



# Dealing with COVID-19

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The world is passing through a major catastrophe since 8 December 2019, when the first known case of pneumonia with an unknown etiology was found in Wuhan City, Hubei Province, China. Later identified and named COVID-19, the world is now severely affected by this novel coronavirus. Despite the efforts by governments worldwide for taming the outbreak, its spread is still uncontrolled and unprecedented.

COVID-19 has not been confined to only being a health hazard but has had a major economic impact. Measures aimed at containing the infection has severely affected almost all economic activities such as domestic production and supply chains. The global economy is integrated through trade, remittances, investment and foreign aid. So, the COVID-19 pandemic has given rise to economic challenges coupled with uncertainties and unpredictability both at global and national levels. Countries have already started and will continue to feel the heat of economic slowdown in different ways. Disruption in the supply chain, lower production of agriculture and industrial goods, and closure of aviation, tourism, restaurants and hotel businesses are having knock on effects on the job market. Businesses continue to lay off workers, slash salaries and payments and are

freezing recruitments. It is almost clear now that the consequences of this pandemic will be prolonged for several more months in the absence of vaccine and its availability to all. Hence, it has been predicted that COVID-19 will lead to the hardest and longest global recessions encountered so far.

## COVID-19 in Bangladesh

The first case of COVID-19 in Bangladesh was identified on 8 March 2020. Although the number of cases in Bangladesh was low compared to other countries initially, it started to rise fast along with the increase in the number of tests. The Bangladeshi government, in an attempt to check the spread of the virus, announced a general holiday from 26 March 2020 for almost two months. This period of holiday, which was essentially a lockdown, led to a halt of all economic activities. Consequently, many businesses have lost incomes and individuals have lost livelihoods. There is no sign as to when economic activities can start again in full swing. Therefore, Bangladesh is caught up in a dilemma. Should the country continue to be under shut down to be safe from the health risk or should it open to save people from poverty and hunger?

There is no choice between lives and livelihoods. First and foremost, people have to be protected from the

Enhanced support measures are necessary to ensure that the poor and vulnerable people do not succumb to hunger.

virus to live a life. At the same time, they have to be provided with food and income to stay alive. Developed countries may afford a longer period of lockdown because their governments are capable of providing extended support to the people. However, in countries with limited resources such as Bangladesh, extended lockdowns may endanger the lives of the economically vulnerable people, many of whom have aptly expressed, "If the virus doesn't kill us, hunger will".

## Economic and social impact

Early signals indicate that the economic loss due to COVID-19 is already massive in Bangladesh. The Centre for Policy Dialogue (CPD) estimated that Bangladesh's growth of gross domestic product (GDP) would be 2.5 percent in FY2020<sup>1</sup> against the government's projection of 5.2 percent.<sup>2</sup> The International Monetary Fund (IMF) too, in April 2020, had estimated Bangladesh's GDP growth to be 2 percent in 2020.<sup>3</sup> Similarly, the World Bank, in its June 2020 estimation, has revised Bangladesh's growth downward to 1.6 percent in FY2020.<sup>4</sup> Among other things, reduced economic growth will severely impact poverty and inequality. As per CPD's estimation, there has been an increase in national (upper) poverty rate from 24.3 percent in 2016 to 35 percent in 2020, and an increase

in the income Gini coefficient from 0.48 in 2016 to 0.52 in 2020.

Lockdown measures enforced to contain the spread of COVID-19 have dried up income sources of daily wage earners. In many sectors even the monthly salaried workers are struggling to receive payments. As about 85 percent of the total employment in Bangladesh is in the informal sector, a large number of people have lost their incomes due to the lockdown. Moreover, they do not have any savings. They include agricultural workers, construction workers, rickshaw- and van-pullers, three-wheeler and taxi drivers, other transport workers, small shopkeepers, street vendors, barbers, workers in beauty parlours, garbage pickers, domestic helps, brick kiln workers, workers in small workshops, roadside eatery workers, hotel and restaurant workers, drivers working for individuals, loaders of goods, wood cutters, delivery workers of e-commerce, and so on. There are also others such as beggars, street children, disabled people, poor women abandoned by their husbands, widows and people from the transgender community who are in a dire state.

### Measures taken

There are a few conventional economic measures that governments undertake during economic downturns. They are aimed at boosting demand

and increasing spending to create vibrancy in the economy. Accordingly, governments worldwide have crafted similar policy responses to tackle the economic fallout caused by the lockdown due to COVID-19.

Most policy responses by countries have been through fiscal and monetary measures. Fiscal measures include stimulus packages such as direct financial support for the affected sectors, expansion of social safety nets and cash transfers to the low-income groups, exemption of various taxes and fees, budget allocation for immediate health preparedness and food distribution at a lower price for the poor. Monetary policy responses primarily include increasing liquidity in the financial system. This means that central banks will buy treasury bonds and bills from commercial banks so that banks in turn can provide loans to customers. The other method of monetary policy response is to reduce policy rates such as repo rates and cash reserve ratio. Many countries have reduced these rates drastically.

The government of Bangladesh has announced a number of stimulus and relief packages in order to revive the domestic economy and to mitigate the adverse effects of COVID-19 on different economic sectors and people. Until mid-June, the total package accounted for about 4 percent of Bangladesh's GDP. About 80 percent of the

economic support is liquidity support for cottage, micro, small, medium and large industries, exporters and farmers that will be channeled through the banking system. The government will mainly provide interest subsidy on bank loans. Such support is deemed to help both local and export-oriented sectors that are facing challenges due to COVID-19.

To address the basic needs of people living below the poverty line, the government has widened the coverage of existing social safety net programmes. These include distribution of wheat free-of-cost to low-income households, and providing allowances to senior citizens, and widows, deserted and destitute women. Furthermore, the government has committed providing cash assistance equivalent to BDT 2,500 (equivalent to US\$ 29) for a month to five million households.

### Sourcing resources

Needless to say, the amount allocated for addressing the impact of COVID-19 is not adequate given the extent of the economic loss. Moreover, COVID-19 is still evolving and no one is sure when this will end and how much damage it will cause ultimately. Therefore, to revive the economy, a large amount of resources will be necessary. With a revenue income of only 11.9 percent of GDP<sup>5</sup> and limited scope of borrowing from the bank, Bangladesh will have to explore international sources for funds.

Several international organizations have announced their support in view of COVID-19. Bangladesh has also received commitments from a number of organizations. For example, the IMF will provide a support package of about US\$730 million, the Asian Development Bank has announced a support of over US\$ 600 million, and the World Bank has committed to provide US\$100 million to Bangladesh. There may be opportunities for more support in the coming days. Still this will be only a small part of what is needed. This emphasizes the need for prudent macroeconomic management and efficiency in public expenditure and revenue mobilization. The gov-





ernment has to prioritize its spending. It needs to identify activities which are immediately needed, and which can wait for some time. This will have to be done pragmatically so that expenditure reduction does not affect employment and income of people.

A large investment is also needed for the healthcare sector. With increasing number of cases, the country is struggling to conduct more tests and provide treatment. The perennial neglect on public healthcare has become more evident now than ever before. With an allocation less than 1 percent of GDP, the healthcare sector is not able to attend the needs of patients in normal times. Dealing with COVID-19 is well beyond the capacity of the healthcare sector in current circumstances.

### Regional cooperation

COVID-19 has revived the realization that collaboration among South Asian countries is necessary. Undoubtedly, there is limited ability among South Asian countries to help each other through financial support. However, they can learn from each other in addressing the challenges of the pandemic by sharing good practices. The SAARC Emergency Fund for COVID-19, initiated by some of the South Asian leaders, is a welcome gesture. This fund can be used for the most

affected countries within the region and for medical research. Beyond the pandemic, public-private-partnership in healthcare services within the region also has a strong potential.

However, regional cooperation has remained mostly unsuccessful in South Asia due to geo-political undercurrents. Despite the potential for mutual benefit, leaders of South Asian countries have not moved the regional integration agenda forward. Even since the outbreak of COVID-19 in the region, no concrete steps have been taken towards cooperation except for the token fund. In fact, there is no reason to hope that COVID-19 will bring about any change in the thought process of South Asian leaders.

### Conclusion

It is evident that lockdowns imposed by almost all the South Asian countries have not helped much in addressing the challenges created by the COVID-19 pandemic. The number of infected cases has been rising sharply in the region. As economies, including Bangladesh, await to open up they have been experiencing huge losses in every sector. In this context, a reasonable way to face the pandemic is to continue with the lockdown in affected areas to limit the spread of the virus, open areas in a limited manner and with stringent measures

where there have been recoveries and the spread of virus is under control, and open areas where there are no cases with due precaution and strict measures. Parallel to this, there has to be enhanced support measures to the poor and vulnerable people to ensure that they do not succumb to hunger, and a strengthened healthcare system to take due care of the patients. Indeed, this strategy is applicable to all countries, including the South Asian countries, since they are on the same footing in terms of dealing with the COVID-19 challenges. ■

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### Notes

- 1 CPD. 2020. *Challenges of Policymaking in Times of Pandemics: State of the Bangladesh Economy in FY2020*. Dhaka: Centre for Policy Dialogue.
- 2 MoF. 2020. *Economic Transition and Pathway to Progress: Budget Speech 2020-21*. Dhaka: Ministry of Finance, Government of Bangladesh.
- 3 IMF. 2020. *World Economic Output*. Washington DC: International Monetary Fund.
- 4 World Bank. 2020. *Global Economic Prospects, June 2020*. Washington DC: World Bank.
- 5 MoF. 2020. *Economic Transition and Pathway to Progress: Budget Speech 2020-21*. Dhaka: Ministry of Finance, Government of Bangladesh.