

IMPACTS CONSEQUENCES AND RESPONSES TO COVID-19 IN BANGLADESH : A HUMAN SECURITY APPROACH



Background

The ongoing pandemic is a global disaster with consequent negative footprints in a diverse range of areas. The adverse effects of COVID-19 are being felt in many ways, and will continue to be felt over a prolonged period of time. The different interconnected risks originating from the pandemic are impacting at the level of households, enterprises and businesses, which in turn are having negative implications in the form of rising

poverty levels and deepening of inequalities arising from loss of employment and livelihoods opportunities of particularly the poor and the vulnerable.



Speaker:
Professor Mustafizur Rahman
Distinguished Fellow, Center
for Policy Dialogue (CPD)



North South University



South Asian Institute of Policy
and Governance

Email: cps@northsouth.edu

CHALLENGES FACING LIVELIHOOD AND BUSINESSES DUE TO COVID-19



Challenges

- The pandemic is associated with multidimensional risks - these concern health risks, economic risks, humanitarian risks and sociological risks
- The public holidays (lockdown) resulted in both demand side contraction and supply side disruptions
- According to CPD estimates, the GDP growth rate in FY 2019-20 will be in the range of 3.0 - 4.0 per cent, a sharp decline from the 8 plus percentage growth projection made earlier by the government
- Employment, livelihood and other opportunities of particularly the marginalised sections of the population will be negatively affected
- CPD estimates indicate that the previous share of 20% of Bangladesh's people living below the poverty line has now gone up by another 15 per cent, to reach 35 per cent. This meant that an additional 25.0 million people has joined the ranks of the poor as new poor
- There are about 61 million people in the Bangladesh labour force - among these 10 million are day labourers and 27 million are self-employed and involved in small scale activities. 85 per cent of the workers are associated with the informal sector. The pandemic has disrupted livelihood opportunities of an overwhelming majority of these people. According to CPD estimates, income inequality (gini-coefficient), has gone up from 0.48 to 0.52 and consumption inequality has risen from 0.32 to 0.35
- Only 14 million people in the labour force are in government jobs or in the corporate sector with regular wages/salaries. The rest, daily workers, self-employed and in the informal sectors, have seen significant erosion in earnings
- The FY 2020-21 budget has a number of embedded weaknesses:
 - Domestic resource mobilisation targets are overestimated, private sector investment targets are over-ambitious, deficit estimates are on the lower tide and deficit financing modality does not stand the test of closer scrutiny
 - The budget has proposed that the highest slab for personal income tax, which earlier stood at 30%, was to be reduced to 25%. According to CPD calculations, those with above 10 lac to 1 crore taka monthly income will be receiving more benefits, in relative sense, compared to those whose monthly income ranged between 30-50 thousand taka. This is unfair and goes against the principle of justice, equity and fairness
 - The tax-free limit for small and medium enterprises should have been revised upward since these generate the larger part of employment in the country
 - Solidarity on the part of brands and buyers associated with Bangladesh's exports has been starkly lacking. Only a few have signed on to the welcome initiative of the global compact in support of apparels exporters from low-income countries
 - The high target of government borrowing from the banking sector will likely crowd-out private investors from the credit market
 - Backdropping the urgency of addressing the ongoing pandemic, budgetary allocations for the Health Sector remains rather low and have failed to make any tangible breakthrough

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Recommendations

- The steps taken by the government in the area of safety net programmes need to be further strengthened. For example, the cash transfer scheme for 50 lac people, with allocation of 2500 taka each, while a timely one should be expanded further both in numbers and in terms of allocations. According to CPD estimates, about 2 crore people are in need of cash transfers
- At least 8,000 taka per month for 2 months should be given to at least 18 million people to provide some respite to the most affected and vulnerable. This, according to CPD, would call for allocation of about 30 thousand crore taka which will be equivalent to about 1 % of the country's GDP
- More low-cost foreign aid should be mobilised in view of financing the significant budget deficit
- Global partners should take more proactive initiatives in support of livelihoods of people from developing countries such as ours. Bangladesh government should join forces with other countries to mobilise global support in this regard
- Debt cancellation and debt deferment by bilateral and multilateral development partners should be put on the agenda of G-20 discussions
- Global brands and buyers working with Bangladesh's export-oriented RMG enterprises need to demonstrate more responsible behaviour and should not opt for order cancellation or ask for discounts. Rather they should join the global initiative in support of suppliers from developing countries
- EU's initiative to help workers by underwriting wages is a welcome move. Others should follow and pursue similar policies. Stakeholders in Bangladesh should take initiatives to mobilise global public opinion in support of these
- Ensuring transparency, accountability and good governance in macroeconomic management has emerged as a critically important need in these difficult times. The cost of inefficiency and corruption during these pandemic times can't be afforded, nor should this be tolerated
- Keeping the SDG framework in focus, Bangladesh's economic recovery strategy should be geared not only towards growth, but also towards growth with environmental sustainability