COUNTRY ASSESSMENT REPORT ON COVID-19 RECOVERY LOANS PROVIDED BY BILATERAL AND MULTILATERAL FINANCIAL INSTITUTION IN BANGLADESH

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The aim of this paper is to revitalizing Governance and Public Interest in the COVID-19 Recovery External Debts provided by International Financial Institutes (IFIs)

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1. Introduction

The pandemic outbreak has caused a health, social, and economic crisis, with the “unprecedented nature of the coronavirus crisis affecting more than 190 countries, 89 percent of which are in economic recessions due to a drastic decline in trade and tourism and a rapid increase in public debt.”¹ The first cases of Covid-19 were discovered in the country in the first week of March 2020. Covid-19 has continued to spread at an alarming rate; in Bangladesh, there have been 759,132 confirmed cases of COVID-19 with 11,450 deaths reported, and as of 26 April 2021, a total of 8,398,700 vaccine doses have been administered.² Due to a lack of testing kits and unreported cases, this figure is likely to be significantly lower than the true impact. Bangladesh’s death rate is significantly lower than that of other countries in the region with similar socioeconomic characteristics, such as India. Furthermore, the overall weakness of the country’s healthcare system may limit authorities’ ability to report accurate statistics. Therefore, the true death toll from the pandemic in the country is yet to be properly known.

Figure i: New COVID-19 Cases Per Day, Test Positivity Rate

MDBs accelerated their processes for allocating COVID-19 funding to affected countries, which was either new or reallocated from existing projects. However, funding activity and the procurement process are becoming increasingly difficult to track. MDBs were attempting to navigate the effects of market disruption — high global demand and broken supply chains that resulted in massive economic and social losses. Adding contributions from industrialized countries and private foundations, more than $20 trillion has been committed for the immediate and long-term COVID-19 response since January.³ The government of Bangladesh is negotiating with the MDBs and other potential external funding entities in different forms of external debts e.g. loans due to the IMF. Furthermore, while the types of debts of funding vary by country, Bangladesh has classified them into six categories: multilateral debt, bilateral debt, IMF loans, trade credit, external commercial borrowings (ECB), and others.

¹ https://bit.ly/3uAbtc1
² https://covid19.who.int/region/searo/country/bd
³ iied
Multilateral creditors are primarily multilateral institutions such as the International Development association (IDA), International Bank for reconstruction and Development (IBRD), Asian Development Bank (ADB), etc. The portion of a country's external debt burden owed to international financial institutions (IFIs) such as the Asian Development Bank (ADB) and the World Bank (WB) is referred to as multilateral debt. Borrowing from the International Monetary Fund (IMF) is not included in multilateral debt; instead, it is classified separately under the IMF heading. On the other hand, bilateral creditors are sovereign countries with whom sovereign and non-sovereign entities enter into a loan arrangement. Bilateral loans are funds made available to a borrower by a single lender. Bilateral loans are a simpler form of participatory loan. However, because bilateral loans are agreements between a single lender and a single borrower, the lender risk is significantly higher.

According to data from the Bangladesh Bureau of Statistics' Household Income and Expenditure Survey in 2016, approximately 20.5 percent of Bangladeshis were poor, with 10.5 percent (at least 1 crore 65 lac) being extremely poor. The moderate poverty rate fell from 58.8 percent in 1991-92 to 24.3% in 2016-17, while the extreme poverty rate fell from 41.0 percent to 12.9% during the same time period (BBS, 2017). “Poverty rate in Bangladesh may rise to 40.9 per cent if Covid-19 causes 25 per cent fall in family incomes, according to the SANEM estimate based on the BBS's income and expenditure survey data. Consequently, the successes in alleviating poverty over the past two decades may fizzle out”. However, the average income in the slums of Bangladeshi cities and among the rural poor has dropped by more than 80% since the outbreak of the novel coronavirus. 25 per cent of Bangladeshi citizens belong to the lower-middle income group, while 85.1 percent (5.16 crore) citizens are employed in informal jobs, and the majority of people have lost their jobs as a result of the lockdown. More than 6 million people lost their jobs at the height of the crisis. The lack of social safety nets especially for urban floating people vulnerability will push millions into poverty.

Due to this, the primary breadwinner in approximately 1.75 crore families has lost their job/work or is on unpaid leave, and at least 7 crore people are now not only at risk of starvation but also unable to purchase basic necessities such as medicines. Within the first ten days of the government lockdown, half of all households in the country lost at least one-third of their income. The country’s GDP is also expected to fall by 3-4 percent because of the pandemic, despite the government’s allocation of rice and cash as relief, which is peanuts and has been stolen by local government representatives as well as political elements. Moreover, those populations are vulnerable to both the pandemic and the economic crisis. Consequently, due to not having proper targeting as well as absence of cash earnings, it has been feared by the economists that due to pandemic effects the poverty rate might slip down. According to the Bangladesh Institute of Development Studies, the number of new poor people in Bangladesh will be no less than 24 million (8 million in urban and 15.5 million in rural areas). Thus, the virus outbreak, which has primarily affected workers in the informal sector, has already threatened to raise the overall poverty rate to 33.2% from 24.4%, raising fears of hunger, malnutrition, and absolute poverty”.

The government's response has been inadequate in light of the gravity of the situation. To protect businesses from the COVID-19 shock, the GoB has announced 19 stimulus packages totaling BDT...
103,117 crore (USD 12.28 billion), or 3.7 percent of GDP. Additional support for the healthcare sector, transfer programs for vulnerable populations, agricultural subsidies, and wage support for workers in export industries were among the measures implemented in Bangladesh. In addition to these measures, the government established a scheme to subsidise interest payments by business to banks to the tune of 2.6 per cent of GDP, or US$ 8.8 billion. The magnitude of the subsidies is related to the pandemic's massive impact on the Bangladeshi economy: economic growth is expected to slow from 8.2 to 3.8 percent between 2019 and 2020. At the height of the crisis, industrial production fell by 70%, while 91% of small and medium-sized enterprises (SMEs) reported significant decreases in cash flows.

The IMF will make loans to member countries that are experiencing or may experience balance-of-payments problems. This financial assistance assists countries in their efforts to rebuild their international reserves, stabilize their currencies, continue paying for imports, and re-establish conditions conducive to strong economic growth. Concerned about the possibility of poor management of the funds, particularly when they are disbursed in an emergency, the MDBs, IMF, and other institutions are supposed to take steps to improve national procurement processes. Some nongovernmental organizations (NGOs) have called for stronger actions; Bangladesh Working Group on External Debt (BWGED) is one such organization, with the goal of producing a Country Assessment report on COVID-19 recovery debts for the country.

2. Methodology of the Country Assessment

Techniques, methodologies, and models for evaluating corruption in any country (society) necessitate a set of socioeconomic indicators that are reliable, consistent, and responsive to responses, as well as measurable, user-friendly, cost-effective, policy-relevant, and valid. The difficulty in building indicators with these properties and aggregating and using them should not be underestimated, according to Bagolin and Comim (2008). We used the indicators and sub-indicators of the governance which are (i) efficiency: relevant laws and regulations, financial allocation, infrastructure, logistics, modern technology-based forest management, and human resource management; (ii) transparency: the openness of information, proactive disclosure and dissemination of information; (iii) accountability: oversight mechanism that includes the scope of supervision, monitoring, and grievance management; (iv) participation: scope and extent of the involvement of citizens in the response actions; and (vi) areas, types and dimensions of erosion of integrity or corruption and irregularities.
Table 1: Research questions and sources of data

<table>
<thead>
<tr>
<th>Research Question for Assessment</th>
<th>Secondary Data</th>
<th>Media Reports and Editorials</th>
</tr>
</thead>
<tbody>
<tr>
<td>What Bangladesh planned to do with the money?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What goals has the Bank/Funding Organization set, and how is Bangladesh doing?</td>
<td></td>
<td></td>
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<tr>
<td>How does the spending relate to healthcare system reforms?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What contracts have been signed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Openness of the information and access to people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversight mechanism that includes the scope of supervision, monitoring, and grievance management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the procurement process taking too long?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Red Flags” of corruption is each step of fund disbursement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How inclusive, transparent and pro-humanitarian the Covid 19 finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gaps in financial structure which create barriers in reaching those in humanitarian crisis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there any relation between the neoliberalism and access to health services or enhancing burden of health expenses on the citizens?</td>
<td></td>
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</tr>
</tbody>
</table>

The data was gathered using secondary sources, and the fund-related data was gathered directly from the World Bank, Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), and International Monetary Fund websites (IMF). Other secondary data was gathered from a review of literature, such as published journal articles, newspaper reports, and online publications and media reports were used to obtain expert opinions and human case stories. The World Bank provides a road map for what governments are expected to do with World Bank funds, but the Bank leaves the local contracting up to individual nations. The Bank collects some contract information, but it is insufficient and comes too late; additional in-country research is required. Transparency flaws may obstruct reporting. The funding organization often is in agreement where some contracts mandated the public posting of only “large” procurement contracts and the names of their beneficial owners. However, in order to answer the following research questions, information gathered from a variety of sources is analyzed.

3. Track record of the External Finance in Bangladesh

The domestic demand, which comprised of consumption and investment, moderated to 4.23 percent and 6.71 percent respectively in FY20 from 4.33 percent and 8.44 percent respectively in FY19 but the external demand (exports) drastically contracted in FY20 as a consequence of
unprecedented, negative growth of the global economy. Unfortunately, the economic growth of the European Union and the USA turned from positive in 2019 to negative in 2020 owing to severely restricted economic activities and diminished demand caused by the rampant spread of the pandemic through these regions, to which Bangladesh tended to export more than 80 percent of its ready-made garments (RMG). In the first half of 2020, global economic activities suffered deeper contraction than in the financial crisis of 2007-09 as the pandemic stalled almost all sectors of the economy. The drop in global output is so severe that global economic growth is expected to contract by 4.9 percent in 2020 before rebounding by 5.4 percent in 2021. (IMF, WEO 2020). The pandemic had a significant impact on global trade, consumption, services, and the labor market in both developed and emerging markets. Global trade contracted by nearly 3.5 percent (year over year) in the first quarter, reflecting weak demand, collapse in cross-border tourism, supply chain disruptions, and supply dislocations triggered by shutdowns across the world. Bangladesh's government and Bangladesh Bank (BB) undertook a range of coordinated fiscal, monetary, and macro-prudential policy actions which included stimulus packages and easy credit availability in order to cushion the Bangladeshi economy from the effects of the pandemic.

Bangladesh is gradually being weighed down by foreign loans, discernible through the budgetary allocation for external debt repayment, which would accelerate in the upcoming fiscal year and undermine efforts to revive the economy stymied by the novel coronavirus. The government has set aside US$2.2 billion (Tk 18,368 crore) for foreign debt repayment in the proposed budget, a whopping 16 percent rise from the allocation in the outgoing fiscal year. However, the external debt-to-GDP ratio that reached 14.7 percent this fiscal year is way below the ceiling of 40 percent, according to the Economic Relations Division (ERD). In the outgoing fiscal year, the government had an allocation of US$1.86 billion for external debt servicing - $1.2 billion in principal amount and the rest in interest. Bangladesh repaid US$1.1 billion to its external lenders during July-February of the outgoing fiscal year, while the amount was US$999 million in the same period a year ago. The country paid back $1.6 billion of its foreign loans in fiscal year of 2018-19 - a surge by 33 percent from the amount a year ago, according to an ERD report titled "Flow of external resources into Bangladesh". Since Bangladesh's independence in 1971 till June 30 last year, foreign borrowing ran into US$58.04 billion of which the government repaid US$23.58 billion so far. The government aims to borrow US$ 8.3 billion (Tk 70,502 crore) from external sources to implement its annual development program in the upcoming fiscal year.?

<table>
<thead>
<tr>
<th>Table 2: Fiscal performance and debt sustainability</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td><strong>Total Revenue</strong></td>
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<tr>
<td>o/w Tax Revenue</td>
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<tr>
<td><strong>Total Expenditure</strong></td>
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<tr>
<td>o/w Current Expenditure</td>
</tr>
<tr>
<td>o/w ADP</td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
</tr>
<tr>
<td><strong>Net External Financing</strong></td>
</tr>
</tbody>
</table>

[7](https://www.thedailystar.net/backpage/news/debt-burden-gets-heavier-1913545)
The economic growth of Bangladesh declared to 5.24 percent in FY20 from 8.15 percent in FY19 in the aftermath of the economic slowdown caused by a government-declared lockdown for around two months in the first half of FY20 to prevent the contagion of COVID-19 pandemic. The overall expenditure framework was revised to make sufficient allocations available to mitigate the adverse impacts of the COVID-19. Moreover, with a view to mitigate increased risks of poverty and inequality, meeting the basic needs of people of the country, enhancing business activities and creating employment and establish an equitable and just society, fiscal policies incorporated social safety nets, cash transfers, employment generation programs under annual development programs (ADP), various types of tax exemption or tax benefit in income tax, customs and value-added tax (VAT) in the revenue management framework stimulus packages have been declared. The fiscal deficit is projected to increase slightly to 6 percent in FY21 from 5.5 percent in the revised budget for FY20 (Budget Speech, 2020-21, Ministry of Finance).

### Table 3: Real GDP Growth Forecast for Developing Partners

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td>2.9</td>
<td>-4.9</td>
<td>5.4</td>
<td>2.4</td>
<td>-5.2</td>
<td>4.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Advanced Economies</strong></td>
<td>1.7</td>
<td>-8.0</td>
<td>4.8</td>
<td>1.6</td>
<td>-7.0</td>
<td>3.9</td>
<td>1.7</td>
<td>-5.8</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>USA</strong></td>
<td>2.3</td>
<td>-8.0</td>
<td>4.5</td>
<td>2.3</td>
<td>-6.1</td>
<td>4.0</td>
<td>2.3</td>
<td>-5.3</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Euro Area</strong></td>
<td>1.3</td>
<td>-10.2</td>
<td>6.0</td>
<td>1.2</td>
<td>-9.1</td>
<td>4.5</td>
<td>1.2</td>
<td>-7.0</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>EMDE1</strong></td>
<td>3.7</td>
<td>-3.0</td>
<td>5.9</td>
<td>3.5</td>
<td>-2.5</td>
<td>4.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>India</strong></td>
<td>4.2</td>
<td>-4.5</td>
<td>6.0</td>
<td>4.2</td>
<td>-3.2</td>
<td>3.1</td>
<td>4.2</td>
<td>-4.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance, Monthly Report on Fiscal Position for September 2019*
External debt is an important source of funds for both budgetary support and investment in Bangladesh. Bangladesh’s external debt is the total amount of money owed to foreign creditors. Debtors in Bangladesh can include the central government, state-owned enterprises, and private-sector enterprises. The debt includes money owed to private commercial banks, foreign governments, or international financial institutions such as International Monetary Fund (IMF) and World Bank. Bangladesh Bank, Statistics Department collects the data of private sector external debt on long term and short-term basis, like commercial bank (NCB & PCB), private sector enterprises, non-bank depository corporation (NBDC). Also collects foreign liability of Central Bank and State-owned enterprises (SOE). The department compiles quarterly overall debt position of Bangladesh which is published in Bangladesh Bank (www.bb.org.bd).

4. Covid 19 related external debts for Bangladesh

Due to increased government borrowing, the country’s external debt reached a new high in 2020. According to central bank statistics, the total external debt in December 2020 was US$ 70.7 billion, nearly 16% higher than in March of last year. Foreign loans increased as a result of megaproject financing, sluggish economic activity, low revenue collection, and the government’s Covid-19 related spending. It is necessary to make proper use of the funds received to avoid the risk of defaulting on debt repayment; failure to repay foreign loans would have a negative impact on the country’s credit rating.

Of the total foreign debt, the public sector’s share rose to $52.2 billion in December of 2020 from $44.8 billion in March 2020. However, most of the public sector external borrowing are long-term in nature. The private sector external debt in December last surged to $14.8 billion, up by over 12 per cent from March last year. Buyers’ credit led in the external borrowing. Of the total amount, the guaranteed (sovereign) debt stood at $3.8 billion during the period under review. The debt surged in 2020 due to the Covid-19. In 2020 Bangladesh received around $2.0 billion from the International Monetary Fund (IMF) and other multilateral development partners. A large part of the borrowing from the multilateral institutions is meant for mitigating the vulnerability relating to the Covid-19.

Fiscal constraints have limited the government’s ability to protect the population. In contrast to the rest of the world, Bangladesh’s expenditure levels have decreased during the crisis. Government expenditures, excluding interest payments, fell from 12.9 to 12.5 per cent of GDP between 2019 and 2020. In effect, the Bangladesh Covid-19 emergency response package was entirely funded by cuts in other areas of the government’s budget. Slashing public response capacity in the midst of a global crisis will only increase the pandemic’s long-term costs.
### Table 4: Overall External Finance for COVID-19 responses from DFI

<table>
<thead>
<tr>
<th>Lead Financer</th>
<th>Co Finance</th>
<th>Project Name/Purposes</th>
<th>Approval Date</th>
<th>Total Fund Approved (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td></td>
<td>Support COVID-19 Response in Bangladesh</td>
<td>April 30, 2020</td>
<td>100</td>
</tr>
<tr>
<td>ADB</td>
<td></td>
<td>Additional Financing to Help COVID-19 Affected Microenterprises in Bangladesh</td>
<td>December 8, 2020</td>
<td>50</td>
</tr>
<tr>
<td>ADB</td>
<td></td>
<td>Coronavirus vaccine doses and healthcare service enhancement.</td>
<td>Under Process</td>
<td>940</td>
</tr>
<tr>
<td>AIIB</td>
<td>ADB</td>
<td>COVID-19 Active Response and Expenditure Support (CARES) Program</td>
<td>May 4, 2020</td>
<td>500</td>
</tr>
<tr>
<td>AIIB</td>
<td></td>
<td>COVID-19 Emergency Response and Pandemic Preparedness Project</td>
<td>August 27, 2020</td>
<td>100</td>
</tr>
<tr>
<td>AIIB</td>
<td></td>
<td>COVID-19 Emergency and Crisis Response Facility</td>
<td>January 28, 2021</td>
<td>300</td>
</tr>
<tr>
<td>IMF</td>
<td></td>
<td>Health, social protection and macroeconomic stabilization measures, meet the urgent balance-of-payments and fiscal needs</td>
<td>May 29, 2020</td>
<td>732</td>
</tr>
</tbody>
</table>

**Total amount=** 3,422

Source: WB, ADB, AIIB and IMF Websites, extracted on 1st April, 2021

The Government of Bangladesh (GoB) responded to the economic crisis from the pandemic proactively and it announced a COVID-19 response program of US$14.6 billion (4.5 percent of estimated FY20 GDP). However, in terms of the requirements, till-to-date the flow from external resource to Bangladesh is inadequate, above ADB, AIIB, IMF and WB altogether has assured of mobilizing around 23.4 per cent of the requirements. Among four DFIs, ADB has assured of delivering the highest 32 per cent of total commitment of US$3.422 billion.

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Even though the country was eligible to participate in the G20 Debt Service Suspension Initiative (DSSI), it chose not to apply. The G20 DSSI allows for the suspension of debt service owed to bilateral creditors between April 2020 and June 2021. Only a quarter of the country’s US$ 1.3 billion in debt service for 2020 was due to bilateral creditors. As was the case for countries such as Kenya; failure to include multilateral and private creditors clearly limited the potential benefits of participation. As a result, the country is unlikely to participate in the G20 Common Framework for Debt Treatments and is unlikely to receive any type of debt relief in the future.

4.1 Debt Burdens on Economy of Bangladesh and its Citizens

However, due to poor revenue collection and taking additional loan from both external and internal sources overall debt burden has been increased to around 38 percent of GDP, specifically, external debt burden has been increased to almost 13.5 per cent of GDP. The government has announced a series of stimulus packages totaling Tk. 1.03 trillion (about 3.6 percent of GDP) to increase public spending, which is expected to create jobs and loan facilities for affected industries and businesses, as well as expand the coverage of the government’s social safety net programs to protect the extreme poor.

The MDB has approved a total of $3.422 billion to respond to the crisis caused by Covid-19. The government’s prioritization of debt sustainability, however, is the driving force behind the fiscal response. Bangladesh entered the crisis in 2019 with a relatively low level of public debt of 35.8 percent of GDP. The shock is projected to increase it to 42.3 per cent of GDP by 2023. The adjustment is designed to stabilize and reverse the growth of debt. The increase in debt levels will place a staggering burden on the country. Debt service required a punishing 60 per cent of government revenues in 2019. As a result of the crisis, almost the entire public revenue will be required to meet debt service payment: the ratio of debt service to government revenues will reach 98 per cent by 2023. Currently, for each US dollar paid to creditors as debt service, Bangladesh can only afford to invest 0.41 cents on public education and health care. As debt service displaces these and other basic public expenditures, this dire state of affairs is set to
become untenable. Despite the appalling nature of this situation, the International Monetary Fund (IMF) has characterized these debt dynamics as sustainable.

**Figure iii: External Public Debt Burden of Bangladesh**

![External Public Debt Burden of Bangladesh](image)

Source: The Financial Express, 27th March 2021⁹

In contrast to its absence from G20 initiatives, Bangladesh applied for a US$ 732 million IMF loan under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) in June 2020. The loan will add to the country's already-heavy debt burden and pave the way for the imposition of IMF policy conditions. The difficult situation Bangladesh finds itself in highlights the need for a more ambitious response to the crisis. The country is not at risk of defaulting on its debt, but the costs imposed on its population are clearly unacceptable. Accomplishing the Sustainable Development Goals (SDGs), the Paris Climate agreement and Beijing declaration will require a substantial increase in public investment. In this context, prioritization of debt sustainability is inconsistent with the development goals and international commitments of the country. Like many other developing countries, Bangladesh is unable to balance competing claims on resources without international support. This should encompass debt relief measures designed to support countries with high levels of public external debt owed to multilateral and private creditors, the establishment of a sovereign debt workout mechanism and substantial increases of Official Development Assistance (ODA).

Despite the adverse situation originating from the pandemic industrial production of large and medium industries, remittance inflow, and foreign exchange reserve of Bangladesh is in the right track. Production-related indicators, on the other hand, have performed better in terms of recovery than investment-related indicators. Throughout the first half of FY2020-21, both public

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and private investment correlates remained subdued. The restrained state of investment, in all likelihood, is indicative of the uncertainties triggered by the pandemic”.\textsuperscript{10} The Second Wave of Covid-19 has been more devastating, and economic activity has slowed, and the government has gone into lockdown for the second time. The government is already focusing on taking out more loans for vaccinations, which will add to the debt burden.

In the report titled “External Debt of Bangladesh: A Status Report 2019-20” by Bangladesh Bank has revealed that overall debt stock of Bangladesh was US$65.27 billion at end-June 2020 as against US$ 60.36 billion at end of June of 2019. The sustainability of a country's public debt is an important factor of its fiscal space. In the early stages of the COVID-19 crisis, a number of countries implemented significant fiscal stimulus as part of their policy response. However, such efforts may soon face a public debt sustainability problem in areas where public debt was already high and had risen as a result of the global financial crisis. Some of the neighboring countries entered into this COVID-19 pandemic with high public debt levels and high risk of debt distress. These high public debt and debt distress may limit the room for further fiscal support for economic recovery. Noted here that, “To support the GoB’s program, Bangladesh Bank eased monetary policy and introduced refinancing facilities. While liquidity rose, private sector credit growth remained muted amid heightened uncertainty. The COVID-19 crisis has compounded longstanding financial sector vulnerabilities, including weak capital buffers and undercapitalization of banks.”\textsuperscript{11}

<table>
<thead>
<tr>
<th>Country</th>
<th>Public debt as % of GDP*</th>
<th>External debt as % of GDP (2018)</th>
<th>Short term external debt in % of GDP (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh (2020)</td>
<td>39.6</td>
<td>18.1</td>
<td>17.3</td>
</tr>
<tr>
<td>India</td>
<td>69.0</td>
<td>19.2</td>
<td>20.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>76.7</td>
<td>28.9</td>
<td>9.1</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>83.0</td>
<td>59.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Nepal</td>
<td>32.6</td>
<td>18.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Maldives</td>
<td>70.1</td>
<td>43.8</td>
<td>11.3</td>
</tr>
<tr>
<td>Bhutan</td>
<td>108.6</td>
<td>101.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>7.6</td>
<td>13.1</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Source: Bangladesh Bank, 2021;

* Public debt as % of GDP is available for 2020 and for other countries' data on 2019 is available

Fiscal constraints have limited the government's ability to protect the population. In contrast to the rest of the world, Bangladesh's expenditure levels have decreased during the crisis. Government expenditures, excluding interest payments, fell from 12.9 to 12.5 per cent of GDP between 2019 and 2020. In effect, the Bangladesh Covid-19 emergency response package was entirely funded by cuts in other areas of the government's budget. Slashing public response capacity in the midst of a global crisis will only increase the pandemic's long-term costs.

\textsuperscript{10} https://cpd.org.bd/cpd-emphasises-on-sustainable-recovery-from-the-fallout-of-covid-19/

\textsuperscript{11} https://bit.ly/3ogaJax
A senior ERD official claimed that "there was no possibility of falling in a debt trap within the next eight years as per their calculations though the government would have to make big repayments in the next four years as some large loans would mature by then". The joint World Bank-IMF Debt Sustainability Framework assured that Bangladesh can afford significant amount of borrowing from internal and external sources. However, "The combination of debt, climate change and environmental degradation "represents a systemic risk to the global economy that may trigger a cycle that depresses revenues, increases spending and exacerbates climate and nature vulnerabilities," according to a new assessment by the World Bank, International Monetary Fund and others". In the same article, it has been observed that “in developing countries, the share of government revenues that go into paying foreign debts nearly tripled to 17.4 percent between 2011 and 2020.” In terms of the Per Capita Debt Burden has also been increased more than doubled

**Figure iv: Per Capita External Public Debt Burden (In US$)**

Source: Calculated based on the debt related data from Bangladesh Bank

The government had an option to reduce the debt burden by at least $320 million for the next two years under the Debt Service Suspension Initiative of the G20 countries. In the middle of April of 2021, the G20 nations agreed to freeze bilateral government loan repayments for low-income countries until the end of the year as part of a plan to tackle the health and economic crises triggered by the pandemic and prevent an emerging markets debt crunch. According to government officials, Bangladesh has decided not to take advantage of the privilege because the

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12 https://nyti.ms/3bfcjUR
13 Eurodad, 2021
country is capable of meeting its current debt obligations. The government should have used the facility during this crisis because exports are unlikely to improve anytime soon and remittances are expected to fall due to the global impact of the novel coronavirus.

5. Openness and disclosures of information

It has been widely acknowledged that, during a pandemic, proactive disclosure of information by the government agencies should be the highest priority to minimize losses and damages while also ensuring proper access to services. Each external funding agency has its own set of policies and strategies for information disclosure. According to MDB disclosure policies and the Bangladesh Right to Information Act, there is an obligation to disclose all eternal finance-related decisions, modes of funding, beneficiary selections, and commodity procurement. However, both MDBs and the GoB have been observed to make inadequate disclosures of information in practice.

The Right to Information Act plays an important role in ensuring transparency and accountability. The act simplified the procedure to access as well as publicizes the information and existing secrecy related legislation has been redundant and granted greater independence to the Information Commission, tasked with overseeing and promoting the law. However, there are still challenges, such as low response rates to information requests and the need to raise public and government awareness of the act’s existence. DFIs are found to be stuck in their business-as-usual processes rather than taking a proactive, need-based approach to disclosing more information about the funding mechanism.

Transparency International Bangladesh (TIB) called upon that “Bangladesh's Development Partners (DPs) must provide greater than ever support to the country in its efforts to recover from the Covid-19 crisis, while also ensuring the highest levels of anti-corruption, transparency, and accountability at all levels. DPs are a valuable partner in Bangladesh's efforts to prevent and control corruption through transparency and accountability. As a result, we urge them to ensure that anti-corruption principles and practices are explicitly incorporated into all initiatives or projects at all levels of decision-making, design, and implementation. In management and recovery from mega crises like this, funding decisions and project implementation process may often genuinely need to be fast-tracked. However, nothing justifies any compromise of proactive and on-demand disclosure of information including unrestricted reporting by media and civil society including freedom of opinion”. Specific difficulties in gaining access to the information have been encountered, as explained below:

- Inadequate information or specificity of each funds relevant to effective utilization of funds and proper safeguards are inadequate for all MDBs.
- Required information is hidden, hard to find and inaccessible: Information about the decision making process, project feasibility assessment process, project components, where and how allocated money would be spent, the transparency in the procurement and beneficiary selection process would be materialized in the ground are not available in the public domain. Even by sending email about the project related activities MDBs didn’t respond with the above required information even though the checklist was sent.

14 https://bit.ly/3eWXyab
Beneficial ownership data is insufficient. In all cases, there was insufficient information about beneficiaries who would profit illegally from government contracts. Furthermore, governments did not specify how they would provide the information they committed to disclosing, particularly the oversight role during project implementation. Inconsistency in the IMF’s approach to measures and follow-up. The specific measures required by the IMF differed greatly from one government to the next, and compliance was only tied to future lending in a few cases.

The fund-giving agencies were found to be hesitant to enforce Bangladesh’s existing Right to Information Act, which requires proactive disclosures of information on the proper utilization of funds involving all concerned stakeholders. ALL MDBs relied on the country governance system, which did not function properly. "One of government’s key strategies has been to control information about the extent of the pandemic, implying that government strategies have been successful in containing the pandemic while concealing the extent of corruption". The government is not only providing less and less information, but it has also clamped down on individuals challenging the official narrative and sharing information. In March, the government instructed the doctors of a public hospital and nurses working in all public hospitals not to speak to the media. ¹⁵ In some cases, it has been alleged that existing Digital Security Act has been used indiscriminately to conceal the corruption incidents. ¹⁶ According to TIB, "restrictions were imposed on all health workers, including all physicians, for disclosing any statement or opinion in public, in the newspaper, or in any other media without the permission of the higher authorities. A total of 67 cases were filed, and 37 journalists were accused of disseminating news of theft and embezzlement in relief distribution in various parts of the country during the Corona period; the Ministry of Information formed a surveillance cell to monitor 30 private television channels in the country to prevent propaganda/rumor. Although the decision was later withdrawn, the surveillance continued; there are allegations of failing to disclose all data, such as the number of ICUs, ventilators, hospitalizations, and so on.”

Though the Government of Bangladesh committed to amending existing rules to provide information on the beneficial ownership of companies awarded procurement contracts, no meaningful results have been achieved. In the absence of proper and effective oversight of MDBs engaging CSOs, the country has failed to ensure proactive disclosures of information. The CSOs have also mentioned "a good policy of the government cannot be implemented due to institutional weaknesses, socioeconomic, political scenario. To ensure transparency, there must be administrative accountability from the government, democratic accountability from the democratic representatives and social accountability from the citizens.”

The all-out effort of some agencies to control the flow of information and silence any dissenting views through coercion attest to Bangladesh's lack of accountability. To demonstrate the upward economic trend during the pandemic, there was an allegation that real GDP growth was not disclosed, but rather an exaggerated number was shown. "Bangladesh Bureau of Statistics (BBS) has recently estimated the provisional GDP growth to 5.24 percent for FY2020. During a time when the whole world is facing the ravage of the ongoing Covid-19 and economies around the world have collapsed irrespective of their size and phases of development, Bangladesh’s growth..."
number is not only astonishing but also misleading." The MDBs’ GDP growth forecasts were also somewhat confusing and misleading e.g. World Bank (WB, 1.6%), International Monetary Fund (IMF, at 3.8%), the Asian Development Bank (ADB, at 4.5%). Since “GDP growth cannot capture the extent of negative impacts of the historic coronavirus pandemic on a large section of the population, policies will also not be adequate to address the sufferings of people and recover from the challenges arising from the ongoing crisis.” The lack of reliable data and better measures of economic progress is always counterproductive to the adoption of effective policies as well as proper preparation or steps by the people.

The pandemic could have long-term consequences for the country, not just in terms of death and economic loss, but also in terms of governance. To address these trends, the Bangladeshi government, national and international civil societies, and international donor organizations such as the World Bank, IMF, and ADB have responsibilities.

6. Accountability and Integrity in Responses to Covid-19

Bangladesh is celebrating 50 years of independence in 2021. To become self-reliant several plans like Vision 2021, the 8th Five Year Plan (7FYP) and the Sustainable Development Goals (SDGs) have been formulated. To ensure integrity and curb corruption, the ruling Party asserted in Vision 2021 the governments’ efforts to fight corruption for sustainable development, with goal 5 (of 8) being to rid society of corruption. Moreover, to ensure accountability and integrity there are several existing legal documents which form the Code of Criminal Procedure, the Prevention of Corruption Act, the Penal Code and the Money Laundering Prevention Act, Anti-Corruption Public Procurement Rules 2008, The Public Finance and Budget Management Act, 2009, The National Human Rights Commission Act, 2009, The Chartered Secretaries Act, 2010, The Prevention of Money Laundering Act, 2012, and The Competition Act, 2012.

Companies should consider the Government Servants (Conduct) Rules as a guideline, which state that government employees may accept gifts as long as the value does not exceed US$650 (BDT 500). The ACC Act establishes the legal framework for the independent anti-corruption commission (ACC) to ensure public sector transparency. However, role of ACC to curb grand corruption has been always ineffective, but MDBs rely on unreliable ACC and they termed that “ACC takes action against some low-profile or mid-level officials, but not against the big shots or influential people and hence maximum complaints remain pending for results whatsoever” and immediate past Chairman of ACC has given clean chits to several alleged powerful elites who siphoned millions of dollars from public money.

Cabinet approved a National Integrity Strategy (NIS) in October 2012. As a result, NIS units have been established in each ministry, and a National Integrity Advisory Committee, chaired by the Prime Minister, has been formed. A National Integrity Strategy's overarching goal is to provide a system of governance that fosters citizen trust. Despite the passage of the Whistleblowers' Protection Act in 2011, legal practitioners and government officials say they know little about the

17 https://bit.ly/2SAkRyN
19 https://www.theindependentbd.com/post/259936
20 https://bit.ly/3xYcGN3
law, and as a result, the act has yet to produce the desired results. According to the law, also known as the Public-Interest Information Disclosure Act (Provide Protection) 2011, no criminal, civil, or departmental proceedings can be initiated against a person for disclosing information in the public interest to authorities, and the identity of the whistleblower will not be disclosed without their consent.

As per the National Preparedness and Response Plan, the MoHFW formed four national level committees. The National Committee for Prevention and Control of COVID-19 (NCPCC) is the apex policy-making body. The minister for the MoHFW is its chair and the Secretary for health services is the member-secretary of the NCPCC. Relevant secretaries were made members, including the Cabinet Secretary and the Principal Secretary. The first meeting was held on March 21, 2020 and no meetings were held during the crucial months of April and May. Second, a National Coordination Committee (NCC) was formed with the Director General of the DGHS as its chair. All members were from various health-related bodies. Third, the National Technical Committee (NTC) was formed with the Director General of DGHS as its chair. Officials of the DGHS and IEDCR and representatives from other health-related bodies were made members. Members of both NCC and NTC are from subordinate offices of the DGHS. There was no room for independent expertise. Fourth, facing growing criticism, the MoHFW formed the National Technical Advisory Committee. It was chaired by the President of the Bangladesh Medical and Dental Council, and its members included renowned medical practitioners. The IEDCR Director was appointed as a member-secretary of the Advisory Committee. The management of the pandemic required a wider engagement from all relevant stakeholders (French, 2011; Christensen and Laegreid, 2020). Moreover, collaboration from all segments of society are highly desirable (Ohemeng and Huque, 2017).

Since the pandemic began, the World Bank, IMF, AIIB, and ADB have disbursed $1.75 billion in budget support. The project support disbursement is only 1.05 percent of the total commitment. A loan of $1.87 billion approved for six projects is still stalled due to a variety of issues. According to the IMF, “Bangladesh is one of the most densely populated countries in the world, which presents a significant challenge when attempting to contain the impact of a pandemic like COVID-19.” Another issue is a lack of health-care infrastructure. The health system’s capacity is being put to the test, and significant assistance from development partners is required. Just to respond to the initial impact, the country is estimated to require $250 million in clinical equipment, testing, and contact tracing. This sum will need to be mobilized with external assistance”. However, from the start, there has been a lack of accountability on the part of both government agencies and MDBs. The composition and formation of the task force, as well as the functioning of the 17 national committees, were almost ineffective, and no national integrated taskforce was formed, involving all CSOs and experts from the health sector, as well as economists, financial analysts, and others.

ERD officials claimed that “the money pledged by various agencies for budget support is being disbursed quickly. However, because extra time was spent on preparing project proposals, obtaining approvals from the Executive Committee of the National Economic Council (Ecnec), and concluding final negotiations with donor agencies, money promised by donors for project support has remained frozen. They also blamed the slow implementation of projects for the low

21 https://bit.ly/3o66oXm
22 https://bit.ly/33xS3cs
Disbursement of aid; and the delay in implementation leads to time and cost overrun, which negatively impacts the balance of payments leading to increased borrowing from domestic sources”. Experts claimed that it was high time to utilise the foreign funds to save the lives of people and revive the economy. However, the ERD identified some reasons for the delay in foreign aid disbursement. According to a recent report titled “Flow of External Resources in Bangladesh,” slow project implementation results in slow aid disbursement, which leads to time and cost overruns. It also stated that projects are frequently designed without adequate planning or feasibility studies. Furthermore, those involved in project preparations are not properly trained. In many cases, a faulty project design necessitates a revision to the development project proposal (DPP) even before the project begins. Furthermore, project personnel are frequently transferred or relocated to another job. Procurement bottlenecks and challenges in the land acquisition process also slow project implementation, according to the ERD report.

6.1 Mal-governance of external debt funded project on Covid 19 health responses

According to the World Bank's Dhaka office, the global lender announced disbursed US$287.47 so far while US$250 million as budget support and US$37.47 million from US$100 million of the emergency assistance for a health sector project. The project was the first foreign aided project after the coronavirus outbreak had begun, and had provision to get a 20-bed isolation centre and a five-bed critical care unit in each district hospital. Moreover, there was a plan to set up a 50-bed isolation centre and a 10-bed intensive care unit at each of the 17 medical college hospitals. Faster implementation of the project would reduce the current ICU crisis. Officials said there have been three project directors (PD) for the project since the beginning. According to DR Azizur Rahman Siddique, the project’s current project director, three-four project officials were deployed to investigate corruption allegations, which caused the project’s implementation to be delayed. Despite recent initiatives to accelerate progress, inquiries and audits of some government agencies and lenders are slowing the project. He also stated that the nationally significant project is only staffed by three or four people. With so few people, significant progress and disbursement of funds is difficult.

The IMF’s call to governments during the pandemic to ‘spend as much as you can but keep the receipts’ showed concern for a health sector project. However, it ensures that those ‘receipts’ are publicly accessible, comprehensive and credible - Sarah Saadoun, Senior Business and Human Rights Researcher, Human Rights Watch

Another project with support of the ADB worth $100 million has been taken at same time, but it has achieved no progress. The ADB has pledged $607.23 million in loans and grants directly for the health sector to address the pandemic impacts. Of this, $7.23 million will be grants only. The ADB’s $500 million budget support has been added to government funds. No money has been disbursed as there is no progress on the $100 million loan project. Abdul Baki, additional secretary to the ERD and head of the World Bank wing, told The Business Standard it was true that loan agreements of some projects were taking longer due to delays in project approval and final negotiations. It takes extra time to get project support as it is related to implementation.
As a result, accountability has not been ensured; no action has been taken against the concerned suppliers in the case of corruption in the purchase of N-95 masks, and the officials and employees involved have not been held accountable, and even the investigation report has not been published; rather, actions (transfer, show cause notice, OSD) have been taken against four doctors who raised concerns about quality of the masks and protective gear. In many cases, the limited steps that have been taken have been 'eye-washed' and lack continuity; and the opportunity for journalists to ask questions at press briefings has also been eliminated.

The vested interest groups have seized the opportunity to profit from the emergency response. As a result, lower-quality medical equipment, such as masks and personal protective equipment, was provided to medical workers. Many doctors became infected and died, making Bangladesh’s doctors’ mortality rate the highest in the world. Bangladesh is positioned at 146 among 180 countries in the latest rankings of corruption perception index (CPI) of Transparency International. TIB study has revealed that “71% of the hospitals are facing disruption in treating COVID-19 patients due to low quality protective gears; the government’s claim of distributing 2.3 million PPEs should have provide at least 30 sets of PPEs to all 75000 health workers. However, many health workers who did not receive any PPEs complained, and all physicians in 25% of hospitals and all nurses and other staff in 34% of hospitals complained of not receiving PPEs”.

Weak integrity during COVID-19 in Bangladesh ranges from bribery in health clinics to misappropriated aid. Furthermore, corruption is prevalent in the procurement of medical supplies as well as contracts between powerful businesspeople and government officials. The value of reporting any of these irregularities/corruptions is used to create this index. If an individual reports corruption/irregularities/harassment, the value will be one, and then all of the individual’s values will be added to measure the intensity of corruption and others.

6.2 Unusual delay in life-saving equipment funded by MDBs

"Equipment for oxygen supply has been stuck at the Hazrat Shahjalal International Airport for the last 10 months. There are 300 ventilators in the Central Medical Stores Depot (CMSD). But the coronavirus patients are not getting oxygen in the hospitals. The casualties due to coronavirus are increasing every day". This information on life-saving medical equipment was found in the progress review of two separate projects funded by the WB and the ADB. A total of Tk 67.85 billion (Tk 6,785 crore) has been allocated for the project named “Covid-19 Emergency Response and Pandemic Preparedness” funded by the World Bank. In addition, Tk 13.64 billion has been set aside for the ADB-funded project "Covid-19 Response Emergency Assistance." Both projects have three-year duration, and these two projects began in April 2020 and are expected to be completed by June 2023.

Even during the pandemic, there was negligence, inefficiency, and inactivity. Furthermore, there is a lack of effective initiatives for project implementation. On 11 April of 2021, a virtual meeting was held at the initiative of the Ministry of Health on the progress of two projects funded by the WB and ADB. It was presided over by Secretary Lokman Hossain Miah, and senior officials from several other ministries, as well as two project directors and several officials from the Directorate.

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23 https://bit.ly/2RBUh86
24 The CPI uses a scale of 0 to 100, which means 100 is very clean and 0 is most corrupt. Bangladesh’s score in the latest index is 26.
General of Health Services, were present (DGHS). According to an official who was present at the meeting, some work was supposed to have been done on an emergency basis under these two projects. The project started but was halted after allegations of irregularities and corruption surfaced. Several key positions at the DGHS and the Ministry of Health have changed, but work on the projects has stalled. According to documents distributed to officials at the meeting on April 11, medical equipment purchased through UNICEF under a World Bank project has been stuck at the Hazrat Shahjalal International Airport for a long time. There have been issues with determining who will sign and release these medical supplies.

In July of last year, after the project began, UNICEF purchased this medical equipment for $12 million (Tk 102 crore) on an emergency basis from various companies all over the world. This includes 1,200 oxygen concentrators, which separate oxygen from air and convert it into usable form. Apart from that, there are also a huge number of high flow nasal cannulas, masks, Personal Protective Equipment (PPE) and so on. All of these have been stranded at the airport for the past ten months, with much of the equipment damaged. According to the documents, UNICEF designated the CMSD authority as a co-signatory for the equipment’s release from the airport. This created a complexity regarding tariff duties. Even after ten months, officials have not been able to resolve the problem. UNICEF gathered these medical supplies at a time when the global prevalence of coronavirus was much higher. These items were in short supply at the time. These medical supplies are now stuck at the airport, and hospitals are unable to use them.}

Public debt for private gain from vaccination

"It was because of Beximco’s pressure in their business interest that the government could not have alternative vaccine sources though both Russia and China had approached Bangladesh to sign deals,’ Momen went on’, commented by the Foreign Minister of Bangladesh. It is noted here that Beximco earned a profit of Tk 38 crore against its supply of 50 lakh doses of vaccine to the government and the Foreign Minister claimed that due to pressure of Beximco, owed by Advisor to Prime Minister, the government couldn’t negotiate with other suppliers prior to crises. Recently, the government has approved Russian Sputnik and Chinese Sinovac vaccine for supply and production locally.

The World Bank’s Board of Executive Directors today approved $500 million in financing from the International Development Association (IDA) to help Bangladesh vaccinate 54 million people against COVID-19.1 Moreover, the ADB also agreed to provide Bangladesh with $940 million in loan for coronavirus vaccine doses and healthcare service enhancement. This is the largest loan support Bangladesh is receiving for the coronavirus vaccine so far, reports and the ADB board is expected to approve the funds in April of 2021; 50 per cent of the proposed fund, or $470 million, will be soft loan with 2.0 per cent interest. Interestingly, the terms for the rest of the funds have not been finalised, but there may be a 0.5 per cent commitment charge in addition to the London Inter-bank Offered Rate, or Libor. Bangladesh will have to repay the loan in 30 years with five years of grace period. In addition to that, the Asian Infrastructure Investment Bank or AIIB has also agreed to provide $100 million to Bangladesh for the vaccine. It means that, despite the fact that Bangladesh has been a victim of a global pandemic in terms of both economic and health hazards, a vested interest group connected to high-level government officials is pushing for loans for vaccination worth around $1.54 billion.

Watchdog agency TI-Bangladesh commented that “…though the government’s initiative to promptly collect Oxford-AstraZeneca shots from Serum Institute of India is commendable, the commercial agreement in this regard and the possibility of timely collection from this source could not avoid controversy. The manner in which the health ministry has tried to call the trade agreement as a G2G one in the face of uncertainty over getting vaccines is unwelcome. There are also questions over how the existing laws of the Drug Administration were followed during the quick approval process of Covishield vaccine and on the basis of which file this decision was made. It is also unclear whether there was any rationale or consideration or the process and policy followed while taking decisions by the government to pay the cost and commission money to Beximco for directly purchasing the vaccine. It’s contrary to the transparency of government procurement at any level. Health Ministry has suffered from an indecision from the beginning over the collection of Covid-19 vaccine, though the decision was made for the trial of China’s Sinovac inoculation, it was finally cancelled after it was kept pending for a few months. And in the controversy over uncertainty of getting the vaccine, trials for the local firm ‘Globe Biotech’ got necessary approval. At the same time, Bangladesh has decided to collect Covid-19 shots developed by Pfizer-BioNtech through COVAX despite complexities over the preservation of these vaccines in Bangladesh”.

https://www.thedailystar.net/business/news/beximco-profits-tk-77-each-vaccine-dose-2087353
7. External Debts, Human Rights and Neoliberal Approach

IMF and other MDBs have mobilized the funds to health sector considering the dire needs of being equipped with proper materials for test and treatments of Covid-19 patients. Considering the weak governance systems of the health sector of Bangladesh, TIB warned earlier that “Public procurement, as rushed as it may often require in crisis situations, must be subjected to transparency and accountability. All kinds of procurement risks like collusion, political bias, conflict of interest and over-pricing must be prevented by ensuring compliance and accountability without favour or fear. Improved transparency and accountability will boost public trust and credibility of the government as well as donors. Improved transparency and accountability will boost public trust and credibility of the government as well as donors.”

It was clear that, in the name of emergency, there was a gap in assessing the feasibility and evidence-based prioritization of sectors for utilizing the costly debts. Even MDBs or fund-giving entities were unable to provide a meaningful safeguard to prevent corruption in public procurement of health-related equipment and distribution of relief materials in their funded projects. Local offices of MDBs didn’t take the integrity risks into consideration. Health workers’ health risks and crisis in medical management increased due to poor integrity in the supply of unhealthy protection materials. There has been a tendency to ignore specialists’ opinions. Due to lack of widespread social participation and proper information dissemination with the deserving beneficiaries many of them were deprived in the relief distributions for Covid-19 victims. Moreover, in case of prioritizing the SMEs and small farmers many of them were missed out from proper targeting. Business-friendly and loan-based bank-dependent stimulus packages, insufficient financial assistance for the extremely poor, and the possibility for debt defaulters to receive loans from these packages make these incentives the least likely to reach the general public. Finally, the tendency to cover up mismanagement through restrictions on disclosure of information and to hold whistle-blowers accountable encourages corruption in various ways, and MDBs should be held accountable for such drastic decay in integrity, whereas the utmost practice of integrity is required at all levels of the responses were expected from all stakeholders.

7.1 Universal Health Care - Experiences of Covid-19 Patients

Bangladesh, an LDC with poor governance, has made remarkable progress in reducing polio, small pox, infant and maternal mortality, serving as a model for many other countries around the world. The Government of Bangladesh’s mass free vaccination program has made a significant contribution to the control of diseases such as polio, diphtheria, and tetanus. Bangladesh is also a pioneer in the control of diseases such as cholera, typhoid, and dysentery through the use of low-cost, people-friendly home-made saline, hygiene, and improved access to toilets.

The First Five Year Plan (1973-1978) advocates the establishment of an integrated and comprehensive rural health care system aimed primarily at infants, children, and mothers, which is a significant departure from the current health-care system, which is urban-based and curative in nature. The Plan emphasizes the importance of providing low-cost health care to the majority of the rural population. The government passed the National Health Policy in 2011, with the goal of providing healthcare to all citizens. However, some limitations have been identified in the Policy, such as the fact that no initiatives have been taken thus far to develop specific laws or regulations to ensure the accountability of health personnel (Article 14). Though the Code of
Medical Ethics has created a doctor’s registration can be cancelled due to gross negligence, [Clause 5 (A)] the application of this has been very limited. Consequently, the existing public health system is centralized, there is a weak governance and regulatory framework, management and institutional capacity of the Ministry of Health and Family Welfare (MoHFW). Furthermore, inequitable allocation of doctors, paramedics/nurses, alarming vacancy rates at the upazila level, an increase in the number of deputation postings, and inadequate facilities/incentives for health professionals posted in rural areas are major barriers to accessing public health.26

To address the Covid-19, the government of Bangladesh has already sought foreign assistance from a variety of external sources, including the ADB. The ADB’s "COVID-19 Response Emergency Assistance Project" aimed primarily at increasing Bangladesh’s health sector capacity. The COVID-19 pandemic has exposed vulnerabilities in health care systems across South Asian countries, including Bangladesh, ranging from poor management to the quality of available health care. As we respond to and learn from this crisis, we have an important opportunity to re-examine the health-care sector, including the need for strategic resource allocation. Bangladesh has an estimated 0.3 doctors and 0.8 hospital beds per 100,000 inhabitants. Capacity constraints have turned medical facilities into sources of contagion and have forced them to turn patients away.

Figure v: Trend in physicians-nurses-hospital beds ratio in Bangladesh

Source: Analyzed from Data on World Bank27, 2021, due to unavailability of data couldn’t possible to provide year-specific all data.

Not only to achieve SDG targets for Bangladesh but also quality and affordable health services for all citizens or sustainable healthcare system we must have enough doctors to serve citizens. However, in terms of the requirements for the people in access to health services or availability the achievement is insignificant. In 1971, for 10,000 people availability of the doctor was 1.2

27 https://bit.ly/3vV1OWg, extracted on 29th April of 2021
(First Five year Plan, 1972) and in 2018 that has been increased to 5.8 however, standard is at least one physician would be available for 600 people. The doctor and nurse ratio in Bangladesh is 1:0.48, whereas 1:3 is considered to be the standard. The nurse and bed ratio is 1:13, whereas the standard ratio is considered to be 1:4 for general bed and 1:1 for the specialized bed. There is only nurse for every 11,696 population (1:11,696), and one medical technologist for every 27,842 population (1:27,842), which are also well below the international standard. In fact, there is no proper assessment of the required manpower, financial and technical resources to achieve UHC for all citizens. It is required to define the strategy on how much external finance would be taken over the period without making the citizens as well as economy burdensome.

Figure vi: Comparative scenario of doctors-patient and nurse-patients in South Asian countries

![Comparison of doctors and nurses in South Asian countries](image)

Sources: Analyzed by the author.

In Bangladesh, the number of doctors, nurses, and midwives per 10,000 people is insufficient not only to improve access to public health facilities but also to deal with the pandemic situation. Bangladesh’s current doctor-patient ratio places the country second from the bottom among South Asian countries (Figure 2). According to DGHS data, among the 26,438 posts sanctioned under the directorate, however, 20.4% are currently vacant. However, 4,749 ninth grade doctors are posted as attachment [officer on special duties] in Dhaka division, against 643 sanctioned posts. However, Dhaka alone has 2,514 more doctors than the total number of posts sanctioned for the division under the Directorate General of Health Services (DGHS). The Prime Minister and the (MoHFW) have repeatedly requested that doctors work in rural areas, but the problem persists. Doctors and nurses stationed outside the capital transfer to Dhaka via various lobbying or connections with powerful quarters. Procedure in human resource management, procedures of promotion, selection grade, and regularizing ‘In Charge’ positions are quite lengthy in the health sector. For example, the process of promotion of doctors in administrative posts is very time-consuming. In some cases, the ‘In Charge’ position is given to the juniors violating the
seniority. It is observed that the post remaining vacant against sanctioned post is due to the lengthy procedure and lack of co-ordination among the ministries of Health, Public Administration, and Finance. Legal procedures such as writ petitions filed against different appointments also cause delay in the recruitment procedure. As a result, hospitals outside of Dhaka are experiencing a physician shortage, and rural residents are unable to receive treatment. And there was a severe shortage of doctors at the "district level and below." Moreover, “lack of initiatives in the Policy is to make pathological and other charges of private institutions within a tolerable limit (Article 16). There are a number of limitations in terms of implementation of the Medical Practice and Private clinics and Laboratories (Regulation) Ordinance, 1982, which was adopted to regulate medical practice and functioning of private clinics and laboratories. With regard to inspection of registered medical practitioners, private clinics or private laboratories by the Director-General or any officer authorized by him, the number of the times or interval of the inspection is not mentioned [Clause 11 (1)]. The fees/charges are not updated and not commensurate to present context [Clause 3, Schedule A (2)], as a result of which the opportunity has been created to take arbitrary charges from patients, and huge differences of fees among institutions are found”. Though government has allowed the private health services, they are unregulated and usually people fall victim to tyranny and harassments.

Figure vii: Access to Treatments by Covid-19 patients across Income Groups

Source: Change Initiative conducted study on response to Covid-19 on health sector of Bangladesh, January, 2021

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28 Dr Iqbal Anwar, scientist and coordinator of the Strengthening Health, Applying Research Evidence (SHARE) project under the Universal Health Coverage Programme of icddr,b, Health Policy Dialogue (HPD), at CIRDAP in Dhaka, the Dhaka Tribune, 21st July 2019

29 Governance Challenges in the Health Sector and the Way Out, TIB, Transparency International Bangladesh, 2014
Due to poor access to health services, 79% of Covid 19 patients stay at home and get treatment over the phone.\textsuperscript{30} Not only were services poor, but several other activities, such as the failure to provide required PPEs and the lack of a regulatory mechanism to oversee private hospitals, were also in disarray. Besides, private hospitals that were listed to battle COVID-19 ‘first wave’ could not be taken into the process. Some large and reputable hospitals and laboratories were granted permission to conduct tests (general and migrants separately) and provide treatment. However, their presence in the COVID-19 response merely improved services as they focused their efforts on making money.

Some income groups are created by considering percentiles of income data.\textsuperscript{31} According to the findings, 50.0 percent of those who sought treatment for COVID-19 from private hospitals belonged to the lower income group, while only 5 per cent belonged to the lower middle-income group. The poor were the most exploited group by private health service providers. By contrast, the higher income group was the least in percentage in regard to taking treatment from government hospitals.

The government’s budget allocation to the Ministry of Health and Family Welfare (MOHFW) has been hovering around 5% for many years. On June 30, however, the Bangladesh Parliament passed the FY2000-21 budget, which included increased allocations to sectors dealing with the effects of COVID-19, such as health, education, agriculture, and social welfare. The proposed expenditure of US$ 66.8 billion (BDT 5,680 billion), was 8.6 percent higher than the original FY20 budget. Allocation to the health sector stands at 5.14 per cent of the total FY21 budget. This low expenditure towards health in Bangladesh is not a new phenomenon. In 2017, health expenditure was 2.3 percent of GDP, substantially lower than the South Asian and Lower Middle Income Country (LMIC) average at 5.3 percent and 5.4 percent of GDP.


\textsuperscript{31} Lower income (Income ≤25,000 Taka), Lower middle income (25,000 Taka < Income ≤ 32,500 Taka), Middle income (32,500 Taka < Income ≤ 60,000 Taka), Higher income (Income >60,000 Taka)
Public spending on health has gradually decreased, and it is still the lowest in terms of the requirements, which were already low in recent years, and such low spending does not help. Zahid Hussein, lead economist of the World Bank's Dhaka office who added that the poor are not “in a position to access privileges that the government gives to particular businesses and interest groups” such as “bailouts”, which have vacuumed away Tk 10,272 crore of government funds as of September last year, that could have gone into providing improved healthcare—not only to offset the aforementioned problems, but because that generally benefits less wealthy sections of society.

Figure ix: Private expenditure (% of current health expenditure) in Bangladesh

![Graph showing private expenditure (% of current health expenditure) in Bangladesh over the years.](https://bit.ly/3xUzrl7)

The government response has lagged behind the severity of the situation. Authorities implemented an emergency response program worth 1 per cent of GDP, equivalent to US$ 3.4 billion, whereas developing countries spent on average 2.2 per cent of GDP in emergency responses to the pandemic. In the name of liberalism, public health services deteriorated while private health care services expanded rapidly without ensuring standards or regulating fees and charges. Historically, the health sector has been more prone to corruption. According to a 2018 Transparency International Bangladesh study, over 63 percent households sought healthcare from the private sector, which shows a lack of availability of public healthcare facilities, people were forced to seek treatment from private hospitals. And, out-of-pocket (OOP) or private healthcare expenditure in Bangladesh has been around 74 percent (Figure 5) and the highest in South and Southeast Asia—whereas the global average was 32 percent, which shows the lack of government control over healthcare costs because the private sector has no accountability. The combination of these two has had disastrous consequences. According to a study conducted by the International Centre for Diarrhoeal Disease Research in Bangladesh, OOP healthcare expenditures push four to five million people into poverty each year. MDBs approved millions of dollars for public health services, but the government has shown little interest in increasing its involvement in providing better healthcare services due to the lack of a concrete roadmap or setting targets by MDBs to focus the role of public health services to ensure universal access to...
health services; healthcare is a quasi-public good that benefits every citizen and thus where
government support should be focused on improving public health services.

In this situation, corruptions that occurred in Regent Hospitals and others have called into
question the DGHS's regulation. As a result, the government decided to re-set the fees for private
hospital services. Several times in September and October, the Ministry and DGHs warned of raids
on private clinics; yet many private hospitals did not update their registrations. Even the Civil
Surgeons of some districts were warned to compile a list of private hospitals that had evaded the
process. The health ministry has inaugurated new health care facilities.

8. Equity and Justice in Stimulus Packages

Despite the fact that more than 6 million people lost their jobs as a result of the pandemic, a lack
of social safety nets and a high level of vulnerability among the population have pushed millions
into poverty. Before Covid-19 arrived, eight out of ten people in the country were poor or on their
way to becoming poor. As a result of the pandemic, the number of poor people in Bangladesh is
set to double from 32 to 64 million people, affecting 40.9 per cent of the population. A survey
found that 75 per cent of respondents reported not having enough food, while 91 per cent
reported not having enough money to buy food. Children and women have been particularly
badly affected. Schools have remained closed for most of the last 14 months and 39 million
children have been unable to attend classes as a result. However, the MDBs did not prioritize the
expansion of digital facilities for remote areas of the country to access education via online. Before
the pandemic, women in Bangladesh spent 3.4 times more hours than men on unpaid care and
domestic work activities, a burden that grew significantly after the Covid-19 outbreak began.
Recent improvements in the area of gender equality are thus set to be reversed as a result of the

CPD claimed that “about 62 per cent lost their jobs at some point (mostly in April and May 2020
when the ‘general holiday/lockdown’ was in place) due to COVID-19. More than 85 per cent of
the employed people in the pre-COVID period who had lost the jobs became unemployed for more
than one month. For more than 40 per cent of the employed population, the employment situation
was worse than the pre-COVID-19 period. About 86 per cent of the individuals are not earning
enough to meet their daily necessities. The average income of individual was eroded by about 12
per cent. The decline in income has pushed a significant number of people into lower-income
groups – indicating a higher poverty incidence. At the same time income inequality increased.”

It should be noted that, according to the Bangladesh Bureau of Statistics' Household Income and
Expenditure Survey, the country’s Gini coefficient (measure of inequality) increased from 0.458
in 2010 to 0.482 in 2016 before the Covid situation.

Covid-19 has exacerbated income inequality, and external debt financing for poverty reduction
MDBs were provided, but the question remains as to where the money has been spent, and
despite claims that neoliberalism would improve people’s economic conditions, Oxfam ranked
economic growth in recent years has been far from inclusive.”

32 https://bit.ly/3vU7wQs
33 https://www.thedailystar.net/frontpage/news/inequality-all-time-high-1745569
Additional support for the healthcare sector, transfer programs for vulnerable populations, agricultural subsidies, and wage support for workers in export industries were among the measures implemented in Bangladesh. Moreover, the government established a scheme to subsidize interest payments by business to banks to the tune of 2.6 per cent of GDP, equivalent to US$ 8.8 billion. The scale of the subsidies is related to the massive impact of the pandemic on the Bangladeshi economy: economic growth was projected to slow down from 8.2 to 3.8 per cent between 2019 and 2020. At the height of the crisis, industrial production fell by 70 per cent while 91 per cent of small- and medium-sized enterprises (SMEs) reported sharp reductions in cash flows.

Table 6: Priority Assessment by Communities and Sector Key Informants

<table>
<thead>
<tr>
<th>Key Immediate Needs</th>
<th>Community Assessment</th>
<th>Medium Term Needs</th>
<th>Community Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priorities</strong></td>
<td><strong>Priority Rank</strong></td>
<td><strong>Priorities</strong></td>
<td><strong>Priority Rank</strong></td>
</tr>
<tr>
<td>Food Security and Nutrition</td>
<td>1</td>
<td>Food Security and Nutrition</td>
<td>1</td>
</tr>
<tr>
<td>Hygiene, sanitation and dignity</td>
<td>2</td>
<td>Hygiene, sanitation and dignity</td>
<td>2</td>
</tr>
<tr>
<td>Income and employment</td>
<td>3</td>
<td>Health care (incl. reproductive health)</td>
<td>3</td>
</tr>
<tr>
<td>Health care (incl. reproductive health)</td>
<td>4</td>
<td>Income and employment</td>
<td>4</td>
</tr>
<tr>
<td>Education and Child Protection</td>
<td>5</td>
<td>Education and Child Protection</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Sectoral Priority Key Informants Assessment</th>
<th>Mid Term Sectoral Priorit</th>
<th>Priority Key Informants Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Priority Rank</td>
<td>Sector</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>Food Security and Nutrition</td>
</tr>
<tr>
<td>WASH and GBV</td>
<td>2</td>
<td>WASH and GBV</td>
</tr>
<tr>
<td>Nutrition</td>
<td>3</td>
<td>Livelihood</td>
</tr>
<tr>
<td>Food Security and Nutrition</td>
<td>4</td>
<td>Health (incl. reproductive health)</td>
</tr>
<tr>
<td>Education and Child Protection</td>
<td>5</td>
<td>Education and Child Protection</td>
</tr>
</tbody>
</table>

*Source: Covid 19: Bangladesh Multi-Sectoral Anticipatory Impact and Need Analysis, Page 41*

It shows that though the community at the primary stage of Covid 19 identified food security and nutrition, hygiene, sanitation and dignity and IGAs in both primary and mid-term evaluation. However, sector experts prioritized access to WASH, livelihood supports, Food security and Nutrition for public investments. In case of funding we have observed that except health sector MDBs have less focused in allocations of funds for reducing economic vulnerability and WASH sector to enhance the by poor and lower income groups.

Bangladesh Bank extended the deadline for disbursing stimulus package for cottage, micro, small and medium enterprises (CMSME) by June of 2021. The extension comes in response to a slow pace in the lending of loans from the package. However, Banks disbursed 31.7 per cent of the package as of January 31 of 2021, though the deadline has already been extended twice, many
banks showed unwillingness to disburse loans to the SME sector, which is counterproductive with the objective of the stimulus packages. In that case, neither the regulated agency nor the fund providing MDBs can avoid responsibility. All the banks have showcased a lackluster performance in the first year of the package’s disbursement.\textsuperscript{34}

Figure x: COVID-19 Response Program and Disbursement Rate (as of Jan’2021)

<table>
<thead>
<tr>
<th>Description</th>
<th>Disbursement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special honorarium for doctors, nurses, etc.</td>
<td>0.00%</td>
</tr>
<tr>
<td>Pre-shipment credit refinance scheme</td>
<td>2.40%</td>
</tr>
<tr>
<td>Expansion of allowance programs</td>
<td>2.90%</td>
</tr>
<tr>
<td>Health insurance and life insurance</td>
<td>3.40%</td>
</tr>
<tr>
<td>Working capital for cottage, micro, small and medium businesses</td>
<td>31.70%</td>
</tr>
<tr>
<td>Free Food Distribution</td>
<td>42.70%</td>
</tr>
<tr>
<td>Construction of home for homeless people</td>
<td>57.00%</td>
</tr>
<tr>
<td>Additional procurement of paddy /rice (2.0 lac)</td>
<td>59.20%</td>
</tr>
<tr>
<td>Working capital for industries and service providers</td>
<td>62.80%</td>
</tr>
<tr>
<td>Agricultural lending program</td>
<td>67.10%</td>
</tr>
<tr>
<td>Cash transfer to targeted poor people</td>
<td>69.90%</td>
</tr>
<tr>
<td>Bangladesh Bank Export Development Fund</td>
<td>72.50%</td>
</tr>
<tr>
<td>Support for farm mechanization</td>
<td>84.10%</td>
</tr>
<tr>
<td>Open Market Sales at 10 BDT/kg</td>
<td>100%</td>
</tr>
<tr>
<td>Salaries and allowances for workers in export-oriented sectors</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: WB produced “Bangladesh Development Update”, published on April, 2021

“The package includes support to workers in export-oriented sectors (in the form of subsidized loans to employers), working capital loans to businesses, insurance and incentives for doctors, and additional programs for the poor and small businesses (see Table 6). Bank lending to firms accounts for 77 percent of the program, with interest rate subsidies borne by the government. Direct government expenditure accounts for 23 percent of the program. Out of a total of 9 packages that were announced, two have been fully implemented, while others, that were announced towards the end of 2020 and in early 2021 have not yet started. It is matter of shocking that special honorarium for frontline fighters (doctors, nurses and others) shows zero spending. Even the targeted cash transfer who suffered intensely was not ensured, due to bureaucratic delay around 30 percent fund was unused. IMF and WB have provided budget supports for the vulnerable poor and jobless families, but no effective mechanism has yet to be adopted to make sure the proper targeting of the victims rather following the business-as-usual process.

It has been demonstrated that only RMG sectors, well connected to power elites, received 100% allocations under stimulus packages due to their connections with the power elites. Furthermore, those RMG owners serve in the cabinet and on various bank boards. However, the rest of the SME or farmers are not influential, which is why the disbursement of funds is lower in comparison to others. Refinance scheme of BDT 5000 crore has been created to provide working capital from
BB’s own source. BB will charge interest 1% from banks and banks will charge 4% interest (max). Affected customers will be able to avail up to 20% extra of the existing loan facility under the scheme. The loan will be repayable within 18 months including 6 months grace period.

Banks are still far from meeting the disbursement deadline for farm loans under the associated stimulus package of Tk 5,000 crore as a third of the fund is yet to be given out. The package was announced in April of 2020 in the form of a refinance scheme, and Bangladesh Bank requested that banks distribute the funds by September 30. However, they had repeatedly performed poorly in this regard, forcing the central bank to extend the timeframe twice. On December 29, banks were asked to fulfill their disbursement target by March 31 of 2021 but they have so far distributed 68 per cent of the package, and a total of 144,903 clients have availed the fund in attempts to make their businesses vibrant. Under the Participation agreements of commercial banks with Bangladesh Bank 43 banks they are responsible to disburse loans from the stimulus fund dedicated to reviving the agriculture sector. However, due to absence of meaningful accountability, 16 achieved less than 30 per cent of their respective loan disbursement target set by the banking regulator till January 15.36

“The substantial gains in household incomes and poverty reduction achieved over the past two decades have been put at risk by the COVID-19 pandemic. The pandemic has severely impacted jobs and earnings and caused poverty to rise in FY20. A microsimulation exercise that considers the impacts of slower GDP growth, income losses of informal workers in impacted sectors, as well as temporary reductions in international remittances, estimated that the upper poverty rate, based on the national poverty line, reached 30 percent of the population (7 percentage points above a non-COVID counterfactual scenario).”36

Consequently, with the finance from MDBs (through budget support and targeted funds for RMG workers and micro-enterprises) the government of Bangladesh mobilized funding and relief supports for the unemployed and poor, but due to widespread corruption by local elites, entitled or deserving people from lower income groups have been victims of the corruption. Though MDBs provided funds for the Covid-19 response, they did not ensure a prior reliable system for mobilizing relief and other supports to Covid-19 victims. TIB study revealed that No beneficiary list was followed in 42% areas in relief distribution in 82% of the areas, there are allegations of political considerations in preparing list of beneficiaries for relief; and in all the areas allegation of corruption were raised in distributing the cash support for the ultra-poor. Affluent close relatives of public officials were allegedly included on the list, and a single phone number was used for more than 200 beneficiaries.

Table 7: Type of problems in enlisting of beneficiaries

<table>
<thead>
<tr>
<th>Type of problems in enlisting</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political consideration in</td>
<td>81.4</td>
</tr>
<tr>
<td>Not having NID</td>
<td>67.4</td>
</tr>
<tr>
<td>Not in permanent address</td>
<td>48.8</td>
</tr>
</tbody>
</table>

36 World Bank Macro-Poverty Outlook (April 2021)
218 incidents of corruption with regard to relief distribution were reported in the media up to 10 June 2020, where elected representatives (30%), local political leaders (24%), dealers (17%) and business people (14%) were involved. 89 local government representatives have been terminated temporarily, and cases have been filed, due their involvement in corruption in relief distribution. A total amount of 4,59,870 kilograms of rice, 30,855 kilograms of sugar, and over 8,000 litres of soybean oil was recovered in these incidents which have been procured from the budget supports of the government of Bangladesh. That is why the anomalies and corruptions conundrum could be controlled if local officials of MDBs could ensure the robust and digital identification, as well as monitoring, of all relief and response supports for the impoverished and growing poor.

Echoing the same voice Lawmaker Professor Dr Md Habibe Millat, who claimed that “aside from increasing the budget for the health sector, capacity building, transparency, and accountability are vital”.37

Dr Michael Hudson38 claimed that “finance was not a part of the economy, but grew by its own mathematical laws.” Their scribes noted how while compound interest grew “at the equivalent of 20 percent a year, doubling in five years and quadrupling in 10,” their herd population and agriculture grew (GDP of ancient times) as an “S-Curve and tapered off”. During the last century (era of neoliberalism), according to financial expert Max Keiser—the perception that “the faster companies could incur debt”, and made the debt “basis of the economy” was popularized. This brought about a historic change because “never in history did people think that the way to get rich was to go into debt,” says Dr Hudson. And yet this was being done by countries on a national level. “What Neoliberals failed to recognize was that money, while required to purchase a car or an education, was not a factor of production. And that banks in the process of providing people with credit—which is an unproductive activity in and of itself because it produces nothing extra but simply allows someone to acquire what has already been produced—were simply extracting wealth from the economy for themselves, with no benefit to the economy.

Basically, finance became the tool for the ultra-rich to gain their “uneearned” share from the “productive” activities and instead of providing tangible services that balance the scale such as healthcare, the service that the government has been providing is the facilitation of this wealth extraction—which, to some extent, is the service of “you scratch my back and I’ll scratch yours” essentially. Bangladesh is no exception to this reality, as, like every other country suffering from the curse of neoliberalism, huge amounts of money fled the country during this period, parallel to the hollowing out of banks and government-backed extortion of the public exchequer. That’s why, proper use of stimulus packages has been questionable and how effective would be that depends on the effective monitoring.

9. Lessons Learned and Way Forward

Both DFIs and the government of Bangladesh heavily emphasized on the growth performance and credit rating of the country. The MDBs existing safeguard mechanism against misappropriation of costly external debt has been found ineffective, especially how the country level governance and integrity situation (case-by-case) would be handled properly

37 https://bit.ly/3ezX0wQ
38 Professor of economics and economic history who wrote And Forgive Them Their Debts, also first invented the concept of the Jubilee Year (derived from debt jubilee
beyond the business-as-usual framework is absent from the whole DFI finance mechanism. Furthermore, though the MDBs claim to contribute to the SDG targets by leaving no one behind but in reality, they primarily focus on GDP growth. Per capita income of Bangladesh has increased from USD 1,909 in FY2019 to $2,064 in FY2020. However, this figure does not reflect the plight of pandemic victims who have been denied access to treatment or relief. GDP growth means nothing to the poor, whose income is far below the average per capita income, and it will never improve their situation. Equity in allocation and distribution are major predicaments to bring almost fifty percent of the population out from poverty-cycle. Real political will and meaningful oversight is required and without effective engagement of the citizens there is no alternative to recovery from both economic and social recovery from the pandemic. A ‘Green Deal’ has to be agreed by all stakeholders and MDBs have crucial role to ensure transparency, accountability, integrity and inclusiveness at every stage of finance.

Credible data and better measure of economic advancement, however, unfortunately, ‘number gain’ in economy will miss to project the extent of adverse impacts of the pandemic on the large section of the population. As a result, policies will be insufficient to address people's sufferings and recover from the challenges posed by the ongoing crisis. DFIs should reconsider their financial operations because pandemic-affected LDCs are already on a knife-edge, struggling to deal with climate change, Covid-19, and weak integrity all at the same time. If LDCs do not receive grant-based public financing, they face the grave risk of falling into an irreversible debt trap. Based on that knowledge, the following recommendations are proposed:

**For DFIs/MDBs**

- To ensure meaningful accountability of both the supply and demand sides of external debts, a new global pact or green deal is required.
- All DFIs should develop a prior robust, inclusive, and transparent mechanism to assess the feasibility of both emergency and regular debt financing.
- Assessment of the fund requirements and utilization mechanism should ensure the highest proactive disclosure of information, mutual accountability, equitable distribution and zero-tolerance against violation of integrity in practices.
- An independent or citizen-led project design, implementation, and monitoring would be a critical or integral part of any project/program implementation, and digital technology, as well as an AI-based monitoring system, would be used at each stage of the funding cycle.
- Address the corruptions allegations concerned; MDB’s Integrity Unit would directly engage with local CSOs and citizens of fund recipient country to gather information from the ground not only post audit but also during the design and implementation phases.

**For Government of Bangladesh**

- The COVID-19 reinforces the importance of speeding up the reforms for enhancing revenue performance, private investment climate, export diversification and domestic job creation.
- Allocate at least 5 per cent of GDP for health sector of Bangladesh from 2021-22 (FY2021) to achieve SDG targets as well as ensuring the UHC for all citizens. Strategic reform is required in several areas relating to healthcare, social protection, access to safe water and sanitation, and proper waste management.
- To design projects to maximize dual-use benefits for local communities. The best way of doing this would be to engage local communities at the design phase. If this proves difficult, development partners and anti-corruption activists could at least ensure that
projects have been deliberately and carefully designed to provide the highest level of
dual-use community benefits based on comparisons of alternative designs.

• All citizens should have access to public health facilities, and the poor or lower income
groups should be eligible for public subsidies.
• A forward looking strategy of inclusiveness is to be formulated soon to empower every
citizen to participate fully and benefit from the ongoing nature disruptive
development process so that the poor and vulnerable would avail social protection-
based income transfers.
• The integrity unit of project implementing agencies should effectively engage local
CSOs, community representatives, and LGIs by allocating resources and introducing
digital technology.
• Introduce the exemplary incentives (both positive and negative) in case of violating
RtI Act and committing corruptions.
### Annex-1: Summary of Stimulus Packages and Monetary & Exchange Rate Policy

<table>
<thead>
<tr>
<th>Policy Responses</th>
<th>Broad Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monetary, Exchange Rate and Bank Liquidity</strong></td>
<td></td>
</tr>
<tr>
<td>CRR</td>
<td>Cash Reserve Ratio (CRR) requirement has been reduced from 5.5% to 4.0%</td>
</tr>
<tr>
<td>Repo</td>
<td>Repo interest rate has been also cut gradually from 6.0% to 4.75%</td>
</tr>
<tr>
<td>Reverse Repo</td>
<td>Reverse Repo rate has been slashed from 4.75 percent to 4.0 percent</td>
</tr>
<tr>
<td>Bank Rate</td>
<td>Bank rate has been reduced from 5.0 percent to 4.0 percent</td>
</tr>
<tr>
<td>Security Buy Back</td>
<td>BB announces to buy back government securities from the secondary market as some banks and FIs act as primary dealers of such securities to ease their liquidity.</td>
</tr>
<tr>
<td>ADR</td>
<td>The advance deposit ratio (ADR) has been extended from 85.0% to 87.0%. Similarly, The investment deposit ratio (IDR) has also been extended from 90.0% to 92.0%</td>
</tr>
<tr>
<td>Term repo</td>
<td>Long term REPO facility (360 days) to banks and non-bank FIs’ from BB has been made available</td>
</tr>
</tbody>
</table>
| LC for Export and Import  | Banks permitted to extend LC usance (payment) periods for the import of raw materials, agricultural implements and chemical fertilizers (from 180 days to 360 days) and of life-saving drugs (from 90 days to 180 days).

Banks may, without repayment guarantee, advance credit up to USD 0.5m for import of corona virus-related life-saving drugs, medical kits/equipment and other essential medical items.

**EDF**

- The size of export development fund (EDF) has been enhanced to USD 5.0 billion.
- To facilitate export trade interest rates on EDF loans to ADs will be charged by BB at 1.00% pa, while ADs will charge interest to manufacturer-exporters at 2.00% pa

ADs may seek financing facilities from Export Development Fund (EDF) for settlement of import payments against back to back LCs under supplier’s/buyer’s credit

- BB has decided that bullet repayment will be permissible (earlier permissible only for import of raw materials upto USD 0.5m with usance period between 6 months to 1 year) for other usance imports under supplier’s/buyer’s credit, usance period can be below 6 months or above 1 year.

ADs are permitted to settle their payment against inland LCs in foreign exchange through their nostro accounts.

- Usance period has been extended for import of agricultural implements and chemical fertilizers from 180 days to 360 days

- BB is permitting foreign owned/controlled companies operating in Bangladesh to take short term working capital loans from their parent companies/shareholders for funding payments of 3-month salaries. The facility is not applicable for those companies availing loan from BDT 50bn stimulus package.
<table>
<thead>
<tr>
<th><strong>Loan of EDF</strong></th>
<th>Loan limit from EDF fund has been enhanced. Now ADs may borrow maximum USD 30.0 million. Previously it was USD 25.0 million.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture Sector</strong></td>
<td>Refinance scheme of BDT 5000 crore has been created to provide working capital from BB’s own source. BB will charge interest 1% from banks and banks will charge 4% interest (max). Affected customers will be able to avail up to 20% extra of the existing loan facility under the scheme. The loan will be repayable within 18 months including 6 months grace period. Interest rate BB instructed banks to provide agricultural loan at 4% interest from banks’ own funds. Bank’s can claim from BB at 5% interest rate as subsidy in the crop sector to mitigate the crisis due to the novel corona virus</td>
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<td><strong>CSMEs</strong></td>
<td>Working capital Financial incentive package of BDT 20,000 crore to provide special working capital facility for CMSME sector. These loans will carry interest rate of 9%, 5% to be borne by Govt as a subsidy. Refinance Revolving refinance scheme of BDT 10,000 crore for CMSME sector to provide working capital facility to the entrepreneurs. Bank can borrow 50% of loan disbursed from BB at 4% interest rate.</td>
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<td><strong>Large Industry and service sector</strong></td>
<td>Working capital The government will provide a BDT 300 billion fund to banks for them to provide working capital loan facilities to affected industries. These loans will have a 9% interest rate, with the borrower bearing half and the government bearing the other half as a subsidy. Refinance BB has established Revolving Refinance Scheme of BDT 150 billion to ensure financing by banks. Banks can borrow 50% of loan disbursed from BB at 4% interest rate. Loan facility of export Industry Government announced BDT 50 billion (approx. USD 595m) stimulus package for export-oriented industries. This includes assistance towards salaries and funding of 2 year loans to factory owners at 2% interest (service charge).</td>
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<td><strong>Sustainable Finance</strong></td>
<td>Refinance The amount of refinance scheme has been enhanced to Tk. 4 billion from Tk. 2 billion against term loan for Green Products / Initiatives / Projects. Low-income professionals, farmers and micro businessmen Refinance Refinance scheme of BDT 3000 crore has been formed by BB’s own fund. BB will charge 1% interest to banks, banks will charge 3.5% interest to Micro Credit Financing Institutions (MCFIs) and MCFIs will charge 9% interest to customer. Customers will repay loan within 1 to 2 years including grace period.</td>
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<td><strong>Others</strong></td>
<td>Cash Transfer to 5 million vulnerable families by Govt. Government will transfer Taka 12.50 billion to 5 million vulnerable families through MFS. Each family will get Taka 2500.00 Interest suspension on loan and investment Interest charge on loan and investment by banks has been suspended for two months (April and May, 2020). Business community will be benefited enormously.</td>
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Table 5: Summary of Stimulus Packages by the government

<table>
<thead>
<tr>
<th>Broad Area</th>
<th>Stimulus Package</th>
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<tr>
<td><strong>Export Sector (including RMG)</strong></td>
<td>The government has established a fund of TK 5,000 crore for export-oriented industries, allowing approximately 5 million workers to continue earning a living and receiving salaries and allowances.</td>
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<tr>
<td><strong>Working Capital Loan Facility for Large Industries and CMSMEs</strong></td>
<td>To support affected enterprises in the industrial sector, the government has introduced a working capital loan facility of TK 30,000 crore at a subsidized interest rate for large industries. In addition, the government has created another working capital loan facility of Tk 20,000 crore at a subsidized interest rate for the Cottage, Micro, Small and Medium Enterprises (CMSMEs)</td>
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<tr>
<td><strong>Import Sector</strong></td>
<td>To facilitate the import of raw materials under the Back-to-back Letter of Credit facility, the government has increased the size of Export Development Fund (EDF) from USD 3.5 billion to USD 5 billion, at a reduced interest rate.</td>
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<td><strong>Pre-shipment Credit Refinance Scheme</strong></td>
<td>To improve the export competitiveness, a new Pre-Shipment Credit Refinance Scheme of Tk. 5,000 crore has been initiated through Bangladesh Bank.</td>
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<td><strong>Healthcare Professional</strong></td>
<td>The government has declared a special honorarium equal to the basic pay of two months for the doctors, nurses and other healthcare workers who are providing critical healthcare services to COVID-19 patients.</td>
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<td><strong>Frontline Public Servants</strong></td>
<td>The government has taken special arrangements to compensate frontline public servants (officials from field administration, law enforcing agencies and armed forces and other employees of public service) who directly engaged in enforcing initiatives and might get infected, and in the unfortunate event of deaths, to the family members of the deceased employees.</td>
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<td><strong>Food Aid</strong></td>
<td>A humanitarian aid including food aid has introduced by the government to support those who affected by sudden unemployment due to the coronavirus outbreak. A total of 4 lakh metric tons of rice and 1 lakh metric ton of wheat have already distributed among the poor free of cost.</td>
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<td><strong>Social Safety Net Programs</strong></td>
<td>The government has provided direct cash transfers of Tk. 2,500 each to 50 lakh selected ultra-poor families nationwide. Alongside, the coverage of the Old Age Allowances and the Allowances for Destitute Women has been widened to include all qualified persons in the poorest 100 upazilas in the country. The total number of new beneficiaries due to expansion of the Allowances for Disabled Persons and these two programs is 10 lakh 70 thousand. Besides, Tk. 2,130 crore has also been allocated to construct houses for the homeless population.</td>
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<td><strong>Agricultural Sector</strong></td>
<td>In order to keep the momentum of the agricultural production, the government has increased subsidies in the agriculture sector to TK 9,500 crore. Moreover, Tk. 200 crore has been allocated as incentives for farm mechanisation. The government is going to form an agriculture refinance scheme of Tk. 5,000 crore to provide required agricultural credit to farmers. Another refinancing scheme of Tk. 3,000 crore has been announced for small income farmers and traders in the agriculture sector.</td>
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<tr>
<td><strong>Low-interest Credit to Poor Farmers</strong></td>
<td>Tk. 2,000 crore will be distributed with low interest rate to poor farmers through three specialised banks and Palli Karma Sahayak Foundation (PKSF), with each receiving Tk. 500 crore.</td>
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