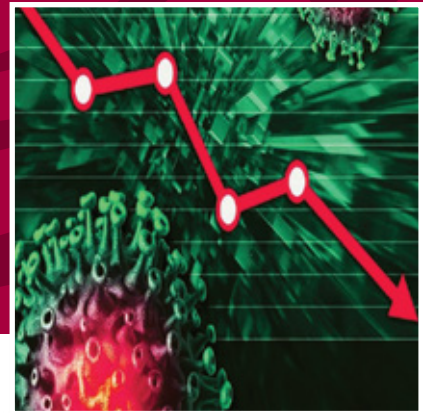


SEARCHING WAYS FORWARD FOR BANGLADESH IN THE TIME OF PANDEMIC



Covid-19 and the Bangladesh Economy Nature of the Downturn and Prospects for Recovery

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The gross domestic product (GDP) of Bangladesh had been growing at a respectable rate of more than 6 percent since Fiscal Year (FY) 2010-11 while the growth rate reached 8.1 percent in 2018-19. The national budget 2019-20 forecasted economic growth of 8.2 percent. However, the Bangladesh economy could not achieve that target due to a massive economic downturn from the worldwide outbreak of the Covid-19 pandemic. The GDP growth was 5.2 percent in 2019-20.



Some macroeconomic indicators also expose the intensity of adverse impacts of the pandemic on Bangladesh. The country's export earning has declined by 17 percent and imports by 8.6 per cent. The unemployment and poverty rates have increased. The country's revenue/GDP ratio, which has been historically low, declined further to 9.4 per cent in FY 20 from 9.91 per cent in FY19. However, remittance inflow grew by 10.87 percent in FY20 and foreign exchange reserve increased to USD 36.04 billion at the end of FY 20, which has expanded further to US\$40.8 billion at the end of October 2020, which may well be due to the returns of hundreds of migrant workers from abroad because of the pandemic spread in the host countries.

To avoid the fatal effects of the Covid-19 virus, the economic activities across the world have undergone dramatic changes. These include a strategy of social distancing, restricted movement of people, a decline in demand for products, a downturn in international trade of goods and services, etc. Similar changes have been seen in Bangladesh too. Meanwhile, in order to mitigate the shocks of the Covid-19, the government of Bangladesh has undertaken the following strategies: increasing public expenditure and money supply, introducing stimulus packages and expanding social protection programmes. The government has so far declared 21 stimulus packages worth Tk. 1.21 trillion (USD 14.28 billion), which is 4.34 percent of the GDP. The 21 packages cover three broad areas, such as job retention, restoring demand and maintaining supply chain, employment creation and revitalizing rural economy, enhancing social security and ensuring food supply.

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Given the size of Bangladesh's economy, the said incentive package, despite some drawbacks, is not insignificant. To give an example of the drawback, the incentive package declared for the agriculture sector remains the same amount of agricultural subsidy provided in a typical year. Overall, the incentive package programmes appear to have been tailored to fit the needs of the economy: Efforts have been made to keep the direction of the economic supply regular by way of keeping industries operational, trade and commerce run, and agricultural production continued while providing incentives to ensure food security and sustain demand for products.



Nevertheless, the stimulus packages are being implemented slowly in the places where the Covid-19 economic losses are massive, or the incentives are out of reach for those industries and trades that are most affected. For example, till October, some 80 percent of the stimulus package for large industries has been implemented while less than 30 percent of the package earmarked for the smaller enterprises has been implemented over the same period.

Evidently, the small and medium entrepreneurs need more cooperation than they have received yet. Given the scale of the business they do, many of them have a low-level of savings while many of them have even lost capital due to the Covid-19 crisis. Since the professed objective of the stimulus package is to ensure economic growth to save and create employment, side by side the providing stimulus for the large industries, the small and medium industries should also be provided the stimulus with at the same pace.

However, under the present circumstances, a three-step recovery plan may be suggested:

1. Prevention phase (till June 2021)
2. Recovery phase (throughout FY 2021-22) and
3. Progress phase (FY 2022-23).

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Prevention phase (till June 2021)

The main goal of the phase should be minimizing the economic losses as much as possible, keeping the industry and trade going and saving lives and livelihoods of the people by reducing health risks. It must be acknowledged that economic activity or life will not return to normal until a vaccine for the Covid-19 virus is available for all or an effective drug is readily available. During the period, food aid and cash support should continue for the extreme poor. Widespread and low-cost Internet service is required to expand internet-based education, training and office activities. The government may undertake fiscal incentives to ensure general people's accessibility to smartphones and laptops.

Recovery phase (FY 2021-22)

The recovery phase will begin when a virus vaccine or effective medicine is available. The phase is expected to start in July 2021. However, the phase may start earlier if we are lucky and may even delay if the



antidote or the medicine is not available in the market by the anticipated time. The following issues need to be taken seriously when the recovery phase begins.

- Allocation of funds to vaccinate all, particularly including the poor people.
- Regular monitoring the status of the enterprises that have taken credit from various stimulus packages. Banks should be encouraged to provide proper business guidelines, especially for the enterprises struggling to bounce back.
- Encouraging new entrepreneurs and businesses. Skill enhancing training programmes should be expanded to workers of various industries. Ensuring easy access for the small and the medium enterprises to loans from banks and other financial institutions. In this connection, regulations on the number of guarantors, requirements of documents, etc., would require to be made easier, especially for women entrepreneurs.

Progress phase (FY 2022-23)

The economy should move faster than the pre-COVID situation at this phase to cover the loss incurred during the pandemic. The following issues should get priority at this stage.

- Focusing on the implementation of various projects, including mega projects.
- Undertaking more training programmes for skilled human resources.
- Government support for the expansion of e-commerce and mobile financial services. Creating new fintech facilities for enabling rural producers to access the urban market.
- Small and medium enterprises should get support to expand their markets beyond the border. In addition to the export of ready-made garments, leather and leather goods, footwear and other regular products, support should be given to expanding the export of other products, including pharmaceutical products.

Prompt actions, need-based allocation of resources, flexible regulatory supports, together with a people-centric humane attitude at all administrative and political entities, would surely allow Bangladesh to bounce back from the COVID-19 economic crises.