# New Challenges to SDG Delivery in BD and Budget21

**This note puts together initial thoughts under a new initiative of the Platform titled *Strengthening Citizen's Engagement in Delivering SDGs in view of COVID-19 Pandemic***
**and**
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There are four sections in this note:

**A. Introduction**
**B. Implications of C19 for SDG delivery**
**C. Policy response as per Budget21**
**D. Concluding recommendations**

## A. Introduction

The ongoing pandemic is creating havoc for lives and livelihoods in BD. Since the process is still unfolding, it is early to make conclusive assessments of its impacts on specific groups of people, sectors and institutions. Yet some initial evidence-based perspectives need to be generated to inform the national policy framework and initiatives. The national budget for fiscal year 2020-21 provides a good entry point in this regard.

## B. Implications for SDGs

1. Do we know whether LNBOBs have more infections and fatalities?

Analysis on available evidence is still inconclusive. Disaggregated data by socio-economic profile is necessary for further analysis.

2. Exploring implications – What approach to take for analysis?

   a. Two forms of implications – accentuation of pre-existing vulnerabilities and signs of "new" vulnerabilities.
   b. Two groups of affected people – traditional vulnerable and the new vulnerable groups.
   c. Two spatial manifestations – rural and urban

While we have evidence, up to a point, about the pre-existing vulnerabilities of the traditional LNOBs, we need to explore more about the emergence of the new groups of vulnerable people.

The usual poverty-oriented approach may not be adequate in this case, rather a labour market-oriented exposition may be more useful. However, both these approaches are complementary.

3. We have tried to estimate the number of people who may lose employment and income. To derive a conservative number, we excluded Agriculture sector from our estimate (although non-crop sectors and rural non-farm were affected by breakdown of the supply chain). We included employed individuals who are either part time or temporary workers.

The exercise shows that due to C19, the vulnerable employed individuals are about 1.3 crore in number, which is about 20.1 per cent of the latest available labour force data (2016-17).

This number is an underestimate as we did not take into accounts the new entrants in the labour market since 2017.

Incidence of not so decent, informal and non-wage benefits and workers' rights constrained jobs will dominate the labour market in the immediate future.

This trend in labour market will be much less gender-friendly. Moreover, spill-over impact of these changes in the labour market getting reflected in, among others, increase in domestic violence, diminished nutrition for female members of households, early marriages and potential school drop-outs of girl child.

The new (young) entrants in the local job market will face more barriers. This is also true for the returnee migrant worker.

4. Earlier CPD estimate regarding poverty implications C19 indicate an increase of national (upper) poverty rate from 24.3 percent (2016) to 35.0 percent (2020). This "new" poor are about 1.75 crores in number. One wonders the extent of overlap of the people covered under the two estimates.

5. Returns to capital had been more protected than returns to labour.

Inequality going to increase – both consumption and income, and, by extension, asset inequality will increase too.

## C. Budget21 and LNOB Issues

***1. The macro-economic policy stance is correct with emphasis on***

i. Increase in public expenditures,
ii. Interest rate subsidy-based incentives,
iii. Expansion of safety net programmes, and
iv. Funneling more liquidity in the market

But the fiscal framework is weak to undertake these tasks. Mismatch between policy framework and fiscal framework. Where will the fiscal adjustments take place?

***2. Two types of issues: Design and Delivery***

***3. Four forms of support to the LNOBs.***

i. Support through fiscal measures – taxes and tariffs
ii. Support through credit market – refinance, interest rate subsidy
iii. Support through targeted expenditure - cash transfer
iv. Improvement of institutional/administrative efficiency

**i. Support through fiscal measures – taxes and tariffs**

*Tax on Individuals and excise duty on bank balance*

- Tax relief of 100 percent for annual income between 2.5 Lakhs (approx. 20K monthly who may be considered lower middle class?) and 3 Lakhs (25K monthly) for male tax payers, and between 3 lakhs and 3.5 lakhs (29K monthly) for female and senior citizen tax payers. No new tax relief for People with disability over existing exemption threshold of 4 lakhs.
- Increasing tax relief for people with annual income above 47.5 lakhs (approx. 4 lakhs monthly) is not only favoring the rich disproportionately but will have unfathomable implications for revenue collection.
- Increase in excise duty is not proportionate. For balance above 10 lakhs, the increase of TK 500 is 0.5% of the minimum balance. For balance above 5 Crore,

the increase of TK 15,000 is only 0.03% of minimum balance. As balance goes up, the effect of the increase goes down.

*For SMEs*

- Imposition of 15% VAT on honey import to help indigenous honey farmers
- Reduced tax rate on on import of some of the raw materials used in the production of SME products
- Increased supplementary duty (from 0 to 20%) on import of some products (e.g. Nails, Tacks, Drawing Pins of iron/steel, other Self-Tapping Screws, Threaded Nuts of Iron/Steel) to protect SMEs.
- Shrimp production has been disrupted severely due to Amphan cyclone. However, the sector has received only limited support in terms of duty benefits. CD remains 5-25% for all major feed and aqua inputs used in shrimp sector
- For shock induced and health (including mental health) related vulnerabilities:
- VAT exemption at import, manufacturing and trading stage for 17 types of medical equipment including soapy alcohol, COVID-19 testing kits, PPE, 3-ply surgical masks, protective spectacles, goggles, and raw materials for hand sanitisers, surgical masks, and disinfectants
- VAT exemption for another year on meditation service in view of the adverse effect of pandemic on mental health

*For employment*

- Extension of Tax holiday on 40 sectors and inclusion of seven new sectors may boost employment

## ii. Support through credit market – refinance, interest rate subsidy

**Table 1: Interest/Credit Subsidies (as a share of total budget and GDP)**

(in crore taka)

| SL. No. | Particulars | Amount allocated | Share of Total Budget FY21 (in %) | Share of Total GDP FY21 (in %) |
|---|---|---|---|---|
| 1. | Low-interest credit facilities to poor farmers, recently repatriated overseas workers and skilled but unemployed youths in rural areas | 2000 | 0.35 | 0.06 |
| 2. | Subsidised loan fund for payment of salaries and allowances of workers and employees in export-oriented industries, including RMG | 5000 | 0.88 | 0.16 |
| 3. | Working capital loan with nominal interest rate for the affected SMEs including the cottage industries | 20000 | 3.52 | 0.63 |
| 4. | Low-interest credit facilities to skilled but unemployed youths in rural areas | 5000 | 0.88 | 0.16 |
| 5. | Subsidy to commercial bank for suspended interest for two months | 2000 | 0.35 | 0.06 |
| 6. | Agricultural Refinance scheme | 5000 | 0.88 | 0.16 |
| 7. | Refinancing scheme for the small farmers and traders of agriculture sector | 3000 | 0.53 | 0.09 |
| 8. | Low interest loan to affected industries and service sector organisations as working capital | 30000 | 5.28 | 0.95 |
| 9. | Expanding credit program for employment generation | 2000 | 0.35 | 0.06 |
| 10. | Pre-Shipment Credit Refinance Scheme to improve export competitiveness | 5000 | 0.88 | 0.16 |

**Note:** Total Budget of FY21 – BDT 568,000 crore; estimated GDP for FY21 – BDT 31,71,800 crore.

Memo Items:

a. Total amount allocated under interest/credit subsidies is 17.8% of total budget and 3.2% of GDP (FY21). This is 1.19% of total budget and 0.21% of total GDP of FY21.
b. From the calculation, we can see that credit allocation as well as access to credit for large industries and service sector organisations remains higher than that of SMEs and cottage industries. Large industries were allocated with 5.28% of total budget for FY21 and 0.95% of total GDP whereas SMEs and cottage industries got allocation of 3.52% of total budget and 0.63% of total GDP.
c. Agriculture sector was allocated with two different credit refinancing schemes with allocation of 0.88% and 0.53% of total budget respectively and 0.16% and 0.9% of total GDP respectively. One of these schemes include facility for the small farmers and traders of agriculture sector.
d. Export sector was allocated with two different schemes: salary payments for workers as 0.88% of total budget and 0.16% of total GDP, and pre-shipment credit refinancing scheme with the same percentage of share in budget and GDP.
e. Credit facility for employment generation purpose was allocated with 0.35% of total budget and 0.06% of total GDP. Also, credit facilities to skilled but unemployed youths in rural areas got allocation of 0.88% of total budget and 0.16% of total GDP.

### iii. Support through targeted expenditure - cash transfer

- The government is providing direct cash transfer of Tk. 2,500 each to 50 lakh selected families nationwide.
- 8 lakh 50 thousand new beneficiaries have been listed for Old Age allowances (5 lakh new) and Allowances for Destitute Women (3.5 lakh new); Additional allocation of Tk. 300 crore and Tk. 210 crore will be provided to these programs respectively.
- New 2 lakh 55 thousand beneficiaries have been added to Persons with disabilities allowances and an additional Tk. 229.50 crore will be required for this purpose.
- The total amount of Cash Transfer is Tk. 739.50 crore, which is 0.13 percent of the total budget and 0.02 percent of GDP in FY2020-21.

**Table 2: Cash Transfer Programmes under the Budget**

| **Description** | **Old beneficiaries** | **Amount** | **New beneficiaries** | **Additional amount (Tk crore)** |
|---|---|---|---|---|
| *Direct cash transfer to 5 million people Tk. 2500 each* | | 500 | | |
| Old age allowance | | | 5 lakh | 300 |
| Widow and destitute women | | | 3 lakh 50 thousand | 210 |
| Persons with disabilities (18 lakh) | | | 2 lakh 55 thousand | 229.50 |
| **Total cash transfer** | | | | **739.50** |
| **Share of Budget** | | | | **0.13** |
| **Share of GDP** | | | | **0.02** |
| **Memorandum Item GDP** | **3171800** | | | |

The budget provides much more support through the banking system instead of cash. We know in development economies fiscal measures (cash transfer) are more effective for the LNOBs in comparison to monetary policy instruments.

### iv. Improvement of institutional/administrative efficiency – mistargeting, leakages, over-priced procurement, high transaction cost

This form almost absent (*other than efforts to do digital money transfer*).

## D. Concluding Recommendations

1. A detail work plan on the part of the government for implementation of the budget and instituting a periodic reporting system with focus on LNOB
2. To use SDG framework for designing the recovery and rebound strategy and plan by embedding the national priority indicators
3. Articulating and linking the new challenges to SDG delivery in framing of the 8FYP document of the country
4. Increased availability, accessibility and usability of disaggregated data related to LNOB (traditional and emerging)

5. Setting up of a social accountability system, driven by the non-state actors, to ensure delivery to the LNOBs (traditional and emerging).