

Economic Recovery after the COVID-19 and Poverty Reduction in Bangladesh

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〈Abstract〉

The intention of this paper is to analyze the new challenges that after the COVID-19 that are affecting poverty reduction in Bangladesh. In the last decade, Bangladesh has made remarkable progress in education, health, gender equality, reducing poverty and the environmental issues. Despite the economic constrains through a holistic development approach, Bangladesh has improved its education, employment, health and nutrition, the environment and the amount of political freedom in the society. Poverty has reduced to almost half compared to a decade ago, and life expectancy, literacy rates and per capita GDP and food production have increased tremendously. Due to the continuity of sustainable and tremendous economic growth, Bangladesh has become an emerging country for regional connectivity, attracting more trade and investment opportunities. ‘Bangladesh, like other countries, faces the daunting challenge of fully recovering from the COVID-19 pandemic which has constrained economic activities and reversed some of the gains achieved in the last decade. The pace of poverty reduction slowed down, exports declined, inequality increased across several dimensions and the poverty rate in 2020 increased to 18.1 percent from 14.4 percent.’¹ COVID-19 is a new challenge that has had an impact on the global economic development, and the impact of the pandemic will affect more on poor people in the developing countries like Bangladesh and they will need an initiative to get.

〈Keywords〉

COVID-19 Impact, Economic Recovery, Poverty Reduction

1. Post COVID-19 Economic Recovery and Poverty Reduction in Bangladesh

The World Bank in its publications recognizes that it is not easy to define a ‘poverty line’ for all countries. In fact, the perception of poverty varies, not only from one historical moment to another, but also from one culture to another. The United Nations publications provides the following definition; ‘The level of income below which it is not possible, from an economic standpoint, to guarantee an adequate diet, in nutritional terms, as well as providing non-food essentials.’² Poverty is a state of economic, social and psychological deprivation occurring among people or countries lacking sufficient ownership, control or access to maintain acceptable living standards. The poverty

¹ The World Bank, ‘Bangladesh: Reducing Poverty and Sharing Prosperity’, 2021

² UPL, ‘Rural Poverty in Bangladesh: A Report to the Like-minded Group’ North-South Institute, Dhaka, 1990, p.5

line is a dividing line between the poor and the non-poor. The poverty line level of expenditure can be expressed either as “per capita” or as “per household” expenditure for a period (i.e. a month or a year). The most common and simplest measure of poverty, known as the Head Count Ratio (HCR), simply counts the number under the poverty line. *Poverty line* is defined by the minimum calorie requirements as recommended by a joint World Health Organization (WHO) and Food and Agriculture Organization (FAO) expert group. For South Asian countries, the minimum requirement for each age group is 2122 kcal, per person, per day. However, in Bangladesh the average intake is 1805 kcal. ‘Poverty is not merely a problem of low incomes; rather, it is a multi-dimensional problem that includes low access to opportunities for developing human capital and to education, health, family planning, and nutrition.’³ The effects of poverty can be seen in social indicators: high infant mortality, premature mortality, high morbidity, high fertility, low literacy rates, low primary school enrollments and malnutrition. Education, basic health care, and family planning services are crucial for generating and sustaining economic growth.

Over the past development decades, ‘the South Asian governments have taken various initiatives to create anti-poverty programs. The failure at poverty reduction can be attributed to the following major factors: following a development paradigm alien to the region, sectoral imbalances, top-down strategies, inequitable distribution of assets, lack of rural productive infrastructure, and over exploitation of natural resources. Inadequate development of the social sector, the use of development resources as political patronage, and viewing the poor as a liability, therefore, to be shunned, ignored and disregarded. Land is a major asset and is the source of important economic, political and social power. Its distribution pattern is significantly uneven, in favor of large farmers, limiting access of the poorer groups to resources and opportunities. Bangladesh has experienced over the past development decades all these major factors mentioned above. Furthermore, being an agricultural economy based country the farming land is not equitably distributed among the rural people. Due to frequent natural disasters and river erosion in Bangladesh, land ownership has become more unequal year after year. People become landless because of slower economic growth and rapid population growth which means an annual increase of poor people in rural areas.

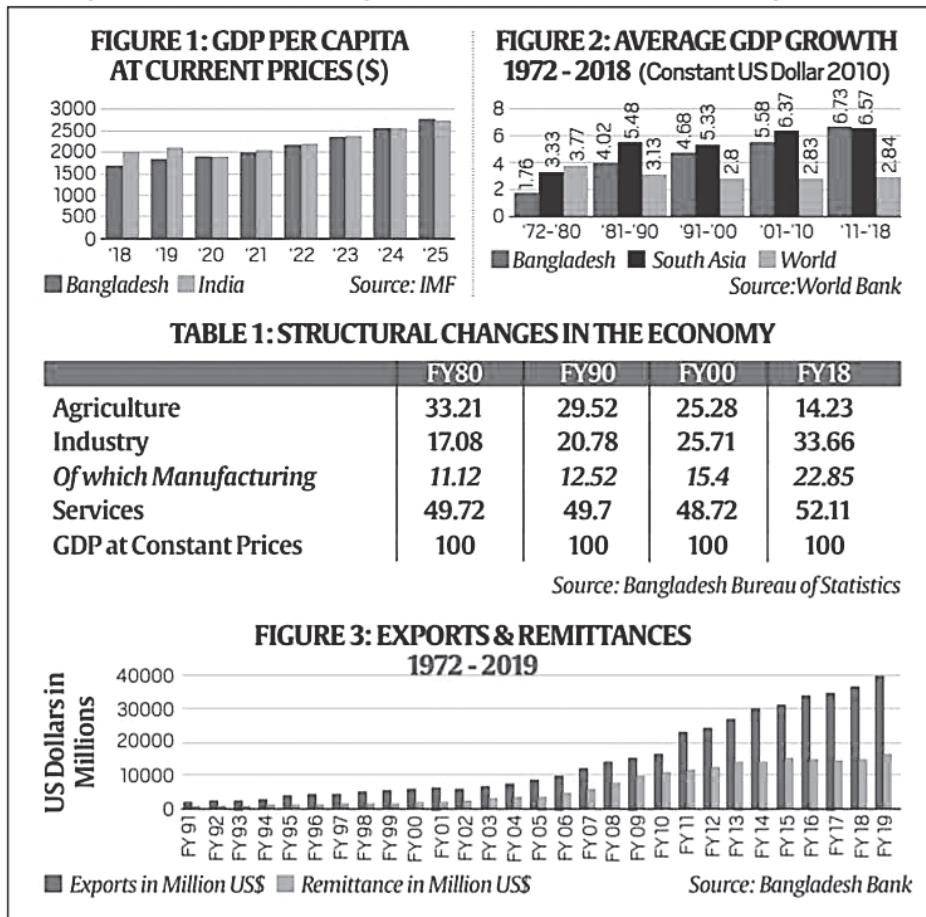
Since independence in 1971, Bangladesh has been ruled mainly by military government put in power by “coups d’etat.” In the last three decades, more than a dozen presidents and several political regimes have ruled the country. Bangladesh was under military control from 1975 to 1990. During this period, most of the donor countries including Japan stopped their official development assistance to Bangladeshi development projects except for some humanitarian projects. As a result, the country’s development activities were stagnant during those years, and educational and human resource development were severely affected due to lack of both overseas financial and technical assistance.

³ World Bank, ‘Poverty Reduction in South Asia’, Washington, D. C., 1994, p. 9

2. Being an Emerging Country after COVID-19 Bangladesh Now Faces New Challenges

Development economists Jean Drèze and Amartya Sen showed in their 2013 book, *An Uncertain Glory: India and its Contradictions*, that Bangladesh had been outshining its larger neighbors on indicators such as infant mortality, child immunization, female literacy, access to improved sanitation, and total fertility rate. ‘When the nation was born in 1971, the average Bangladeshi could expect to live for only 46.5 years. By 2018, life expectancy in Bangladesh had risen to 72 years. The economic story of Bangladesh has not always been optimistic. Soon after independence, then United States Secretary of State Henry Kissinger (in) famously branded Bangladesh as a “bottomless basket”, and development pundits did not believe that an overcrowded country with very few natural resources had great economic prospects.⁴ However presently economic growth in Bangladesh has improved tremendously. The tables in figure 1, figure 2 show the GDP of Bangladesh and Structural Change in the Economy.

Figure 1, Figure 2 and Table 1 Bangladesh GDP and Structural Change in the Economy



Source: Bangladesh Central Bank

Since 2009 and onward, the government has demonstrated a strong political will to uproot terrorism and establish peace, along with a sustained policy commitment to economic stability through prudent fiscal and international debt management, expansion of social security and execution of mega infrastructure projects. Most significant

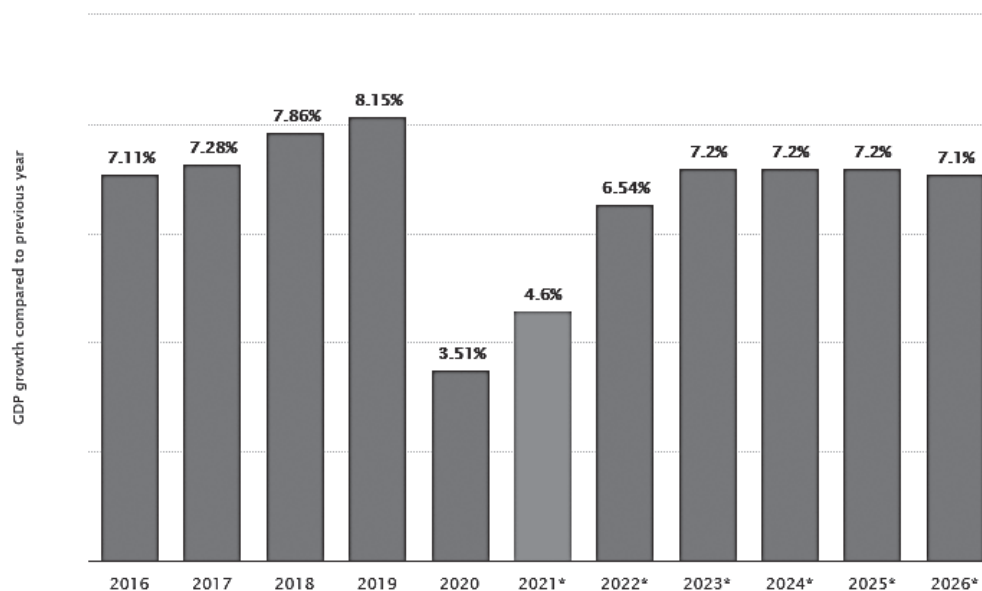
⁴ Ashikur Rahman, ‘The Indian Express’ 3 November 2020

achievements have been to successfully balance the competing interests of India, China, Japan, Russia and the US, which has allowed Bangladesh to protect its national interest and develop a win-win political and economic rapport with major global powers.

2.1 Bangladesh became An Emerging Country through Sustainable Economic Growth

Bangladesh's economic progress started in the late 1980s through exporting garments. The garment industries in the 1980s and 90s had brought significant economic progress by earning foreign currencies as a result of exporting ready-made garments and paved the way for so many private entrepreneurs to contribute to the country's economy. Bangladesh is no longer an economic basket case but rather a role model for developing countries. No other countries in the South Asian region have made such economic progress in 50 years, including in road, transport, public health, infrastructure and social development. 'Bangladesh has made remarkable progress in reducing poverty, supported by sustained economic growth. Based on the international poverty line of \$1.90 per person per day, poverty declined from 44.2 percent in 1991 to 13.8 percent in 2016/17. In parallel, life expectancy, literacy rates and per capita food production have increased significantly.'⁵ As shown in figure 3 below, except during the COVID-19 pandemic years (2020 and 2021) in Bangladesh. GDP constantly achieved its targeted goal of gross domestic product, and progress was underpinned by 6 percent plus growth over the decade and reaching to more than 7 percent since 2016. Hopefully the country will achieved its projected target goal by 2026.

Figure 3 Gross Domestic Product (GDP) growth rate in Bangladesh 2016 to 2026



Source: Aaron O'Neill, 'Bangladesh: Growth rate of the real GDP from 2016 to 2026' STATISTA, 2021

⁵ The World Bank, 'Bangladesh: Reducing Poverty and Sharing Prosperity', 2018

There are several reasons behind Bangladesh became an emerging country in the South Asian region. These includes; (1) Bangladesh is the second largest Ready-Made Garments (RMG) exporter in the world, more than 80 percent of the country's export income comes from the RMG sector and 5 million women workers are involved in this sector. (2) More than 10 million Bangladeshi are non-residence overseas workers and every year these workers remit a large amount of foreign currency to the country. (3) The agriculture sector has been playing an important role to produce enough food including meat, fish and vegetables for 160 million people in a tiny area of land (148,460 sq. km). These factors are playing a vital role in domestic economy growth and increasing GDP through improving people's purchasing power capacity. 'Ten years ago, if somebody had told me that Bangladesh would progress this far, I wouldn't have believed it. Now, however, I am in a position to explain the phenomenon. While trying to decipher Bangladesh's economic success, pundits cite several crucial factors, including fulfilling electricity demands, infrastructural development, political stability and food self-sufficiency. But none of these achievements has been easy.'⁶ The ADB (Asian Development Bank) ranked Bangladesh as the fastest-growing economy in the Asia-Pacific region, eclipsing China, Vietnam and India. At the same time, the country improved in many socio-economic indicators. Bangladesh marks its 50th independence anniversary this year, its tremendous economic growth has made it an emerging country.

In recent years, the Bangladesh government has taken the initiative on free-market economic reform that includes liberal industrial policies which will lead to a surge in Direct Foreign Investment (FDI) and technology transfer from industrialized countries. Bangladesh has been offering 100 newly established countrywide economic zones for attracting more trade and investment opportunities from overseas investors. Bangladesh today enjoys a steady economic growth of nearly 7 percent per annum and as a result, its \$35 billion economy of the mid-1990s has grown more than nine-fold to become a \$330 billion economy in 2020. At the same time, the country's poverty has fallen from 58 percent in 1990 to nearly 21 percent in 2019. Rapid growth enabled Bangladesh to reach the eligibility criteria for graduation from the United Nation's Least Developed Countries (LDC) list, and is on track to becoming a middle-income country on the United Nations list in the years of 2024.

3. Dynamic Economic Change through Collaboration with Corporations and NGOs

In Bangladesh, like other South Asian countries, traditionally there has been an obvious division of labor between women and men at the house hold level. Men are presumed to be responsible for earning the living for the family while women take care of the household activities including child-bearing. The life patterns of most women are conditioned by age-old traditions and male dominated institutions governing the family, society and the economy. 'Over the last two decades, the scenario has changed considerably as women involved themselves in income-generating activities both within and outside home on an increasing scale. Two factors that contributed most to this

⁶ Salman Fazlur Rahman, 'The secret to Bangladesh's economic success?' World Economic Forum, 2021

transition are: the spread of microfinance endeavor of various NGOs and the expansion of the low skill export oriented textiles and garments industries.⁷⁷ Not only in the garments industries, in recent years many women are involved in their own business and now they are job providers to job seekers, and many of them today became well-established entrepreneurs. Government and private banks are providing them soft interest loans. Women entrepreneurs are playing an important role in the country's speedy economic growth. 'A country's legal framework and cultural norms play a significant role in determining women's economic opportunities and fair employment status. In addition, key issues such as education, health, and living conditions impact women's ability to excel and advance in the workplace.'⁷⁸ The "Stimulus Grand Scheme" package announced by the Bangladesh government to help women entrepreneurs was affected by the Covid-19 outbreak. Economic empowerment through increase employment in industries and access to microcredit transformed their situation. The vast majority of women in the garment industry are migrants from rural areas. This unprecedented employment opportunity for the young has narrowed gender gaps in employment and income.

Besides the government, there are numerous awareness actions carried out by NGOs in an effort to boost women's political participation. Women's presence in the higher political positions is a dynamic change and a positive move towards gender equality. BRAC's (Bangladesh Rural Advancement Committee) multifaceted activities are agriculture and food security, integrated development, enterprises and investments, targeting the ultra-poor, environment and health, education, community empowerment, gender justice and diversity, human rights and legal aid services. Since the World Conference on Women in Mexico in 1975—which was a milestone in the battle for equality – Bangladesh has been at the forefront among the LDCs in addressing gender disparities. It has had a female head of state for longer than any other country in the world. Despite the government's huge own initiatives, Bangladesh has a long history of working in collaboration with development NGOs at the grassroots level. Government's joint efforts with NGOs have significantly contributed to achieving many of the sustainable development goals. Below are the names of some ministries and Government units that NGOs have been closely working with;

Ministry of Cultural Affairs

Ministry of Education

Ministry of Fisheries & Livestock

Ministry of Food and Agriculture

Ministry of Health and Family Welfare

Ministry of Primary and Mass Education

Ministry of Social Welfare

Ministry of Foreign Affairs

⁷ M Hossain & C. Tisdell, 'Social Economics, Policy and Development' UOQ, Australia, 2005, pp.7-8

⁸ UNDP, 'Human Development Report 2013' United Nations, New York, 2013, p.81

Directors General of Health Services

Department of Agricultural Extension

Ministry of Women and Children Affairs

Ministry of Youth and Sports

National Institute for Local Government

Bureau of Manpower Employment and Training

Ministry of Expatriate Welfare and Overseas Employment

Bangladesh Overseas Employment and Services Limited

Bureau of Manpower, Employment and Training

The government's collaboration with NGOs varies according to their social commitment, the individual country's socioeconomic, cultural and political conditions. In Bangladesh, NGOs are playing the part as an intermediary between the government and beneficiaries of their development programs. 'Effective development strategies require a process of planning and implementation which enables local people and officials to equally express their needs and to share in deciding what is to be done.'¹⁸ Due to financial limitations, in many cases NGOs cannot carry out their programs, although they can access them at the grassroots level. However, the NGOs approach gives the people access and opportunities to state their opinions, so there is a free flow of communication between the top level and the grassroots level. Programs have succeeded through many NGOs when the beneficiaries' were given first priority in development activities. Much of the debate between the government and NGO collaborations is concerned with the regulatory powers of the state. The fundamental issue relates to the rights of NGOs to pursue their objectives. In Bangladesh, government and NGOs collaboration has been working very well, based on their past experiences in development strategies.

In the last three decades, Microcredit has grown to become an instrument to empower the rural economy. The purpose of microcredit loans is to make poor women aware of their latent potential and make them ready to actively participate in improving the overall development of the underprivileged people's life at the grassroots level. The Grameen Bank proved in Bangladesh and other parts of the world that if there is even a little opportunity, then the latent power of the poor people can be explored and their capacity building increased to reach the goal of social development of their own and subsequently improving their socioeconomic, cultural and political conditions in society. Empowering poor people in developing countries depends upon the ownership and control of assets, participation in socioeconomic, cultural and political activities, and involvement in decision making, mobility, education, awareness building and skills development of the women in a society.

4. How to Overcome the COVID-19 Post Economic Recovery Challenge in Bangladesh

Bangladesh, like other countries, faces the daunting challenge of fully recovering from the COVID-19 pandemic

which has constrained economic activities and reversed some of the gains achieved in the last decade. The COVID-19 pandemic decelerated economic growth in 2020. The pace of poverty reduction slowed down, exports declined, inequality increased across several dimensions and the poverty rate in 2020 increased to 18.1 percent from 14.4 percent before COVID-19. In the financial year 2019-20, there was negative growth in exports which was unprecedented in the recent history of Bangladesh. The government has taken more initiative on free-market economic reform that includes liberal industrial policies which will lead to a surge in direct foreign investment and technology transfer from industrialized countries. Even though the situation has been moving to improve somewhat since the beginning of the current financial year 2021-22, it is uncertain whether exports will return to normal. Nevertheless, strong remittance inflows and a rebound in the export market has helped the economy to start recovering gradually. ‘The Covid-19 induced economic crisis has affected the export and import of Bangladesh by large margins. The economic crisis has been exacerbated by the closure or limited operation of businesses during the lockdown at home and abroad.’⁹ During the COVID-19 pandemic situation like other developing countries Bangladesh also has been facing the challenges to recovering from the COVID-19 pandemic which has constrained economic activities and reversed some of the gains achieved in the last decade. ‘The COVID-19 pandemic decelerated economic growth in 2020. The pace of poverty reduction slowed down, exports declined, inequality increased across several dimensions and the poverty rate in 2020 increased to 18.1 percent from 14.4 percent.’¹⁰ Due to COVID-19 impact, the second largest Ready-Made Garments (RMG) exporter volume has dramatically fallen, and the service industry almost collapsed, so businesses have been finding it difficult to operate under the impacts of countrywide lockdown, and remittances from overseas has been falling rapidly. Many businesses, either in the formal or informal economy, are in danger of closing down or cutting their workforces. One of the country’s biggest domestic economic pillar is real estate and that has been suffering and many construction material suppliers collapsed, and a million workers lost their jobs.

‘Government revenues comprised only 9.9 per cent of GDP in 2019, well below Government expenditures of 14.8 per cent of GDP. Indeed, this is well below the level required to sustain good public services: many high- and middle- income countries generate government revenues equivalent to at least 30 per cent of GDP while even Nepal has revenues of 23 per cent of GDP.’¹¹ Given the fact that being a small developing country Bangladesh has little influence on the recovery of global trade. Bangladesh needs to get its domestic business in a position to cope during crisis times and to register a substantial recovery in the post-pandemic period. It will be very difficult for Bangladesh to recovery from the COVID-19 crisis. Fortunately, the World Bank, the Asian Development Bank (ADB) and some other industrialized countries are committed to cooperate with Bangladesh to help achieving sustain its efforts to overcome post pandemic crisis and poverty reduction.

⁹ Selim Raihan, “Covid-19 and the challenges of trade for Bangladesh” The Daily Star, 25 March 2022

¹⁰ The World Bank, ‘Bangladesh: Reducing Poverty and Sharing Prosperity’, 2021

¹¹ IMF World Economic Outlook database. 2021<https://www.imf.org/>

The following aspects can help people who have been economically affected by COVID-19 in Bangladesh:

- Take an initiative to increase more Small and Medium Scale (SME) loans by public/private and other financial institutions. Provide training to produce more bar-footed entrepreneurs through an innovative and holistic approach.
- Special and large scale training programs for females (village/urban) of different ages and educational backgrounds, and should be a collective initiative by both GO-NGOs to improve their needs-based indigenous skills, Knowledge and technical knowhow for increasing their production capability and also extend their marketing network, so that they can be linked with the wide market.
- Awareness building of men about women's empowerment through education, motivation, training and extension work by GO-NGOs and corporate's CSR (Corporate Social Responsibility).
- Either at village or sub-district level, -a strong and well organized organizations should be initiated by the government, from where underprivileged women and men can get support to reconstruct their hassle free daily life as it was before COVID-19.
- The government should provide Basic Human Needs (BHN) and to ensure social security for special- needs people, and for the time-being, provide a social safety-net for COVID-19 pandemic affected people. These will increase their social mobility and help them to stand on their own feet.

5. Concluding Remarks

The above analysis may be seen as a pathway to overcome the post COVID-19 challenges in Bangladesh and reduce the country's poverty. For a LDC country with many limitations, it is not a very easy task and it will never be possible overnight. However, the country has to do something for the betterment of the country and well-being of the vulnerable people. Due to the negative impact of COVID-19, most victims are low-income people, and particularly women. The constitution of Bangladesh upholds the necessity of equal opportunities between women and men. It sanctions positive measures for disadvantaged groups, and particularly women. The Government has already undertaken several noteworthy efforts toward integrating the women's agenda into the broader policy and plan framework including implementation of the Beijing Platform for Action. Despite this, a lot of evidence shows that in the last two decades women have been increasing their empowerment through education, health, income and political participation. However, it is too early to say that women are equally treated in relation to their daily life in Bangladesh. Like other countries, during the pandemic period many women lost their jobs compared to their male counterparts.

Now the government has to take an initiative through a tripartite approach or collaboration with the corporations and NGOs to overcome post COVID-19 challenges and recovery of the country's devastating economy. On a positive note, the countrywide has countrywide administrative power, NGOs have nationwide networks and their

workers living with people at the grassroots level in the rural areas, and the corporations have enough funds, skills and marketing knowledge. To improve the situation for vulnerable people, particularly women socioeconomic conditions through active and effective involvements are needed by the respective governments, NGOs and corporations. To ensure economic development of the country, commitments have been made to provide income opportunities and access to innovative education, health facilities, financial institutions and political participation for all in the shortest period of time. Without strong governmental will and social commitment, improving the lives of the poor people in the country through only providing social welfare would be a very difficult task. The government could emphasize social development strategies which ensure the people's participation at the grassroots level of society in the current and future development of the country. Eventually, for the post COVID-19 challenge ahead sustaining the commitment of economic requires renewed accountability by all sectors, such as in government, corporations and non-governmental organizations for the least-favored populations. Particularly to give attention to those who were heavily affected by the pandemic in their usual life styles.

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