plant, Padma Rail Link, Karnaphuli river tunnel, Hazrat Shahjalal International Airport expansion (first phase) and Dhaka-Ashulia elevated expressway. Delays in the ongoing megaprojects due to the economic shutdown will add further woes by rise in cost.

Cost of infrastructure still remains higher in Bangladesh

Cost of a constructing 1 km road is between 2.5 to 11.9 million US dollars. Whereas the cost of constructing the same road in India is between 35,900 to 45,600 US dollars, 63,100 US dollars in Nepal, 59,500 US dollars in Thailand and 85,400 US dollars in Vietnam (World Bank 2017). The quality of roads remains questionable despite the high cost. Bangladesh ranks 100 among 160 countries in the Logistic Performance Index with a score of 2.58.

Costlier options like coal and LNG preferred over futureproof renewable sources

There have been no significant policy changes made in the power and energy sector as it still remains heavily dependent on fossil fuels. Natural gas is still the dominant energy source for electricity generation followed by furnace oil. Three coal fired power plants are in the pipeline and will soon generate 3840 megawatts of electricity. Renewable energy sources are still overlooked in policymaking. Per unit megawatt installation and per unit power generation cost have declined in solar and wind power. The cost of installing 1MW solar power plants has reduced to BDT 11 crores in 2018 from BDT 35 crores in 2010. Installation cost of 1 MW onshore wind turbine has come down to BDT 12 crores in 2018 from BDT 15 crores in 2010 (IRENA, 2018). In this circumstance, instead of concentrating on renewable sources, government is swimming against the tide by erecting more non-renewable source based power plants.

Government subsidies to the power and energy sector will increase even higher

Quick rental power plants have been incurring losses as they remain idle and as a result government has to pay the private producers in the form of capacity charge. Demand for electricity has lowered even more during the Covid-19 crisis and as a result, the capacity charge will only rise in the next fiscal year. Subsidy paid to the Power Development Board rose to BDT 800 crores in the fiscal year 2018-19, almost double the amount paid in the previous fiscal year. By 2030, the generation of electricity will be 58 percent higher than the demand due to the addition of new coal and LNG fired power plants (Nicholas and Ahmed, 2020). Government subsidy to Bangladesh Petroleum Corporation has reduced to almost zero due to the fall in oil prices but oil price in the local market has not changed.

Covid-19 has reiterated the necessity of ecological balance between nature and mankind

Protection of the ecology must be ensured while building new infrastructures. The environmental impact of coal fired power plants has completely been disregarded by the government in Rampal power plant, a joint venture between Bangladesh and India, being built very close to Sundarban, the largest mangrove forest which has been protecting the coasts from natural disasters.

Government must rethink the policies

Use of fossil fuels should be lessened massively and solar and wind based plants should be established extensively by regaining the control of the power sector through renegotiating the coal and LNG based power plants. Quick rental power plants have served its purpose of electricity generation at short period but with a price. Where most of the nations have been abandoning fossil fuels and nuclear power, dependence on such sources does not look future proof. Infrastructure still remains in issue as powers are lost in transmission due to obsolete transmission mechanisms. Bangladesh could not benefit from the recent plunge in the oil market due to lack of storage facilities in the country.

6. POVERTY AND INEQUALITY

COVID-19 pandemic has severely impacted the life and livelihoods of the marginalized section of the society— particularly the low-income people, women, children, the elderly, the unemployed, the informal sector workers, lower-middle class and middle class group. Income erosion resulting from the losses in various sectors from the shutdown will create a poor in the country. The income erosion will result in 43.5 percent households having income less than the international poverty line. In the worst case scenario, with prolonged shutdown, we estimate 47.43 percent of the households will have income below the poverty line. Systematic reopening up the economy with focus on job creation and retention will see the percentage come down to 39.43 percent. Independent estimation put the poverty rate 35 to 40 percent[10]. Poverty situation may plunge into deeper valley of uncertainty due to the repatriations of large number of migrant workers. Almost two million migrant workers are expected to come back to the homeland, creating possibility to increase number vulnerable families who are solely dependent on their income. Almost 35 million people are living below the poverty threshold. The number could become 60 million after adding vulnerable groups, especially, incoming migrant workers and their families (New Age, 2020).

Coronavirus has also exposed the deep divide in the society. Accordingly, the inequality will deepen, with further differentiated return on labour and capital due to erosion of income given the preponderance of most of the labour force engaged in informal sector and loss of employment in both formal and informal sectors. This would definitely cross the fault line 0.50 from the existing 0.32 in terms of Gini coefficient while further exacerbate if measured by Palma ratio of 2.93 as there would be descent of low and middle-income section as new poor. The Palma ratio measures the richest 10

[10] CPD estimates the poverty rate to be at 35% while SANEM estimates poverty rate of 40.9%

percent of the population's share of gross national income (GNI) and divides it by the poorest 40 per cent of the population's share.

7. Employment and wage

A foreseeable rise in the unemployment rate

Due to the shutdown, 95% people have lost a massive share of their salaries and 51% workers have no job currently due to shutdown of economic activity and layoff (BRAC, 2020). In the ready-made garments sector, around one million workers from a workforce of 3.5 million have been laid off because of the pandemic. The future looks bleak as exports earnings are projected to shrink by 18 percent in the current fiscal year (IMF, 2020). According to our estimation, a percentage decrease in the GDP growth will result in 0.93 percent increase in unemployment rate. Hence, the unemployment rate may rise more than 3 percent because of the fall in GDP. Large industries and the RMG sector has slashed many from the work as the crisis prolongs and orders getting cancelled. As a result, thousands of workers have lost jobs just from the RMG sector. In April 2020, total job postings in the largest online job searching sites declined by 87% in Bangladesh implying thin job opportunities (The Dhaka Tribune, 2020).

Substantial loss of income for employees

Workers in different sectors have lost a substantial share of their salaries. Workers involved in industrial and technical sector have faced 28.4% decrease in their salaries. Service sector workers have lost their salary by 31.2%. The percentage decrease for public transport and residential service workers are 46.3% and 16.5 respectively (LightCastle partners, 2020). Average income of the households has decreased by 34% in the Dhaka metro area (ibid).

A greater brunt to be borne by the informal economy

Employment in the informal sector in the country is around 85 percent and about 15 percent of the total population has a per capita average daily income of less than Tk. 500. Since a large part of the population is dependent on daily wages to run their families, drastic measures like lockdown can lead to even greater disasters at the individual and family level. A recent survey of 5,461 households in rural and urban slums found that their average income decreased by about 70 per cent and food expenditure by 26 per cent (BIGD and PPRC, 2020).

In addition, the pandemic is supposed to affect the mental health of the people negatively. The negative consequence has already become visible. The domestic violence and various forms of social instability has already increased. For example, a study finds that about 98 percent slum women are facing domestic violence.

8. UNIVERSAL BASIC NEED

The COVID-19 pandemic has made the policymakers rethink about the current challenges and failure of universal basic needs i.e. health, education, social security, food, shelter and others. The significant logic behind entitling these public goods with “universal” is embedded in the failure of the social safety net scheme or other targeted approaches since these kind of programs create possibility of two problems. Firstly, there might be “selection bias” while making list of the beneficiaries of these sectors. This bias gets exacerbated when political affiliation is considered as a hidden requirement and advantage to obtain the benefits. Some may get excluded and some may get over-privileged given his/her comparatively better economic status than that of the excluded one. This scenario is not uncommon at all in the perspective of Bangladesh. Secondly, considering health, education and social security part of any targeted scheme turns them into “relief” which is not so in reality. Education, health and social security are not charity for citizens of the country. These are both citizen rights and needs which should be ascertained by the state for mass people.

8.1 Health

A severe lack of accessibility is prevalent

Assuring accessibility for all was an imperative this year. Most people of Bangladesh do not take health treatment from the formal health coverage. The budget of new fiscal year has not been able to ensure the accessibility of general people to the formal health care service. Regardless of gender most people rely on pharmacy/dispensary/compounder (HIES 2016). Other than that, people consult private doctors more often than the government doctors. Another noticeable issue is that the percentage of seeing kabiraj/hakim/ayurbed is higher than NGO health workers or doctors who are more professional. 40.21% of the total population take medical treatment from the pharmacy/dispensary/compounder while only 9.28% go to government institutions to avail health service (HIES, 2016).

Healthcare sector continues to struggle with affordability

Out of pocket expenditure (OOP) in health sector is still very high and there is neither instruction nor any particular program to mitigate the OOP. In Bangladesh OOP is 67% which is more than India (62%), Pakistan (56%), Nepal (47%), Bhutan (25%) and Maldives (18%) (BNHA, 2017). Per capita government expenditure is the lowest in Bangladesh ($88) comparing with Pakistan ($129), India ($267), Sri Lanka ($369) and Maldives ($2000) (The Business Standard, 2020).

Worsened disease burden

The whole health structure has been plunged in disease burden for several months. Doctors, nurses and technicians are dealing with the newly emerged pandemic whereas, non-communicable disease is being not being handled with optimum attention. This discrepancy has already taken a drastic shape due to unavailability of proper treatment for non-communicable diseases. Most of the hospitals are not treating patients suffering from noninfectious diseases. As a result, people are not only dying from the contagious disease but also from the noninfectious ones. The budget has failed to address this aspect either.

Budgetary allocation for health

Allocation in health sector has superficially increased in the new financial year that is 5.1% from 4.9% in the previous year. There are two relevant questions regarding the allocation. Firstly, is this allocation sufficient? Secondly, if envisaged as sufficient, will the incumbent authority be able to utilize the allotted money for substantial development in the health sector? There is no clear answer for these questions in the current budget. As experienced before, the allocated money for health sector is not utilized properly since most of the money go to several sections of this sectors, especially for salary and infrastructure. Despite allocation as share of operating and development budget has increased slightly for health sector, development sector remains stagnant at 5.8% whereas operating budget has increased to 4.7% in 2020-21 from 4.3% in

2019-20. Still now, health sector comprises only 0.9% of GDP in spite of constant suggestions by experts and organizations like WHO. WHO recommends that health budget should occupy raised to 4% of the GDP which is not followed in reality.

It is conspicuous that, health management is not working properly. There should be reforms in four stages in the whole health sector; primary, secondary, higher secondary and tertiary. Building reforms should start from the community level. In this structural reforms, there will be a health commission at the tertiary level. Universal health care service should be promoted. “One doctor for one citizen” initiative should be undertaken. National identity card of a citizen will work as his/her health card. The health commission will make separate provision for health management and expertise doctors. In this circumstance, BCS health cadre service can be divided into two parts; one for health management and the other for expertise doctors. “Primary Health Trust” should be introduced in the community level. Constant practice of transparency and accountability should be assured to make these initiatives fruitful.

8.2 Education

Budgetary allocation deemed inadequate

Allocation in education and technology is not up to the mark yet. This sector is going to get BDT 85,760 crores in FY2020-21 budget which is 15.1% of the total budget. Allocation in money has increased than that of FY2019-20 but it shows a decrease in percentage as share of operating and development budget (15.2% in 2019-20). Development budget in education sector has slightly increased to 19.4% from 18.1% in 2019-20. Education and technology sector takes 2.7% of the GDP which is not sufficient at all. The allotted money gets disbursed among several sectors equivocating presence of the required budget for skill development and life-long training. UNESCO recommends 6% budget allocation as share of total GDP in education which is not visible in the current trend. Moreover, there is question regarding the utilization of the allotted money in this sector. Most of the time money is spent to give salary and make infrastructural development which are mainly included in the physical development portion. Creating extensive opportunities in vocational education learning is another big challenge for Bangladesh. Enrolment in academic education is increasing but the outcome is very poor due to lack of skills, especially life-long learning skills. Vocational learning provision should not be marginalized or made a targeted approach for a particular class of students. It should be imperative for all the students from the pre-primary level. Developed countries are going ahead in terms of employment, research and innovation by dint of life-long skills whereas, plethora of private companies in Bangladesh hire personnel from abroad due to inadequate skills of the local jobs seekers. This budget was expected to provide clear indication with regard to focus on skill development and it should have been specified that how much money is going to be spent for skill training and life-long learning. Ironically, these attributes have not been prioritized in the budget.

Inequality of access to education persists

Education is still not accessible for larger section of people. There is huge inequality between the number of rich and poor students in the academic arena, mostly in tertiary level of education. 65% of the total students of public universities are represented by the 20% richest class. Poorest 20% constitute only 5% in public universities (World Bank 2019). In private universities, 57% of the students are from richest 20% class while only 5% are from poorest 20% class and 3% are from lower middle income group (World Bank 2019). Current pandemic has introduced another version of inequality, that is, access to internet while several institutions are taking class virtually. Most of the students abiding in the rural areas are unable to attend classes which are being held via virtual network. They do not have proper internet facilities in the rural areas, let alone remote areas. Online education is only available to the students living in the capital and in other metropolitan areas mostly. Besides, students representing poor families do not have capability to manage internet facility due to money problems. Question remains unsolved, what steps are going to be taken by the government to remove several dimensions of inequality? Unfortunately, the new budget has failed to consider these segments.

A dearth of knowledge on public health

The current pandemic has unveiled the necessity of public health education. Fighting against this public bad would be easier if there was proper awareness regarding health and hygiene. Apart from taking dilatory actions, government is struggling to aware mass people regarding the fatality of the disease and precaution against it. Most of the people have not taken the pandemic seriously at the preliminary level because lack of public health concern and consciousness. It has become visible that, people seldom know about infection diseases, how they get spread and how they should be tacked. There should have been special provision for public health education in the current budget which is not traced thoroughly in reality.

Recommendations for reform

Like health sector, there should be structural reforms in the education sector which should be divided in four layers as mentioned in the health section. Renovating educational management has become inevitable to make productive outcomes from this sector. It is suggested that, an education commission will be formulated which will focus on the prime objectives of education- skill development, innovation and building citizenship capacities. The commission will focus on the research and development in the education. It is undeniable that research is indispensable to prosper in innovation. In this backdrop, the commission will work to increase research capabilities and practices in the higher educational institutions. It will create skilled workforce in compliance with ongoing demand so that sufficient skilled workforce can be supplied in line with the fourth industrial revolution. The commission can take initiative to formulate research councils to invigorate innovation capabilities which is followed in countries like Britain. For example, there can be research councils like biotechnology and biological science research council, economic and social research council, medical research council and others on respective fields of research and innovation. The commission will emphasize on producing educated human asset comprising citizenship dexterities. These citizens will be aware of their rights and responsibilities. It is worth mentioning that, absence of citizenship practice among the folks of a country attenuates the relationship between state and people.

8.3 Social security

An improvement in budgetary allocation in ex-poste pandemic era

Budget allocation in social safety net sector is going to increase to worth BDT 95,574 crores taka which is 3.01% of GDP. Despite increasing the allocation in this sector, there is still confusion regarding the real beneficiaries of these programs since there have been allegations of corruption and mismanagement where many well-off people have got the financial assistance not only once but couple of times, whereas many poor and extreme poor people are not even included in the list. The exclusion of poor and extreme poor households has become a political crisis. Besides, if the total pensions and gratuity expenditure (BDT 27,637 crores) is excluded from the social security sector, the allocated money covers around 2% of GDP. This fiasco should be abolished and equal provision of assistance should be provided to all people of the society. Current budget carries a question mark on filling up the holes regarding selection bias which is mostly politically driven.

The social safety net in the budget for the fiscal year 2020-2021 is to include 16.15 lakh more poor people under state protection. The number of beneficiaries will rise by 20 percent this time, with intent to provide more poor people with allowances in tackling the coronavirus impact. But the amount of the monthly allowances will remain unchanged. The allocating of BDT 6,438 crores for safety net programmes for the next fiscal year is going up from BDT 5,393 crores this fiscal year. Currently, around 80 lakh impoverished people get different allowances. The number will go up to 96 lakh in the next fiscal year. If the new poor and vulnerable due to impact of job-loss is taken into consideration, the number of beneficiaries from safety net programmes is very trivial.

An influx of migrant worker returnees and emergence of the new poor

The unsettled issue is, in case of rising official figures of people living below poverty which may increase to new heights after repatriation of more migrant workers, coverage and scope of social security requires reconsideration. Will the social safety net scheme be able to help the new poor to come out of poverty due to COVID-19 pandemic? Besides, it is quite uncertain whether the allocation is determined focusing on the new poor people representing the vulnerable ones. It is important to keep in mind that migrant workers will not be new poor themselves but families dependent on their remittance will join the vulnerable group vastly. Almost 35 million people are living below the poverty threshold. If other vulnerable groups, especially, incoming migrant workers and their families are included, the number could become 60 million (New Age, 2020). Thus there will be more poor households who are already in need of social security. The current budget makes ambiguous position regarding the allocation for the newly included poor people, their number, allocation for them and the process to help them survive. Time-worthy questions are reiterated that, will these kind of universal coverage based programs beneficial for the society comprehensively? It seems like government should have been thought about social security provision which will leave no one behind in pursuit of public goods.

9. FINANCING

A plummeting revenue collection

Covid-19 crisis has dealt a massive blow to the revenue collection of the government. Revenue collection may face a negative growth of 6% in the FY2020-21 due to the economic shutdown. Revenue collected by NBR in the first 10 months of FY2019-20 is BST 62,000 crores less than the revised target due to economic halt and loss in real sectors as an impact of coronavirus. Tax collection was BDT 1, 73797 crores in July-April of FY20 against a target of BDT 2, 35,796 set for the period (New Age, 2020). Revenue may fall short of BDT 80,500 crores by the end of FY20 against the revised target of BDT 3, 00,500 for the year. Losses faced by the businesses as well as income reduction due to the shutdown will result in downward tax collection in the FY2020-21 as well. VAT collection will also get shrink due to the low consumption spending. Revenue collection has been poor even for the last few years. Government expenditure has grown manifolds faster than the revenue collection resulting in higher fiscal deficit (IMF, 2020).

NBR collected BDT 2, 34,684 crores in the previous FY19. Revenue collection grew only by 0.64 per cent in the July-April period of FY20 (New Age, 2020). The revenue target for FY2019-20 was BDT 325,600 crores in the original budget, which is being revised to BDT 300,500 crores. In total, the finance division has estimated a revenue of BDT 378,003 crores for the next fiscal year, including BDT 15, 000 crores from the taxable sector beyond the NBR and BDT 33,000 crores from the non-tax sector.

Table 2. Revenue collection (in billion Tk)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Budget	1674.6	1829.5	2084.4	2427.5	2879.9	3392.8	3778.1
Revised	1566.7	1633.7	1774	2185	2594.5	3166.12	-
Actual	1403.4	1459.6	1774	1912.9	2165.5	-	-

Source: Ministry of Finance, 2019

A worsening of national debt

There will also be a big gap due to the over estimation of GDP by the government. Government projection of 8.2 percent GDP growth is based on the current GDP. Due to the advent of the pandemic, it is estimated that, the growth rate will instead be at 4.4 percent. Holding the revenue percentage of GDP with the same level, the estimated revenue should come down to BDT 3, 63,035.4 crores. In reality, the collection will be even lower. In the 10 month of the fiscal year there is already a gap of BDT 62,000 crores in the revenue earning from the target according to last budget. The gap widens to BDT 82,000 crores when compared to the revised budget of 2018-19. In this scenario, overestimation of GDP growth rate by the government will widen the gap even more, by around BDT 14,000 crores.

The waning revenue has forced the government to resort to heavy borrowing from banks and crowding out private investments and subsequent liquidity crisis. Private sector credit growth has dwindled to 8.86% in March, the lowest since December, 2008. Domestic borrowing from banking sector has increased to BDT 84,980 crores in 2020-21 budget from BDT 82,421 crores in 2019-20. Government has opportunity to borrow many from foreign countries and organizations at lower interest rate than that of domestic sector but subverting foreign borrowing is jeopardizing the private investment making the banking sector drowned in multiplied crisis.

Table 6: Financing (crore taka)

	Budget 2020-21 (Pre-proposed)	Revised 2019-20	Budget 2019-20	Actual 2018-19
Foreign Borrowing-Net	76,004	52,709	63,848	31,289
Foreign Borrowing	88,824	63,659	75,390	44,790
Foreign Debt Repayment	-12,820	-10,950	-11,542	-13,501
Domestic Borrowing	1,09,980	97,345	77,363	1,06,845
Borrowing from Banking System	84,980	82,421	47,364	34,587
Long-Term Debt (Net)	53,654	59,986	28,094	21,129
Short-Term Debt (Net)	31,326	22,435	19,270	13,459

Source: Ministry of Finance, 2020

The need for a coherent, well-oiled strategy in debt financing

Under such circumstances, the government is required to launch a well-coordinated strategy. First, cutting down unnecessary expenditures such as capacity charge subsidies in power sector, government largesse and cost over runs without resorting to austerity measures will save the government a lot. Still now, unnecessary expenditure covers a large portion in the national budget. High allocation in the public administration sector is a burning example of this. This sector occupies 19.9% allocation of total budget. Operating budget in this sector has increased to 12.5% in 2020-21 from 9.8% in

2019-20. In the government civil service, designated posts have become full to the brim. The problem is often deepened further through promotion of personnel to higher level. Recently, 123 government bureaucrats have been promoted to "Joint Secretary" which is questionable indeed in terms of necessity.[11] Apart from this, many officers are kept idle by making Officer on Special Duty (OSD) which is basically a punishment. Through this indirect punishment, officers cannot conduce their incumbent duties but get salaries. This practice reduces possibilities of getting sufficient service from the government. Government needs to take stern actions to shift the cost from this malpractice to real sectors or universal basic needs. Second, new sources of revenue should be searched like of taxing undocumented foreign workers in Bangladesh, reducing tax avoidance and re-examining tax exemptions given to politically influential conglomerates. Tax exemptions of multinational companies (MNCs) should be reviewed whether these business entities need waiver or not. Third, increased foreign aid from bilateral and multilateral sources may reduce the burden on private banks. At the same time obtaining multilateral and bilateral loans with low rate of interest, longer repayment and grace period through negotiations shall be the priority to ease debt servicing, as well as seeking relief, writing off and deferrals of debts. Bangladesh in this regard has failed to take advantages as government is yet to take the debt relief opportunity declared by the G-20 nations due to the pandemic (TBS, 2020). Finally, the government has to primarily source from the central bank even if this requires printing of the currency as banks are already in liquidity crisis and treasury bills and savings certificates are costly. Bangladesh is financially in a strong position to allow a deficit of 10 percent as the debt-GDP ratio, is at an acceptable 30 per cent level. Government needs to put more emphasis on increasing Tax-GDP ratio which stands below 10% currently. There is a tradition of continued corruption in shape of tax forgery in terms of tax collection. Many large organizations including foreign companies evade tax through maintaining illegal treaty with the incumbent officials. There should be systematic and well-structured tax network to enhance tax collection. Questions remains, whether increase in tax collection will benefit the newly included poor or not. Government aims at collecting tax revenue worth of BDT 3, 45,000 crores which was BDT 3, 13,068 in the revised budget. In the proposed budget of 2019-20, tax revenue was projected to be BDT 3, 40,100 crores. Tax collecting procedure should be more resilient transparent.

The central bank has to provide more financial packages to the vulnerable groups like micro-finance borrowers. Given that some banks' overexposure in advance-deposit ratio and deposit to banks may not increase in near future, the central bank can opt for a working capital taka loan window and need-based statutory liquidity ratio and cash reserve ratio requirements for a short-term. Another objective would be to ensure stability in the exchange rate to avoid disruption in trade flows. A selective capital control measures to discourage speculative trading can also be introduced. For maintenance of adequate supply of foreign exchange, negotiations should be initiated with the IMF and other multilateral organisations for relief and suspension from debt servicing and additional grants for budgetary support.

Table 7: Revenue and expenditure (crore taka)

	Budget 2020-21(Pre-proposed)	Revised 2019-20	Budget 2019-20	Actual 2018-19
Revenue and Foreign Grants				
Revenues	3,78,003	3,48,069	3,77,810	2,51,879
Tax Revenue	3,45,000	3,13,068	3,40,100	2,25,957

[11] https://bdnews24.com/bangladesh/2020/06/05/government-promotes-123-officers-to-joint-secretaries

NBR Tax Revenue	3,30,000	3,00,500	3,25,600	2,18,616
Non-NBR Tax Revenue	15,000	12,567	14,500	7,342
Non-Tax Revenue	33,000	35,002	37,710	25,921
Foreign Grants	4,013	3,454	4,168	1,677
Expenditure				
Operating Expenditure	3,48,180	2,95,280	3,10,262	2,38,110
Recurrent Expenditure	3,11,190	2,74,907	2,77,934	2,17,807
Domestic Interest	58,253	52,796	52,797	46,015
Foreign Interest	5,548	4,868	4,273	3,446
Capital Expenditure	36,990	20,373	32,328	20,302
Total Expenditure	5,68,000	5,01,577	5,23,190	3,91,690
Overall Deficit (Including Grants)	-1,85,987	-1,50,054	-1,41,212	-1,38,134
Overall Deficit (Excluding Grants)	-1,90,000	-1,53,508	-1,45,380	-1,39,811

Source: Ministry of Finance, 2020

10. INSTITUTIONS AND POLITICAL SETTLEMENT

Every year there remains huge discrepancies between the actual budget and the revised budget. The absence of parliamentary scrutiny on revised budget, the ineffective role of auditor and comptroller general on monitoring and the lack of oversight power of the parliament on budget proposal give birth to those discrepancies. In addition, it is important to improve the efficiency of budget allocation as well as the ability to use the allocated funds properly. A significant amount of budgetary allocation remains unutilized or underutilized at the end of each fiscal year. The efficiency, accountability, transparency and representation when forming as well as implementing budgetary measures is prerequisite to get the expected results from the provisions.

Oversight becomes crucial

There are certain gaps in the constitutional provisions relating to budget— including the lack of sufficient information, the limited scope for participation, the lack of incentive for participation, the over-centralization problem etc. The flow of information is controlled by the Finance Minister and is not required by law to furnish all relevant information for consideration of budget. On the other hand, the parliament may accept or reject the budget as a whole, but cannot alter it. The legislators cannot vote against party line. The approval of the budget is automatically guaranteed. Again the MPs cannot include the projects from their constituencies. There is a lack of enthusiasm among the members to discuss on the budget. This has resulted from the exclusion of MPs from the process of allocation of resources. In many cases, the budget sessions became irrelevant as the major opposition party boycotted the budget session. As a result, the oversight power of the parliament does not hold.

The need for a monitoring and results framework in place

The efficiency in allocating and distributing budget requires strong monitoring. The role of the auditor and comptroller general is very much crucial in this regard. The proper use of technology, the ability to make quick decisions and work together with development partners can bring significant positive results through reducing waste, speeding up cost management and bringing real benefits to the citizens. Strong monitoring can ensure the accountability of the budgetary provisions.

A debt management strategy that if efficient, effective

Unsustainable public debts have possibility to negatively affect the poverty alleviation and economic growth through repressing the public spending. The economic reality stemmed from COVID-19 unquestionably vindicates an efficient and effective debt management strategy. The optimization of debt portfolio and revealing the government's borrowing plan through proper debt management strategy can significantly result in positive outcome in allocation and distribution of budget and help the growth of capital market. In this regard, it is, however, necessary to provide adequate training and skill development programs for the bureaucrats and other authorities concerned.

11. CONCLUSIONS

In the wake of a global pandemic that has overturned the historical legacy of trends in economic indicators, the budget of FY 2020-21 is endowed with much expectation from the people of all walks of life in terms of adequate stimulus, especially in increasing social security status, employment opportunities and access to health and education. It serves as an opportune moment to meet the expectations of the people through breaking the shackles of conventional budgetary measures, converging rather on sustainable development as opposed to solely economic growth targets. Ironically enough, the budget still remains in the spectrum of exclusion and in favour of clientelistic networks. The current pandemic, at one hand has created a great fiasco in terms of collapse in health sector and the ongoing economic depression, on the other side, has created bunch of opportunities to envisage about the basic needs of people. Besides, importance of natural harmony and environment has got a new dimension that without the well-being of nature, people cannot live well.

This budget was expected to focus on the life and livelihood of general people. Lots of people have been anxiously waiting for the news of losing their jobs. During lockdown, people involved in informal economy, who pass their day hand to mouth mostly, have suffered viciously. Farmers in agricultural sector have been deprived of special funding opportunities as usual. Input prices are rising, production is being hampered and they are not getting proper output price, let alone profit. Government was supposed to buy all the crops from the farmers utilizing the surplus labour from different region at accurate price.

Universal provision of education and health was a crying need in this budget. It has become visible that health sector is in a debacle. COVID-19 has not broken the health care system, rather it has unveiled the existing problems and challenges in the health sector. Health service should be accessible to people irrespective of socio-economic status at a reasonable price. This year's budget has failed to understand the mountainous importance of infrastructural development, new recruitment of doctors and nurses, increased import of medical equipment and so on as in health sector suggested by the expertise. Education sector has been also behind the curtain which was supposed to get higher allocation having 5-6% share of total GDP. Allocation in research and development is still very low which indicates that innovation is not being encouraged from the policy level.

Government is still putting high priority in non-renewable energy sector, especially in quick rental power plants and nuclear projects in spite of cheap price of renewable energy like solar and wind based energy. Several mega projects are still in the top priority list whereas optimum emphasis should be imposed on social security and public goods.

Apart from urgent need of formulating a new monetary and fiscal policy framework, the current pandemic has reminded human beings of the vital significance of natural balance and clean environment. It has been also conceived that the recent emergence of epidemics and pandemics is a consequence of constant destruction of nature, biodiversity and its flora, fauna, biotic and abiotic resources. This budget has not allotted adequate amount of money to resist climate change, pollution of air, water and soil and destruction of forest lands. The continued vicious network of clientelist group is still rampant in an aggressive manner. The budget of FY2020-21 has not been able to make a clear vision to move towards the pathway of sustainability and public society.

Appendix

Table 1: Budget Analysis

Sectors	*Budget 20-21*	*Revised Budget 2019-20*	*Budget 19-20*	*Inflation adjusted 19-20*	*Change*	*Change (inflation adjusted)*	*% of GDP 2020-21*	*% of Budget 2020-21*	*% of GDP 2019-20*	*% of Budget 2019-20*
Expenditure										
Public Services	180715	140138	154009	162325.5	17.3	11.3	5.7	31.8	5.3	29.4
LGRD	39573	40473	37884	39929.74	4.5	-0.9	1.2	7.0	1.3	7.2
Defence Services	34882	33106	32558	34316.13	7.1	1.6	1.1	6.1	1.1	6.2
Public Order and Safety	28668	27437	27636	29128.34	3.7	-1.6	0.9	5.0	1.0	5.3
Education and Technology	85760	77039	79486	83778.24	7.9	2.4	2.7	15.1	2.8	15.2
Health	29246	23692	25732	27121.53	13.7	7.8	0.9	5.1	0.9	4.9
Social Security	32166	31100	29769	31376.53	8.1	2.5	1.0	5.7	1.0	5.7
Housing	6936	7446	6603	6959.562	5.0	-0.3	0.2	1.2	0.2	1.3
Recreation, cultural and religious	4786	4735	4388	4624.952	9.1	3.5	0.2	0.8	0.2	0.8
Fuel and Energy	26758	26154	28050	29564.7	-4.6	-9.5	0.8	4.7	1.0	5.4
Agriculture	29983	27023	28355	29886.17	5.7	0.3	0.9	5.3	1.0	5.4
Industrial and Economic Services	3940	4738	3891	4101.114	1.3	-3.9	0.1	0.7	0.1	0.7
Transport and communication	64587	58496	64829	68329.77	-0.4	-5.5	2.0	11.4	2.2	12.4
Total	568000	501577	523190	551442.3	78.4	7.8	17.9	100	18.1	100.0
Revenue										
Tax Revenue (NBR)	330000	300500	325600	343182.4	1.4	-3.8	10.4	58.1	11.3	62.2
Tax Revenue (Non-NBR)	15000	12567	14500	15283	3.4	-1.9	0.5	2.6	0.5	2.8
Non Tax Revenue	33000	35002	37710	39746.3	-12.5	-17.0	1.0	5.8	1.3	7.2
Foreign Grants	4013	3454	4168	4393.1	-3.7	-8.7	0.1	0.7	0.1	0.8
Total	382013		381978	398211.7	-7.7	-22.7	11.9	66.5	13.2	73.0
Deficit	185987	150054	141212	148837.4			-5.8	4.89	5.3	-4.8
GDP	**3171800**	**2805700**	**2885872**							

Source: Ministry of Finance, 2020

Table 2: Sector-wise resource distribution (%)

Sector	Operating & development budget (2020-21)	Operating & development budget (2019-20)	Operating budget (2020-21)	Operating budget (2019-20)	Development budget (2020-21)	Development budget (2019-20)
Health	5.1	4.9	4.7	4.3	5.8	5.8
Education & technology	15.1	15.2	12.5	13.2	19.4	18.1
Social security & welfare	5.6	5.6	5.7	6.5	3.1	2.7
Agriculture	5.3	5.4	2.4	2.6	5.5	5.4
Public administration	19.9	18.5	12.5	9.8	5.8	6.1
Interest	11.2	10.9	18.1	18.3	-	-
Transport & communication	11.4	12.4	2.6	2.7	25.2	26.1
Local govt. & rural development	7	7.2	1.7	1.7	15.7	15.4
Public order & security	5	5.3	6.8	7.2	-	-
Defence	6.1	6.1	8.2	8.7	-	-
Energy & power	4.7	5.4	-	-	12.4	13.2

Source: Ministry of Finance, 2020

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Endnotes

All the data used in the notes are from Balancing the Imbalances: A RAPID ASSESMENT OF NATIONAL BUDGET 2019-20, previous report of Unnayan Onneshan