

COVID-19

CPD's Initial Assessment of Public Policy Interventions and Proposals for Food and Income Security of the Marginalised

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Lead contributions were provided by *Dr Fahmida Khatun*, Executive Director; Professor Mustafizur Rahman, Distinguished Fellow; *Dr Khondaker Golam Moazzem*, Research Director; and *Mr Towfiqul Islam Khan*, Senior Research Fellow, CPD.

Excellent research support was received from

Senior Research Associates

Mr Muntaseer Kamal

Mr Md. Al-Hasan

Mr Syed Yusuf Saadat

Programme Associates

Mr Abu Saleh Md. Shamim Alam Shibly

Ms Nawshin Nawar

Mr Tamim Ahmed

Mr Md Jahurul Islam

Ms Iqra Labiba Qamari

Research Intern

Ms Fariha Islam Munia

Mr Towfiqul Islam Khan was the Coordinator of the CPD IRBD 2020 Team.

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The CPD IRBD 2020 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

- ❑ Section I. Context Setting
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Section I. Context Setting

- ❑ The objectives of CPD's media briefing, which is being organised as part of its *COVID-19 Monitoring Initiative*, are three-fold:
 - To share CPD's assessment of GoB's public policy response in view of the ongoing corona emergency situation
 - To present CPD's proposals to ensure food and income security in the situation of severe disruptions and lockdown
 - To disseminate CPD's proposals which has sent to the NBR in view of the FY2021 budget
- ❑ In its first briefing, CPD had mentioned that because of COVID-19 the country is going to face challenges covering all sectors and concerning all citizens, particularly the marginalised sections
 - Public health; external sector; domestic supply chains; public finance and banking
 - Low-income and marginalised people: daily wage earners; self employed

- ❑ To revive the domestic economy, CPD proposed broad-based stimulus packages with expansionary fiscal policy, expanded public expenditure, quantitative easing and targeted sectoral policies
- ❑ To deal with the emergent scenario the government has come up with several initiatives
 - The Central Bank has taken a number of steps to inject liquidity in the banking sector (reducing the CRR & repo rate, purchase of bonds & bills)
- ❑ GoB has launched a Tk. 5,000 crore revolving fund in the form of credit line, at subsidised rate (2%) for export-oriented industry on March 25, 2020
- ❑ Announced a Tk. 67,750 crore stimulus package (about 2.35% of GDP) in the form of subsidised credit line support on April 5, 2020 for industries, SMEs and export-oriented sectors
- ❑ Tk. 5,000 crore loan package was announced for the agricultural sector

- ❑ While the focus and target of these initiatives have been appreciated by concerned stakeholders, there is a need for assessment of these from the point of view of:
 - a) sufficiency; b) implementation; c) delivery of results & d) governance

- ❑ Today's presentation will focus on following issues
 - Quick assessment of government's economic interventions in view of COVID-19
 - An estimate of the food and income support, particularly for the marginalised people
 - CPD's budget proposals submitted to the NBR

Section II. Assessment of COVID-19 Stimulus Packages and Key Measures Announced by the Government

COVID-19 Stimulus Package Announced by the Government

Stimulus Package	Description	Amount
Emergency allocation for healthcare	To purchase coronavirus test kits, different equipment, and costumes to deal with the COVID-19	Tk. 250 crore
Package for export-oriented industries	To provide working capital, particularly for payment of wages for workers	Tk. 5,000 crore
Package for affected large industries & services	As working capital; industries and business organisations will pay 4.5% interest, government will pay the remaining 4.5%	Tk. 30,000 crore
Package for affected small & medium industries	As working capital; industries and business organisations will pay 4% interest, government will provide the remaining 5%	Tk. 20,000 crore

COVID-19 Stimulus Package Announced by the Government

Stimulus Package	Description	Amount
Export Development Fund	To import raw materials; 2% interest	Tk. 12,750 crore
Pre-shipment Credit Refinancing Scheme	New loan facility; at 7% interest	Tk. 5,000 crore
Agricultural stimulus package	To provide loans to farmers at 5% interest	Tk. 5,000 crore
Total COVID-19 Relief Funds (as of 12 April 2020)		Tk. 78,000 crore

COVID-19: Incentives for Health Workers

- ❑ On 7th April 2020, the Prime Minister made an announcement to encourage those who are engaged directly in the fight against COVID-19 since March 2020 by announcing rewards for them
- ❑ In addition to the incentive, there will be health insurance ranging from Tk. 5 lakh to Tk. 10 lakh for the physicians and others if they are affected by COVID-19 while on duty
- ❑ Moreover, if those working since March 2020 by putting their lives in danger die while discharging their duties, the amount of health insurance will be five times higher

- ❑ **Bangladesh Bank** has undertaken a number of measures to ensure adequate liquidity in the financial system to support the operations of financial institutions
- ❑ It has announced to buy treasury bonds and bills from banks. Additionally, it has cut policy rates. For example, the central bank has lowered REPO rates from 6% to 5.75% effective from 24th March 2020. This was to be further reduced to 5.25% effective from 12th April 2020
- ❑ The central bank has also reduced Cash Reserve Ratio (CRR) from 5% to 4.5% (daily-basis) and from 5.5% to 5% (bi-weekly basis). These rates will be reduced to 3.5% and 4%, respectively from 15th April 2020
- ❑ Besides, Bangladesh Bank has raised the Export Development Fund to USD 5 billion with the interest rate fixed at 2%
- ❑ It has taken measures to delay non-performing loan classification, relieve late fees for credit cards, extend tenures of trade instruments, and ensure access to financial services

□ Refinancing for imports against usance back to back LCs (FE Circular No. 19, 12 April 2020ⁱ):

- Usance period of back to back LCs opened under supplier's/buyer's credit was extended to 360 days from existing 180 days
- Authorised dealers may seek refinancing facilities from Export Development Fund (EDF) for settlement of import payments against back to back LCs under supplier's/buyer's creditⁱ

Source: i) Bangladesh Bank. (2020a, April 12). FEPD Circular No. 19: Refinancing for imports against usance back to back LCs. Retrieved April 12, 2020, from Bangladesh Bank:

<https://www.bb.org.bd/mediaroom/circulars/fepd/apr122020fepd19e.pdf>

- Relaxation of quarterly repayment for imports under supplier's/buyer's credit (FE Circular Letter No. 11, 12 April 2020ⁱ):
 - Bullet repayment (a lump sum payment made for the entirety of an outstanding loan amount) will be allowed for imports under supplier's/buyer's credit for:
 - Import of capital machinery and spares for own use by industrial importers on up to 360 (three hundred sixty) days usance basis
 - Industrial raw material imports for own use of industrial importers (including back to back imports discussed in detail in the next Section) on up to 180 days usance basis
 - Import of coastal vessels including oil tankers and ocean going vessels including those procured for scrapping on up to 360 (three hundred sixty) days usance basis
 - Import of agricultural implements and chemical fertilisers on up to 180 (one hundred eighty) days usance basis
 - Import of life saving drugs (certified/declared as such by Drugs Administration Authority) on up to 90 (ninety) days usance basis
 - HR Coil, scrap, pig iron & sponge iron used for manufacturing of flat steel and long steel under steel industries for being used in own factories on up to 360 (three hundred sixty) days usance basis

Source: i) Bangladesh Bank. (2020c, April 12). FEPD Circular Letter No. 11: Quarterly repayment for imports under supplier's/buyer's credit - relaxation. Retrieved April 12, 2020, from Bangladesh Bank: <https://www.bb.org.bd/mediaroom/circulars/fepd/apr122020fepdl11e.pdf>

- ❑ Remittance against documents received directly by importers (FE Circular Letter No. 12, 12 April 2020ⁱ):
 - Authorised Dealers (ADs) are advised to execute import payments against documents received directly by importers provided that the goods have been cleared from the customs, and supported by authenticated copy of the customs bill of entry
 - Authorised Dealers (ADs) are also advised to facilitate the release of goods against documents received directly by importers, to avoid delay in release of goods and make payment accordingly

Source: i) Bangladesh Bank. (2020b, April 12). FEPD Circular Letter No. 12: Remittance against documents received directly by importers. Retrieved April 12, 2020, from Bangladesh Bank: <https://www.bb.org.bd/mediaroom/circulars/fepd/apr122020fepdl12e.pdf>

COVID-19: Measures Taken by Bangladesh Bank

□ Regarding Advance-Deposit Ratio-Investment-Deposit Ratio

- To bring the mobility in the domestic credit for private sector, overcoming the liquidity and to tackle the outbreak, advance-deposit ratio (**ADR**) for all the conventional banking, mentioned in the circular, has been increased by 2 % (**87 %** from **85 %**), while
- For the Islami Shariah based banks and the conventional banks operating on Islamic Shariah rules, Investment deposit ratio (**IDR**) for them has been increased by 2 %, which is **92 %** from **90 %**. Both of this will be enacted from April 15 2020

(DOS Circular Letter No. 2, April 12, Dept. of Offsite Supervision, Bangladesh Bank)

□ Deferral of the Regulatory Statement Submission to the Department of Off-Site Supervision

- Due to the public holiday to tackle the outbreak, the scheduled banks were advised to run the banking activities in a limited mode. With reference to this declaration, the **deferral regulatory statement** to the Department of Off-Site Supervision has to be submitted by the 10 days after finishing the public holidays declared by the Government and in the regular banking activities

(DOS Circular Letter No. 12, April 12, Dept. of Offsite Supervision, Bangladesh Bank)

- ❑ Financial stimulus package to mitigate probable economic impact due to breakout of Novel Corona Virus (COVID-19)
 - Financial stimulus package worth **Tk. 30,000 crore** declared by the Hon'ble Prime Minister on April 05 2020, will be provided as a **working capital loan to the affected industry and service sector** through the banking system. Against this 9% designated rate, the Government will pay half (4.5%) as the subsidy to the banks while the particular consumer of this loan will have to pay remaining half (4.5%) to the bank; (BRPD Circular No. 08, Apr 12, Bangladesh Bank)
- ❑ Management and Regulation of this **Financial stimulus package** of the loan has been given in the following:
 - Before the functioning of this activities of this package, the scheduled banks will have to receive acceptance letter from Bank regulation and policy department of Bangladesh Bank. The portion deemed as the subsidy by the Government will have to be received by the Accounts and Budgeting Dept. of the Bangladesh Bank
 - The duration of this package is 3 years; but for a single client or borrower against this loan, subsidy from the Government will be granted for the duration of maximum one year under this package

- ❑ Management and Regulation of this **Financial stimulus package** of the loan has been given in the following (contd.):
 - Those who have already default loan in the banks, will not be considered in this package. If a borrower or a particular company has already rescheduled their bad loan more than three times, they will not be brought under this package
 - This ongoing loan/investment will be termed as ‘Working Capital under Stimulus Package’. If the bank-client has a good business relation, then can be renewed further
 - “Single Borrower Exposure Limit” enacted by Bangladesh Bank will be followed
 - There will be a “Special Monitoring Unit” under the Bank Regulation Policy Dept. (BRPD) of Bangladesh Bank
 - For conducting this activity transparently, a “Special Cell” will be formed under the direct supervision of the Bank’s Managing Director
(BRPD Circular No. 08, Apr 12, Bangladesh Bank)

31-point Directives of the Government

In addition to that the Relief Funds, the Prime Minister had given 31 -point directives on 2nd April 2020 in view of COVID-19. Some of these are as follows:

Directive	Observation
11) No corruption will be tolerated in relief activities	Shortcomings such as <i>inadequacy of allocation, weaknesses in targeting, leakages, lack of coordination among the implementing agencies, high administrative costs and inefficiencies, and absence of any impact evaluation framework</i> should be addressed
12) Assistance will have to be given to day labourers, workers and peasants so that they don't remain unfed, and a separate list of poor working people will have to be prepared	Scopes for <i>error, fraud, and corruption</i> at the stage of selection of beneficiaries of social safety net programmes, in terms of both inclusion and exclusion, need to be curbed
21) The public representatives and upazila administration will distribute food among the distressed people by preparing a ward-based list	

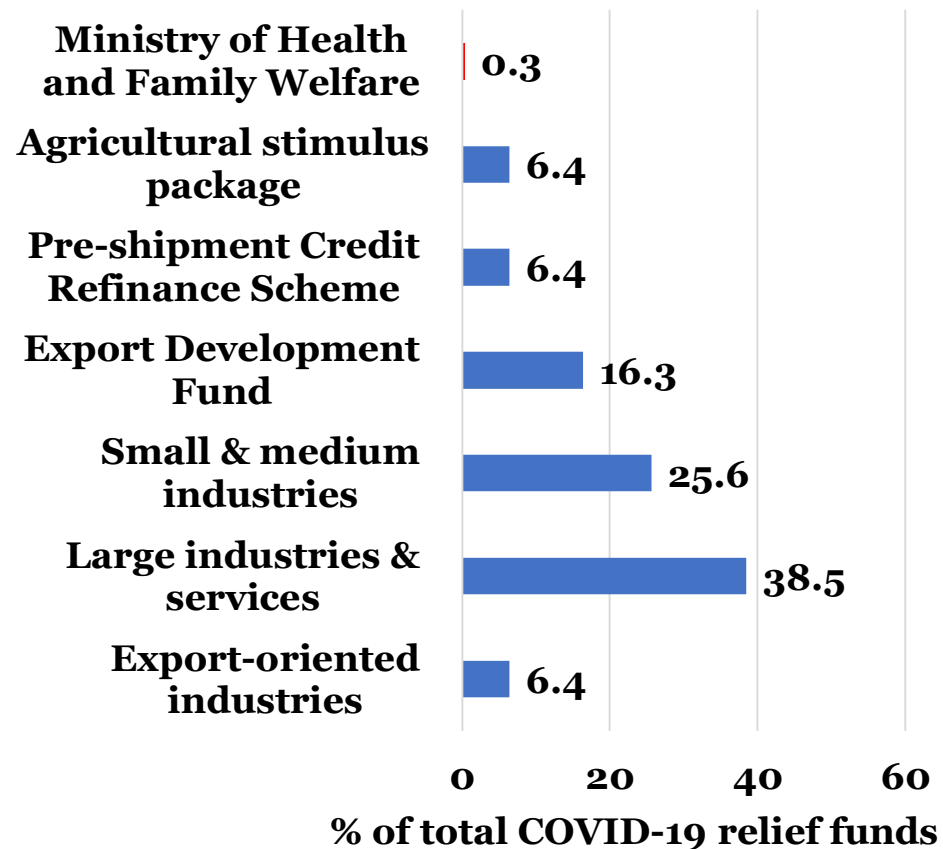
31-point Directives of the Government

Directive	Observation
22) Special attention will have to be given to the most disadvantaged people like agriculture workers, day labourers, rickshaw- and van-pullers, transport workers, beggars, street children, the women abandoned by their husbands, widows and 'hijra' community and providing relief to them will have to be ensured	<p><i>Clear indication about the amount of resources allocated for these activities is needed</i></p> <p>If these people are to survive during the corona period and beyond, there will be a huge requirement for support</p>
23) Necessary arrangements will have to be made for senior citizens and children	<p>Therefore, not only the allocation is required right now, but the <i>upcoming budget for FY2021 may have to make room to address their requirements</i></p>

Distribution of Allocation of COVID-19 Stimulus Package

- ❑ A meagre **0.32%** (Tk. 250 crore) of the total COVID-19 relief funds (Tk. 78,000 crore) was allocated to the **Ministry of Health and Family Welfare** to take protective measures against the coronavirus outbreak
- ❑ **Salaries and wages of workers and employees received 6.41%** (Tk. 5,000) of the total stimulus package (Tk. 73,000 crore), and was **offered to the export-oriented industries instead of providing it directly to the workers and employees themselves**

Distribution of Allocation of COVID-19 Relief Funds (in %)



- ❑ The Stimulus Packages announced by the Hon'ble Prime Minister are welcome. These are timely and much needed support to deal with the impact of COVID-19
- ❑ One of the features of these stimulus packages, in reality is a form of *liquidity support and is dependent on the banking sector*
- ❑ The emergency allocation of Tk. 250 crore made to the Ministry of Health and Family Welfare has been made to purchase coronavirus test kits, different equipment, and costumes to deal with the COVID-19 outbreak
- ❑ However, this is not adequate given the spread and duration of the outbreak. The budget for the next fiscal year 2021 must include additional funds to tackle COVID-19, since the adverse impacts of the pandemic are likely to persist beyond 9 months

- The largest industries which are relatively more capable of dealing with shocks are getting the greatest support
- There is **no direct transfer of funds** from the government **to the workers**
- There is **no explicit allocation** made for **vulnerable groups** who are the farthest behind and will be the hardest hit by the pandemic
- There is no plan for supporting **informal sector workers** and **returning migrant workers**

Fiscal Responses to COVID-19 in Other Countries

Albania

LK 2 billion (USD 17.3 million) of **defense spending** reallocated toward humanitarian relief for the most vulnerable

Bolivia

USD 73 per child and **USD 58 per family** to 1.5 million families

Ecuador

USD 120 per family to 950 thousand poor families

El Salvador

A one-time USD 300 subsidy to **75% of all households**

Honduras

1-month freeze in prices of essential goods;
1-month **free access to emergency telecommunications services**

Myanmar

Exemption from electricity bill up to 150 units for April 2020

Sri Lanka

Price ceilings on essential food items such as eggs, lentils and fish

Togo

Funds for setting up **mobile COVID-19 testing units**

Vietnam

Cash transfer package worth of VND 36 trillion (USD 1.5 billion) or 0.5% of GDP for more than **20% of population**

Source: i) IMF. (2020, April 9). Policy Responses to COVID-19: Policy Tracker. Retrieved April 11, 2020, from International Monetary Fund (IMF): <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

Role of the Banking Sector in COVID-19 Stimulus Packages

- ❑ **93.3% (Tk. 72,750 crore)** of the total COVID-19 stimulus package (Tk. 78,000 crore) will be channeled through the miserably performing and poorly governed **banking sector** of Bangladesh
- ❑ **70.5% (Tk. 55,000 crore)** of the total COVID-19 stimulus package (Tk. 78,000 crore) will be disbursed by the **commercial banks**
 - Large industries & services will receive a total of Tk. 30,000 crore from commercial banks as loans at 9% interest; 4.5% of interest will be paid by the government & 4.5% interest will be paid by borrower
 - Small & medium industries will receive a total of Tk. 20,000 crore from commercial banks as loans at 9% interest; 5% interest will be paid by the government & 4% interest will be paid by borrower
 - Farmers who are suffering due to the lockdown will be provided loans at 5% interest from a Tk. 5,000 crore agricultural stimulus package
- ❑ **22.8% (Tk. 17,750 crore)** of the total COVID-19 stimulus package (Tk. 78,000 crore) will be disbursed by the **central bank**
 - Bangladesh bank will provide Tk. 12,750 crore as Export Development Fund for importing raw materials under the back-to-back LC system at 2% interest rate
 - Bangladesh Bank will introduce a Tk. 5,000 crore as Pre-shipment Credit Refinance Scheme at 7% interest rate

Is the Banking Sector Ready to Deliver the COVID-19 Stimulus Package?

- ❑ The **lion's share** of Bangladesh's stimulus package—Tk 72,750 crore—is **repayable loan**
 - In other words, **this is more of a liquidity support rather than a fiscal stimulus per se**
 - Actual (non-bank) portion of the COVID-19 stimulus package is only 0.18% of GDP
- ❑ Except for the support under Export Development Fund of the central bank, the commercial banks will be responsible for the selection of their customers, and thus for absorbing all types of risks attached to the loan, such as management risk, sectoral risk and market risk
- ❑ The banks will also have to ensure that the loan is paid back to them in due course
- ❑ Given the current health of the banking sector, whether it is in a position to perform this huge responsibility is a natural question
- ❑ **It is important to recall that the banking sector itself was in need of a stimulus package from the government to set-up a banking commission and a public asset management company**
 - It is this same crisis-ridden banking sector that is now being tasked to deliver a monumental COVID-19 stimulus package

Stimulus Packages: Who are left behind?

The Vulnerable Groups are relatively more exposed to the threat of COVID-19. But they are yet to receive any organised support



66%
of the elderly
population
were **not**
covered with
any social
protection
benefits



70.6%
of children
were **not**
covered by
social
protection
benefits



79.1%
of women
with new-
borns were
not receiving
maternity
benefits



81.5%
of people with
disabilities,
were **not**
protected
with benefits

Source: i) ILO. (2017b). World Social Protection Report 2017-19. Geneva: International Labour Organisation (ILO).



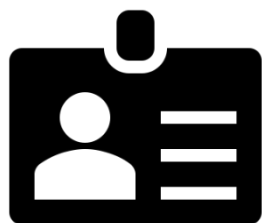
□ Informal sector workers

- A mechanism allowing *cash transfer* to the workforce involved in the informal sector should be implemented



□ Migrant workers

- A *special stimulus package* is immediately required for the migrant workers who have already returned to Bangladesh, as well as the for the hundreds of thousands of migrant workers who are expected to return after the global recession starts and oil price shock starts affecting countries





❑ Small entrepreneurs

- Entrepreneurs of small businesses such as restaurants and tech startups, with monthly revenue of less than Tk. 400,000, should be provided with *rent subsidy* during the lockdown period and for 1 month thereafter

❑ Students and teachers

- As long as the educational institutions are closed, students should be provided *free access to the internet* so that they can benefit from educational resources available online

- ❑ The government needs to formulate detailed guidelines for the proper management of all stimulus packages
- ❑ While distributing the fiscal support measures, some points should be clarified:
 - Setting up the **priorities** in terms of demand of the various target groups
 - Selection of the target groups by maintaining the **transparency, accountability and inclusivity**
 - Distribution of the support measures to the target group by enhancing the **coordination** and transparency at the different levels

Distribution of Stimulus Packages (cont.)

- It is necessary to make a **list of the beneficiaries** in the social safety net programmes of the government. This listing must encompass both the rural and urban poor
- **BRAC** has a particular unit on urban development where they prepared a **list of 100,000 urban slum poor** which can be followed up and verified to speedily bring them under the safety net coverage
- For the maximum utilisation of the support measures for the SSNP beneficiaries, strong effort from non-government organisations, and local bodies are also needed to make the selection and distribution transparent

□ Distribution of the Support measures for the SME sectors

- There are a large number of **small and medium industries** operating in SME sector across the countries. It will not be possible for the government or the banks to monitor and control this operation efficiently
- Therefore, there should be **collaboration** among the banking sector and SME Foundation, Palli Karma Sahayak Foundation (PKSF), and non-government organisations (NGOs) to serve and address the needs of this disproportionately affected sector
- The selected businesses and the employers of this sector should **apply through the concerned associations with the required documents** i.e. workers employment record, salary sheet, bank account or mobile financial services account to the Ministry of Finance for getting this working capital loan

- ❑ **The proposition regarding the SSNPs declared on 25th March 2020 included that:**
 - Low income people will get the assistance under their “**Return to Home**” program, where there will be homes free of cost, as well as food and cash assistance for six months
 - To provide shelter and employment for 100,000 people, free housing has been arranged in the **Bashanchaar** area
 - For the poor under the Vulnerable Group Development and Vulnerable Group Feeding programmes, **rice** will be supplied through the open market sales system at a price of **Tk. 10 per kilogramme**
- ❑ There is **no clear indication about the amount of resources allocated** for these activities and the selection process
- ❑ Besides, how the money will be mobilised and what system of operation will be utilised are not being specified in the declaration

- **Political commitment** is a must to ensure that everyone will get the support under SSNPs
- To **avoid the leakages** in SSNPs, it is imperative to make a list of those who are getting benefits now and who should get benefits and show the break down the allocation of resources so that transparency can be ensured
- This **updated list can be posted online** in the relevant websites of the Government (i.e. Ministry of Finance, Ministry of relief and disaster)
- To ensure the optimum utilisation of the incentive package, the **money can be sent through the mobile financial services** (or the bank account) of the respected beneficiaries. In the case of the relief distribution, cash support should be promoted for promoting the social distancing also
- **In view of this CPD has come up with a concrete proposal in support of the most marginalised groups in Bangladesh**

Section III. Proposal for a New Programme towards Food and Income Security of the Marginalised

Proposal for a New Programme towards Food and Income Security of the Marginalised

- ❑ It is critically important to ensure food and income security of the marginalised section of the society consequent to the COVID-19 pandemic and subsequent disruptions of economic activities
- ❑ People belonging to the lower income group, particularly those employed in the informal sector (about 85% of total employed population) of the economy are among the most vulnerable
- ❑ It is widely acknowledged that the ‘lockdown’ strategy will only be successful if the state is able to protect its lower income population from hunger and provide food security to them
- ❑ The GOB has taken a number of steps to this end within its existing social safety net programme (SSNP) framework which includes relief (both in cash and in kind), assistance under the “ghore fera” programme, open market sales in selective areas etc.
- ❑ Several non-government organisations and individuals have also joined the cause and are providing food and cash support to lower income people

Proposal for a New Programme towards Food and Income Security of the Marginalised

- ❑ The current approach to deal with this need through existing SSNPs was perhaps required immediately, but it has a number of inadequacies, such as:
 - i. The SSNPs are designed with a ‘supply-driven’ approach from the centre where a list of ‘eligible’ citizens is prepared in view of pre-determined number of programme participants. The SSNPs may or may not reflect the demand for assistance/security of a certain geographical location – it definitely does not cover all ‘eligible’ citizens
 - ii. The programmes mainly focus on rural areas; urban population is not adequately covered and also urban local governments are not well-prepared to address the present uphill task
 - iii. The amount of assistance provided to every participant is not adequate to ensure food security or livelihood
 - iv. The demand for assistance at present needs to cover a larger section of the population who are not included under the present framework

Proposal for a New Programme towards Food and Income Security of the Marginalised

- ❑ In view of the above, CPD is proposing a new time-bound programme towards food and income security of the marginalised population of Bangladesh
- ❑ The programme is designed to be implemented in four steps:

Estimating the number of targeted citizens (households) and subsequent required financial resources

Delivering the programme

Ensuring good governance in the delivery

Complementary measures to strengthen the proposed programme

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

Estimating the number of targeted citizens (households) and the required financial resources in view of this

- ❑ CPD proposes that a programme for the marginalised employed population in the workforce be designed for those who may have lost their source of income due to ongoing stoppage of economic activities
- ❑ To this end, data from the latest labour force survey (2016-17) has been considered
- ❑ Among the employment categories, three groups are considered:
 - i. Day labourer
 - ii. Paid employees (daily or weekly)
 - iii. Self-employed
- ❑ Employers and salaried employed population are not considered
- ❑ Since not all self-employed population fall under the vulnerable category, an income threshold has been applied to identify the needy

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

- ❑ According to Household Income and Expenditure Survey 2016, average monthly lower poverty line in Bangladesh (comprising food poverty line and minimum non-food expenditure) was Tk. 1,862 per person
 - Adjusted for inflation, the figure would at present stand at Tk. 2,165
- ❑ Upper poverty line in Bangladesh was Tk. 2,268 in 2016
 - Adjusted for inflation, the figure would at present stand at Tk. 2,637
- ❑ Considering average household (HH) size being 4 persons, we have considered two thresholds for self-employed population
 - i. Tk. 10,000 per month (lower case scenario)
 - ii. Tk. 11,000 per month (higher case scenario)
- ❑ These people generally do not have adequate savings to face the type of disruption in income generating activities that they are currently facing

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

- ❑ Considering the above, estimated number of target participants would be -
 - **1 crore 70 lakh HHs**, of which 17.4% are from urban areas (considering self-employed with monthly income being less than Tk. 10,000 along with day and paid labour) under the lower case scenario which will cover about 6 crore 84 lakh citizens
 - **1 crore 90 lakh HHs**, of which 18.9% are from urban areas (considering self-employed with monthly income being less than Tk. 11,000 along with day and paid labour) under the higher case scenario which will cover about 7 crore 57 lakh citizens
- ❑ We propose that these HHs are provided with **Tk. 8,000 per month** for two months (total Tk. 16,000). This is close to the lower poverty line, for a family of 4 members in today's current prices
- ❑ Total financial requirement for the proposed cash transfer programme is estimated to be
 - **Tk. 26,962 crore (about 0.9% of GDP)** under the lower case scenario
 - **Tk. 29,852 crore (about 1.0% of GDP)** under the higher case scenario

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

- ❑ The aforesaid estimates consider only **one 'eligible' employed person per HH** to avoid duplication
- ❑ The proposed programme will not be a replacement of the ongoing general SSNPs – but it will be **a time-bound additional instrument of support to the marginalised**
- ❑ It will also reduce the burden of delivering special interventions of government in the forms of SSNPs
- ❑ No doubt, the proposed cash transfer programme will require a substantial amount of resources
- ❑ It is, however, a crucial prerequisite for the success of the current lockdown approach being pursued by the GOB to address the COVID-19 pandemic in the country
- ❑ Hence, this should be considered as a priority incentive to the most marginalised section of the population

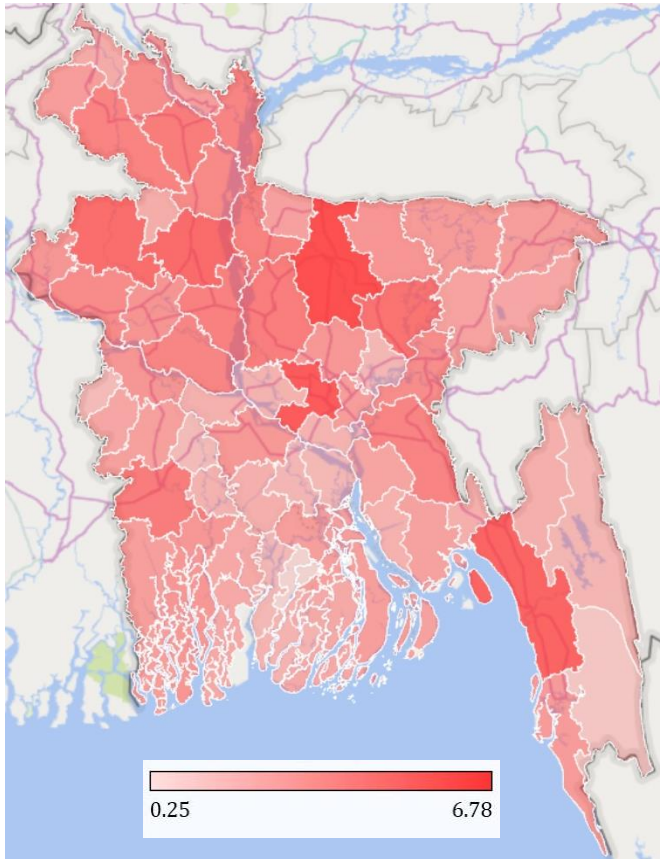
Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

- ❑ The government will need to pursue a more expansionary fiscal approach which is equally important to boost domestic demand along with providing security from hunger and to assure the marginalised citizens about their livelihood
- ❑ To reduce the public expenditure pressure, the government needs to identify public expenditure which can be deferred - expenditures such as foreign travel, acquisition of assets, investment in shares and equities, loans and recapitalisation to state-owned enterprises should be deprioritised
- ❑ An immediate exercise should be undertaken to assess the possibility of slowdown of development expenditure for the less priority projects, particularly those which are in the early stages of implementation
- ❑ Expected savings from lower oil prices at the global level need to be channeled to this end

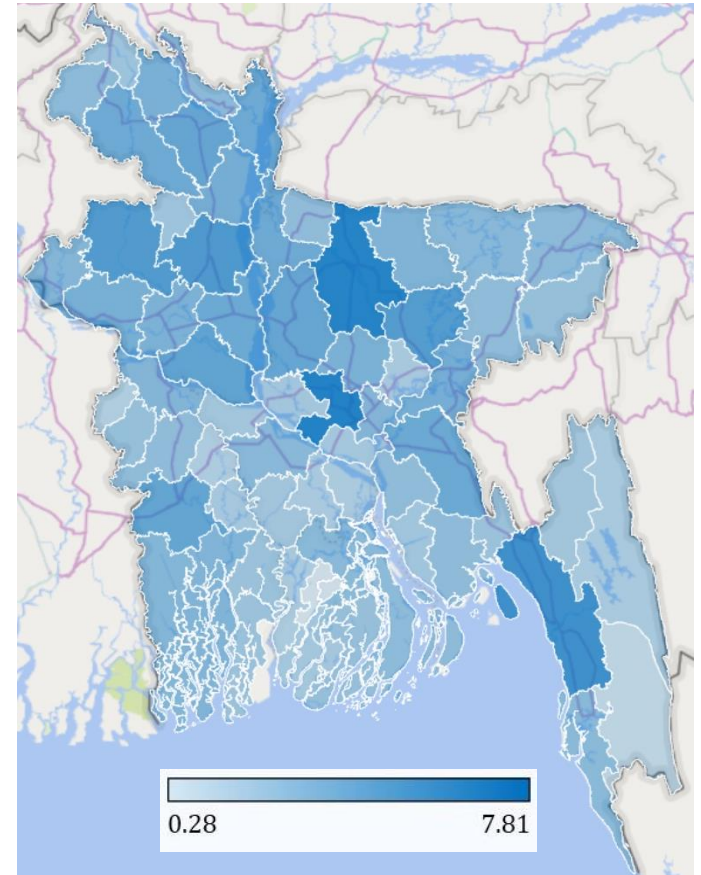
Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

District-wise distribution of Number of Targeted HHs (in lakhs)

Number of HHs including Self-Employed with monthly income being less than Tk. 10,000 along with Day and Paid Labour (in lakhs)



Number of HHs including Self-Employed with monthly income being less than Tk. 11,000 along with Day and Paid Labour (in lakhs)



Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

District-wise distribution of Number of Targeted HHs (in lakhs)

Districts	Number of HH including Self-Employed with monthly income being less than Tk. 10,000 along with Day and Paid Labour (in lakhs)	Number of HH including Self-Employed with monthly income being less than Tk. 11,000 along with Day and Paid Labour (in lakhs)
Bagerhat	1.9	2.0
Bandarban	0.4	0.4
Barguna	1.3	1.4
Barishal	2.4	2.7
Bhola	2.4	2.6
Bogura	5.2	5.7
Brahmanbaria	3.4	3.8
Chandpur	2.1	2.4
Chattogram	5.6	6.4
Chuadanga	2.0	2.2
Cumilla	3.9	4.2
Coxsazar	2.6	2.7
Dhaka	6.1	7.8
Dinajpur	3.9	4.2
Faridpur	2.8	2.8
Feni	1.5	1.9

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

District-wise distribution of Number of Targeted HHs (in lakhs)

Districts	Number of HH including Self-Employed with monthly income being less than Tk. 10,000 along with Day and Paid Labour (in lakhs)	Number of HH including Self-Employed with monthly income being less than Tk. 11,000 along with Day and Paid Labour (in lakhs)
Gaibandha	3.6	3.8
Gazipur	2.8	3.5
Gopalganj	1.5	1.6
Habiganj	2.2	2.4
Joypurhat	1.7	1.8
Jamalpur	4.0	4.1
Jashore	4.3	4.6
Jhalakathi	0.3	0.3
Jhenaidah	2.3	2.4
Khagrachhari	1.5	1.6
Khulna	2.8	3.2
Kishoreganj	4.8	5.4
Kurigram	3.9	4.2
Kushtia	2.9	3.1
Lakshmipur	1.4	1.6
Lalmonirhat	2.4	2.7

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

District-wise distribution of Number of Targeted HHs (in lakhs)

Districts	Number of HH including Self-Employed with monthly income being less than Tk. 10,000 along with Day and Paid Labour (in lakhs)	Number of HH including Self-Employed with monthly income being less than Tk. 11,000 along with Day and Paid Labour (in lakhs)
Madaripur	1.2	1.2
Magura	0.9	1.0
Manikganj	1.3	1.5
Meherpur	0.9	0.9
Moulvibazar	2.0	2.2
Munshiganj	1.3	1.5
Mymensingh	6.8	7.7
Naogaon	5.1	5.5
Narail	1.3	1.4
Narayanganj	2.5	3.1
Narsingdi	1.1	1.3
Natore	3.0	3.4
Chapainawabganj	2.9	3.0
Netrokona	2.9	3.3
Nilphamari	3.4	3.6
Noakhali	2.3	2.5

Estimating the Number of Targeted Citizens (HHs) and the Required Financial Resources

District-wise distribution of Number of Targeted HHs (in lakhs)

Districts	Number of HH including Self-Employed with monthly income being less than Tk. 10,000 along with Day and Paid Labour (in lakhs)	Number of HH including Self-Employed with monthly income being less than Tk. 11,000 along with Day and Paid Labour (in lakhs)
Pabna	3.8	4.8
Panchagarh	1.7	1.8
Patuakhali	1.8	2.1
Pirojpur	1.0	1.1
Rajshahi	3.5	3.6
Rajbari	1.4	1.5
Rangamati	1.2	1.2
Rangpur	4.3	4.6
Shariatpur	1.1	1.1
Satkhira	2.4	3.0
Sirajganj	4.1	4.3
Sherpur	2.3	2.5
Sunamganj	2.6	2.8
Sylhet	2.5	2.6
Tangail	4.2	4.5
Thakurgaon	2.5	2.6

Delivering the programme

- ❑ The 'supply-driven' delivery approach alone may be inadequate
- ❑ To this end, the proposed programme should **target the eligible population with a mix of demand and supply driven approach**
- ❑ Majority of the local administration and local government machineries are already preparing lists of its citizens in need of assistance during the ongoing lock-down period – these lists will be helpful
- ❑ At the same time, the proposed programme should have an in-built mechanism where the vulnerable citizens can apply for inclusion
- ❑ **Hot-line numbers need to be designated** where citizens can call and apply for inclusion in the programme
- ❑ **'Local rapid action committees'** will need to be set up involving local administration, local government representatives, local police and appropriate number of NGO representatives and volunteer organisations (including community-based organisations) working in that particular region

- ❑ The 'local rapid action committee' will **visit citizen's residence** (those who have applied by calling the hotline number) **within 24 hours** and **approve** the application considering the need and status of the household and ensuring that there is no duplication **within the next 24 hours**
- ❑ During the enlistment process, the person will have to provide mobile number, NID and electricity bills (if applicable, even when it is shared) for further scrutiny
- ❑ The payments should be made in cash through mobile banking system and on weekly basis (Tk. 2,000 per week) as part the present government's G2P approach
- ❑ If the eligible citizen does not have a mobile banking account, the 'local rapid action committee' will open one immediately
- ❑ To reduce the burden of these people, collaboration with mobile banking companies should be established so that cash-outs from these accounts are charged with a reduced rate – say Tk. 1 per Tk. 1,000

- ❑ We are proposing cash over kind for channeling the support because of a number of reasons
 - If the supply chain is functioning, cash transfer will be able to provide freedom to the citizens to spend the support according to their needs – for example, HHs with small children will be able to buy baby food
 - It will be possible to implement this large assistance programme without going for the hassle of procurement and distribution of the commodities by the local government machinery
 - It will help avoid mass assembling of people seeking relief which is a prerequisite for ensuring health safety precaution
 - It will contribute to having an economy-wide positive impact by boosting aggregate demand through multiplier impacts on the economy

- ❑ Considering Marginal Propensity to Consume (MPC) to be 0.84 (Nguyen, 2016), the injection of such transfer will generate 6.25 times the money initially injected into the economy
 - Tk. 26,962 crore of cash transfer will generate Tk. 168,514 crore worth of demand for goods and services in the economy
 - Tk. 29,852 crore of cash transfer will generate Tk. 186,573 crore worth of demand for goods and services in the economy
- ❑ The multiplier effect will stimulate local small business activities since demand will be generated for their products
- ❑ This will also be an indirect stimulus for the large businesses involved in supply of essential commodities as domestic demand for their commodities will be generated
- ❑ Since, the economy is expected to embark on a path of recovery from the COVID-19 induced stoppages, there is a low possibility of over-heating of the economy that could fuel inflation due to new cash-injection in the economy and the subsequent budget deficit

Ensuring good governance

- ❑ Avoiding corruption and leakages needs to be a key component of the proposed programme
- ❑ The government has expressed its intention to ensure good governance in providing assistance to the marginalised during the ongoing pandemic
- ❑ To this end, the proposed cash transfer programme suggest that an in-built technology induced mechanism be put in place to ensure minimum leakages and to avoid selection bias concerning beneficiaries
- ❑ The list of programme beneficiaries must be disclosed through website with other key details including address and phone number
- ❑ CSOs working in the community will need to be encouraged to review the list within a week of inclusion of the participants
- ❑ The CSOs then can also register grievance via website, which will be monitored at district and central level, within the 72 hours of the filing of the complaint

- ❑ At the same time, there should be a parallel process to check the mobile use spending data and electricity bills (if applicable) of the participants
- ❑ To this end, the government will need to forge collaboration of the mobile and electricity companies so that they can provide the required information within 72 hours of the enlistment of the participants
- ❑ A competent team of technology experts will need to be deployed to develop the website and the required big data analysis
- ❑ The a2i programme of the government may lead this process
- ❑ It is proposed that overall responsibility of executing this programme be vested with the Cabinet Division
- ❑ Other relevant ministries/divisions/agencies of the government including Ministry of Finance, Ministry of Local Government, Rural Development and Co-operatives, Ministry of Social Welfare, General Economic Division will also need to be proactively involved in implementing the programme

- ❑ Strict measures will need to be enforced to deal with the corruption and malpractices in implementing the programme
- ❑ Since, the payments will be made on a weekly basis, if irregularities in selection of programme participants are found, the ‘undeserving participant’ can be removed and penalised – the paid allowance will have to be returned if that be the case
- ❑ The programme should prioritise inclusion of all deserving participants and then look into avoiding inclusion of false participants
- ❑ As was mentioned, the programme should be designed for two months considering the general duration of the ‘lock-down’. This can be extended if the ‘lock-down’ is prolonged – an issue for next national budget
- ❑ It also needs to be acknowledged that some section of the extremely vulnerable people (e.g. street people, people living in ultra poor conditions) may still be out of the reach of the programme. The ongoing traditional relief measures should be continued by both government and non-government channels for these extremely vulnerable people

Complementary measures to strengthen the proposed programme

- ❑ The proposed programme will need to be accompanied by supportive policy measures which will ensure that the demanded essential commodities are available in the market
- ❑ Based on HIES 2016 data, CPD estimates that over the next three months the country will require 52.8 lakh MT of rice, 2.3 lakh MT of pulses and 3.9 lakh litre of edible oil
- ❑ The government must ensure production of agricultural commodities across the country by ensuring required input and technical support at a time when movement of people and agricultural workers from one place to another will remain restricted
- ❑ For example, harvesters both in operation and in inventory, need to be deployed strategically from the national pool. The strategic deployment of agri-instruments will be needed particularly in the view of the upcoming Boro harvesting season
- ❑ The government must also ensure smooth movements of essential commodities across the country by keeping the transport links going

Complementary Measures to Strengthen the Proposed Programme

- ❑ The government must devise a strategy in collaboration with entrepreneurs and labour leaders to ensure production of food and processed and manufactured items such as food products, medicines and medical equipment by selectively keeping factories and enterprises open. Health precautions and health security measures must be ensured in this regard
- ❑ It is also critical to assess the stock of import dependent essential commodities and prepare back-up plans to import for the near future accordingly
- ❑ To avoid repetition of what happened during the food crisis of 2007-8, the government will also need to be engaged with South Asian regional leaders and global leaders to avoid restrictions on trade of essential commodities
- ❑ International cooperation may emerge as a key instrument to ensure food security and stability of the prices of the essential commodities in the near future. The government should remain actively engaged in various global fora dealing with attendant issues

Section IV. CPD's Budget Recommendations for FY2020-21: Submitted to the National Board of Revenue (NBR)

- ❑ CPD submitted a set of budget recommendations to the NBR on 5 April, 2020 which were based on CPD's early assessment of implications of COVID-19 presented at media briefing on subsequent analysis:
 - CPD proposed a number of fiscal-budgetary measures and reforms keeping in the purview the upcoming F2020-21 budget
- ❑ Keeping government's expansionary monetary policy in the backdrop, CPD felt that as part of fiscal measures, the government needs to address four types of challenges
 - a) Taking care of health emergencies; b) Mitigating the risks and shocks to the economy; c) Stimulating domestic demand; and d) Strengthening supply side response
- ❑ The government will need to pursue an expansionary fiscal policy and go for expanded public expenditure in view of the budget for FY2021
 - The anticipated increased budget deficit should be managed through prudent reallocation and prioritisation of public expenditure

Fiscal stance of the National Budget FY2021

- Given the weakened fiscal-budgetary scenario, and shrinking fiscal space, there must be renewed efforts towards both better mobilisation of resources and raising efficacy of public expenditure
- The NBR should prepare the Budget FY2021 proposals by pursuing the following approach:
 - It will be critically important to set revenue mobilisation targets in a more realistic way
 - The proposals for tax measures should be designed considering both the urgency of mitigation and the subsequent economic recovery
 - Given the difficulty to raise tax rates or expanding the tax net in FY2021, primary focus should be to strengthen monitoring and enforcement mechanisms to effectively curb tax evasion and illicit financial flows (IFFs)
 - The immediate tasks of addressing the adverse effects of COVID-19 should not deter the NBR from prioritising implementation of the medium-term reform plans

- ❑ Major affected agro-based economic activities include production of perishable vegetables, poultry and dairy products, SMEs involved in such businesses as poultry-feed, fish-feed and processed food, and production & export of crab and eel (CPD, 2020)
 - These enterprises need fiscal support to mitigate the risks, help cope with the losses and improve cash flow situation
- ❑ The NBR may consider following fiscal measures that include-
 - Waiver of VAT at the domestic stage for the period March -June, 2020
 - Deferred payment of quarterly AIT till June, 2020
 - Payment of corporate taxes for FY2020 by instalments till March, 2021
 - Companies which incurred losses during FY2020 may be allowed to 'carry back losses' against the taxable profits for the two preceding years
- ❑ Farmers were affected by drop in sales, low market price and disruptions in the movement of goods to wholesale markets. Limited scope to incentivise these farmers' through fiscal measures
 - Need to provide low-interest credit facility before the next planting season

- ❑ In view of urban to rural migration and lower number of workers going abroad for overseas jobs, it is likely that there will be increased pressure on rural labour market
 - NBR may consider following 'go slow' policy as regards incentivising labour-displacing mechanisation
 - Further reduction of duties at import stage for agricultural machineries (TTI: 12.4-27.5 per cent) should be halted perhaps till FY2022
 - Disbursement of credit at subsidised rate to farmers for agricultural mechanisation should be slowed down in the next one year

Proposals for Fiscal Measures for the Manufacturing and Service Sectors

- ❑ Manufacturing and service sector enterprises are being affected because of disruptions in the supply chains and demand depression:
 - These are being affected differently and in different degrees depending on type of activities, size and locations, risk absorption capacity
 - Many enterprises are facing challenges owing to supply chain disruptions, rising cost of raw materials, limited cash flow and loss of earnings & profit
- ❑ The NBR may consider a number of support measures which could include:
 - Increased depreciation of assets for two years: FY2020 and FY2021
 - Special reduced rate of VAT for the domestic purchase of goods and services for six months; relief from penalties and interest for tax-related payments till December, 2020 and deferred payment of quarterly AITs till June, 2020
 - Relief of VAT during the period of January-June, 2020 for travel and tourism sectors/related activities
 - Payment of corporate taxes for FY20 by instalments till Mar., 2021

Proposals for Fiscal Measures for the Manufacturing and Service Sectors (Contd.)

- The NBR should consider allowing companies to ‘carry back losses’ that are in a loss-making position in 2020 against the taxable profits for the two previous years (FY 2018 and FY2019)
- NBR may consider raising tax exempted annual turnover limit for SMEs from Tk. 50 lakh to Tk. 1.0 crore for the year FY2020 and FY2021
- The NBR can consider a reduced rate of corporate taxes against the earnings during fourth quarter (March-June, 2020) of the FY2020 and first quarter (July-September, 2020) of the FY2021 for pharmaceutical companies, hospitals, clinics, and other health facilities that are involved in the production of medicines and in prevention, diagnosis, control, attention, and treatment
 - Besides, it may consider introduction of tax credits for amounts paid by businesses to sanitise work premises for FY2020
- Hospitals, clinics, diagnostics, and laboratories involved in corona related treatment and research should get a waiver as regards AITs for the period of March, 2020 to June, 2020

Proposals for Fiscal Measures for the Manufacturing and Service Sectors (Contd.)

- ❑ Doctors, nurses, and other support staffs working in hospitals with corona patients and related matters may be incentivised through offer of special financial package either through one-time bonus (for public entities) or through reduced rate of taxes on their income (for private entities) for FY2020
- Grants or donations in cash for the prevention, diagnosis, control, attention, and treatment of the COVID-19 in favour of authorised public and private hospitals and clinics, should not be considered in calculating taxes for FY2020

- ❑ At the household and individual levels, the main affected segments are low-income earners and the marginalised people
- ❑ Government should prepare a list of all eligible beneficiaries for an expanded social safety net programme that would cover maximum number of needy people
- ❑ In the FY2021 budget, the NBR should consider raising tax-free income threshold levels from Tk.250,000 to Tk.350,000
 - It may consider restructuring the first three slabs of income tax, at least for next two years, by reducing the rates from 10%, 15%, and 20% to 5%, 10%, and 15%, respectively
 - It may consider allowing payment of individual income taxes for FY2020, by instalments, by March 2021
- ❑ Reduction of import related tariffs (such as AIT and VAT) on essential food items such as onion, lentil, garlic, ginger and soybean oil should be considered on a dynamic of basis depending on evolving market condition

Proposals Related to Reforms and Strengthening of Administrative Capacity

- ❑ NBR should put every effort to create fiscal space by taking appropriate measures to deal with tax evasion, tax avoidance and illicit financial outflows
 - Maximum effort should be deployed to raise efficiency of the tax administration and efficacy of tools
 - NBR will need to raise its institutional capacity and enforcement ability through reforms and concrete actions on the ground

Reforms

- ❑ A viable completion timeline should be chalked out in FY2021 for reforms which are already under consideration (e.g. Customs Act and Direct Tax Act)
- ❑ Broader use of technology may bring forth some uptick in revenue mobilisation efficiency. In this connection CPD urges NBR to introduce an e-TDS system
- ❑ NBR should initiate introduction of wealth and property tax in Bangladesh. An inheritance tax may also be introduced

- ❑ CPD stresses that NBR should introduce taxes for proxies for pollution by tax region as has been mentioned in the “Public Financial Management (PFM) Action Plan 2018-2023 to implement The PFM Reform Strategy 2016-2021”
- ❑ The existing black money whitening facility through voluntary disclosure of undisclosed income discourages honest taxpayers while tax evaders are encouraged:
 - This provision should not be continued from the next fiscal year
 - To tackle the problem of black money, a Benami Property Bill may be introduced as was suggested by the CPD earlier

Administrative capacity

- ❑ NBR must accelerate the planned procurement and installation of the devices of Electronic Fiscal Device (EFD) and Sales Data Controller (SDC) in order to ensure effective implementation and to augment revenue
 - At the same time, incomplete components of the VAT online project must be completed in a comprehensive and timely manner

Proposals Related to Reforms and Strengthening of Administrative Capacity

- ❑ NBR should eliminate all hurdles with regard to registration and issuance of BINs, updating information, installation of devices and submission of returns
 - It should clarify the ambiguities concerning central registration system, exemption and registration threshold, definitional complexities concerning businesses and stakeholders in line with PFM Action Plan 2018-23
- ❑ In order to increase the number of effective taxpayers, the NBR, using its e-TIN database, could identify and pursue individuals and business entities which are registered in the system but do not submit tax returns and which are registered and submit returns but do not effectively pay taxes
 - A mechanism could be set up to contact the relevant entities via phone calls, SMSs or emails to follow up on their return submissions or tax payments
- ❑ NBR should launch a comprehensive on-line payment system for VAT, income tax and customs together with an interface with iBAS++ and ensure harmonisation and taxpayer data sharing across various wings of the NBR

Proposals Related to Reforms and Strengthening of Administrative Capacity

- ❑ NBR must be restrained from all ad-hoc provisions of tax incentives:
 - NBR needs to be selective in the next fiscal year as additional demands for incentives is expected to come up in the wake of COVID-19
 - Proper cost-benefit analysis must be conducted before introducing any new provisions
 - At the same time, some of the existing provisions should be reviewed and discontinued if perceived as of low priority

- ❑ All types of tax evasions and resulting IFFs need to be curbed. Bangladesh loses a sizable amount of resources as a consequence of IFF
 - Coordinated efforts by several actors such as ACC, CID, DNC, BFIU, and CIID, CIC, VAT Audit, Intelligence and Investigation Directorate of the NBR, will be required to implement and enforce National Strategy for Prevention of Money Laundering and Combating Financing of Terrorism (NSPMLCFT) 2019-21 in all areas related to tax evasion and IFF

Proposals Related to Reforms and Strengthening of Administrative Capacity

- ❑ For the next budget NBR should particularly focus on some of the activities prioritised under NSPMLCFT which are scheduled to be implemented by June 2021
 - Some of these are: i) conduct a study on TBML in order to find out vulnerable channels, products, payment methods and magnitude; and, ii) establish connectivity of BFIU with ASYCUDA world of NBR
- ❑ Transfer Pricing Cell (TPC) of NBR should work very closely with BFIU and CIID to curb trade-based money launderings (TBML)
 - TPC should be adequately endowed with the required financial, technical and human resource capacities in the upcoming budget
- ❑ NBR needs to emphasise the need for a comprehensive database on expatriates working in Bangladesh:
 - Their income and outward remittance must be included in the database
 - To this end, NBR, SB of Police, NSI, BIDA, BEPZA, NGOAB must devise a collaborative mechanism to cope with the problem. NBR should take the lead in view of this

Stay Well, Stay Safe

