

Post-COVID-19 Initiatives for Economic Recovery in Bangladesh

Naseer JAMADAR

Abstract:

The purpose of this paper is to examine the post COVID-19 Initiatives for Economic Recovery in Bangladesh. In any definition Bangladesh is a less developed country but has been experiencing phenomenal growth in all aspects of the economy since 2009 and became a lower-middle income country by 2017. Bangladesh has become the 39th largest economy in the world in nominal terms, and the 30th largest in terms of purchasing power parity. Bangladesh was steady towards becoming a middle-income country by 2031 and a high-income country in 2041. With such a backdrop COVID-19 hit the world and Bangladesh. Unfortunately, COVID-19 outbreak has impacted the economy and society across the globe and Bangladesh has not been an exception. Within a few weeks, all fundamentals of the economy and society have been challenged in a way, which is unprecedented in human history. Bangladesh is acknowledged as one of the next eleven emerging market middle income economies and a frontier market. In the first quarter of 2019, Bangladesh was the world's seventh fastest growing economy with a rate of 7.3 percent real GDP annual growth (IMF, 2019). In early 2020, COVID-19 was spreading all over the country, and due to the pandemic effects tremendous economic growth trend of the previous decade suddenly came to a halt. The ongoing conflict between Russia and Ukraine has also made an impact on Bangladesh's continuous economic growth. Now, Bangladesh has taken some initiatives for economic recovery post COVID-19. In 2023, Bangladesh achieved excellent economic recovery but still needs to do a lot for its overall socio-economic development.

<Keywords>

Post-COVID-19, Initiatives for Economic Recovery, Poverty Reduction

1. The Magic Behind Bangladesh Tremendous Socio-Economic Development in the last decade

In the last decade, the Bangladesh government has taken initiatives on free-market economic reform that includes liberal industrial policies which will lead to a surge in Foreign Direct Investment (FDI) and technology transfer from industrialized countries. Bangladesh has been offering 100 newly established economic zones for attracting more trade and investment opportunities from overseas investors. Since 2010, Bangladesh enjoys a steady

economic growth of more than 7 percent per annum and as a result, its US\$35 billion economy of the 1990s has grown more than nine-fold to become a US\$330 billion economy. As of 2023, it reached US\$446.3 billion with a purchasing power parity (PPP) is of US\$1.476 trillion. At the same time, the country's poverty has fallen from 58 percent in 1990 to nearly 21 percent in 2019. Bangladesh is no longer an economic bottomless basket case but rather a role model for other developing countries. No other countries in the South Asian region have made such economic progress in the last 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 US\$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'¹ Except during the COVID-19 pandemic years (2020 and 2021) in Bangladesh, GDP was maintained at its targeted goal, and progress was underpinned by 6 percent plus growth over the decade and reaching to more than 7 percent since 2016. There are three main factors playing a vital role in the steady and continuous economic growth of Bangladesh, ① *Readymade garments export* ② *Overseas remittance* and ③ *Agricultural sector*. There are several reasons behind Bangladesh became an emerging country in the South Asian region. 'Bangladesh is one of the largest exporters of Ready-Made Garments (RMG) in the world and the textile and apparel sector is a significant contributor to its economy. It is also a major source of our employment. The COVID-19 pandemic has taken a heavy toll on the sector too, but there are telltale signs of recovery as global demand picks up. The government is working with industry stakeholders to ensure that the sector is able to adapt to the changing market conditions and remain competitive and sustainable'² More than 80% of the country's export earnings come from the RMG sector. 110 million Bangladeshis are working all over the world as overseas workers and the Bangladesh national budget is heavily dependent on the remittance of RMG and overseas (non-residence) workers.

'The remittance sector is also an essential factor in Bangladesh's economic development which hugely contributes to its foreign exchange earnings. Its growth has made a positive impact on the country's balance of payments, forex reserves and household incomes. In recent years, despite the impact of the pandemic on the global economy, Bangladesh sees a steady increase in remittance inflows. In addition, the government has created several incentives, such as tax exemptions and special deposit schemes with a view to encouraging expatriate Bangladeshis to send money through official channels. The remittance sector also contributes to poverty reduction and access to healthcare, education, and other essential services in rural areas'³ Basically, Bangladesh is an agrarian economy, with 59.84% of the populations engaged in the agricultural sector. The government is providing subsidies and taking steps to promote modern agricultural practices, improving access to loans, and investing in rural infrastructure to boost the sector's growth. So, in a tiny land like Bangladeshi, farmers produce food for 165 million

¹ The World bank, 'Bangladesh: Reducing Poverty and Sharing Prosperity', 2018

² Rashid Askari, (a) 'Bangladesh's Economic Recovery and Recipes for Sustainability' The Daily Sun, 19 March 2023

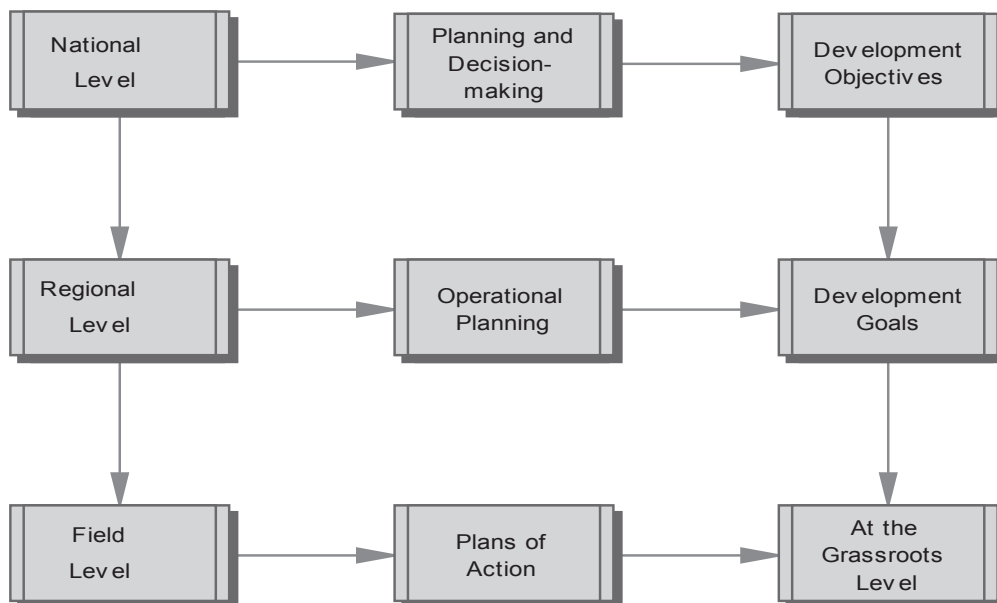
³ Rashid Askari, (b) 'Bangladesh's Economic Recovery and Recipes for Sustainability' The Daily Sun, 19 March 2023

people, exporting agricultural products and significantly contributing to the GDP as well. These highlighted the strengths that could help it recover from the economic fallout caused by the post-COVID-19 crisis and Russia-Ukraine conflicts. However, still there is a gap among the poor people that existed prior to and post COVID-19.

2. NGOs Multifaceted Activities Playing an Important Role in Economic Development

Beside the above-mentioned three instrumental factors in Bangladesh's economic development (Non-Governmental Organizations) NGOs have been also playing another vital role in the country's socio-economic development. Due to economic constraints the government cannot reach the poor at the grassroots level. Again, very often the government's bureaucratic policies and 'top-down' development approach contributed to the failure in achieve its goals. The reason is that, this top-down approach bypasses the beneficiaries will and their direct participation, therefore the top-level does not give emphasis on listening directly to the target group at the grassroots level before making their strategic development policy decisions. As a result, the real beneficiaries of the socio-economic development activities are ignored to participating in planning, decision-making, monitoring and evaluation of their own economic development.

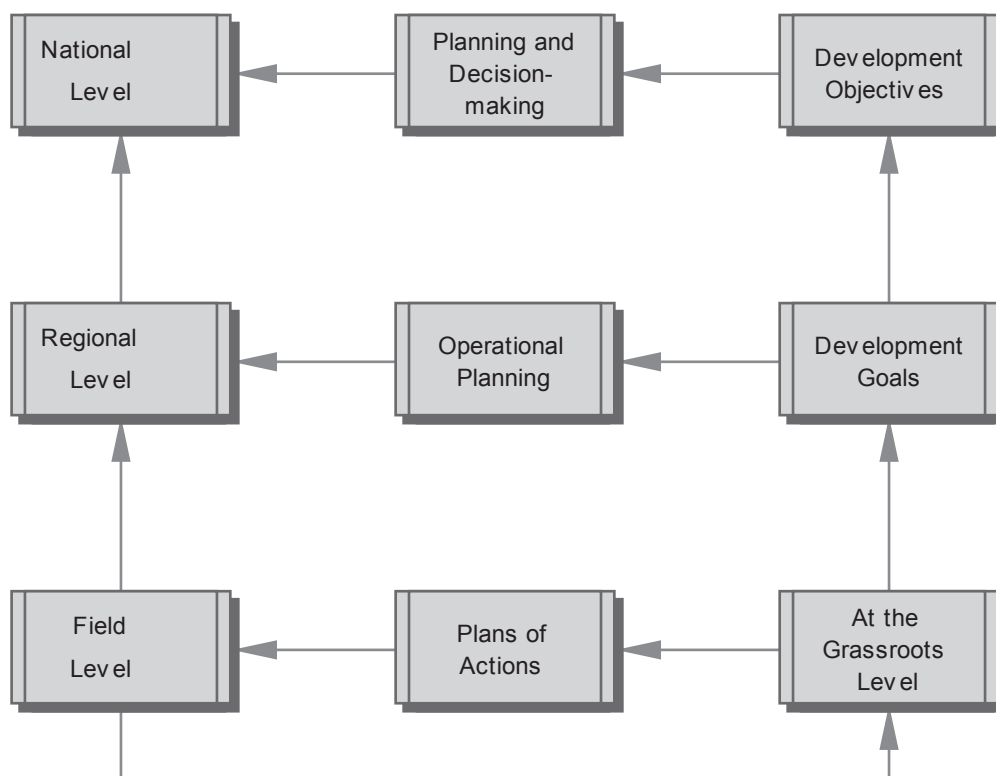
Figure 1 Top-Down Approach in Socio-Economic Development Planning



Besides the government, there are numerous awareness actions carried out by NGOs is an effort to boost women's participation. Half of the country's population are women, so their direct participation in the community is a dynamic change and positive move towards gender equality and improvement in their socio-economic condition as well. NGOs 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. Fortunately, most of the NGOs in Bangladesh emphasize development from below through the 'bottom-up' approach to empower the poorest of the poor at the grassroots

level. An NGO is an institution or organization which works outside the government structures but has an institutional legal framework of the respective country. The terminology NGO includes all those institutions and organizations that are involved in the multifaceted development activities for the disadvantaged people at the grassroots level, such as awareness building, group formation, poverty reduction, education, health and sanitation, gender and environment issues. As a result of their independent status and direct links to local communities, NGOs also play a vital role in the United Nations system. ‘NGOs-inspired by volunteerism and public service have ventured beyond traditional civic-oriented activities into organizing for grassroots development, educational and skills training programs, and other concerns directly benefiting local communities. In marked contrast to bureaucratic government agencies, they work closely with the people, involving them in project planning, implementation, and decision-making’⁴ The bottom-up approach in socio-economic development planning is the reverse of the top-down approach. In this approach both national and regional levels cannot decide development strategies for the development objectives and goals, unless they go to the people at grassroots level to know their actual problems and ascertain what the people want to do to improve their overall socio-economic conditions. The bottom-up approach also has some limitations such as resources, technology and manpower problems, and higher levels have more power in this system too. However, the bottom-up approach gives the people access and opportunities to state their opinions to those at higher levels, as there is free flow communication between the top level and the grassroots level.

Figure 2 Bottom-Up Approach in Socio-Economic Development Planning



⁴ Morales A T, ‘Solidarity’ Manila, Philippines, July-September 1990

In the last two decades, with the collaboration of Bangladeshi NGOs' multifaceted socio-economic development activities, the government successfully reduced the country's poverty rate nearly 50 percent in the past. The NGOs are playing an important role as an intermediary organization working to make a bridge among donors, beneficiaries, policy makers and with the national government and international donor agencies. As a result, since last decade Bangladesh is now called an emerging tiger in Asia. The country has made dynamic change and significant progress in its socio-economic development. Over the years, Bangladesh has made tremendous progress in its socio-economic development and has moved from a low-income to a lower-middle income country. It is now on track to graduate from the United Nation's Least Developed Countries (LDC) list in 2026.

3. COVID-19 Pandemic Factors Heavily Affecting Economic Growth in Bangladesh

Bangladesh 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. In the financial year 2019-20, there was negative growth in exports which was unprecedented in the recent history of Bangladesh. 'The impact of COVID-19 on the major economic and financial indicators of the economy of Bangladesh, including production, wages, price levels, advances, bills, investments, remittances, and foreign trade. In addition to the recent impact of the global economic meltdown, Bangladesh also experienced severe demand contraction in the local economy; this exacerbated the overall economic crisis of the country. Considering the duration and severity of COVID-19'⁵ To prevent COVID-19 spreading over the whole country, the Bangladesh government took immediate initiative to shut-down economic activities. Bangladesh is the second largest producer of RMG and this sector brings more than 80 percent of the export earnings. About 10 million workers are involved in the garments industries and due to COVID-19 the closing down of garments factories most of the workers lost their jobs and incomes. These workers play an important role in the domestic economy. Since, they are, a major portion of export earnings, the most important issue is that Bangladesh's GDP heavily depends on this sector. 'The Covid-19 pandemic has been one of the most significant shocks to global society in recent history. Two years on from when it was first identified, a great many peoples' lives and their livelihoods are still affected. The impact of the pandemic is being most strongly experienced by people who have been impacted by conflict, forced displacement, food insecurity and natural disasters'⁶ Similarly, many Bangladeshi overseas workers lost their jobs in their host countries, as a results of the decline in remittance, the government had faced foreign reserve constraints were unable to meet the overseas payments in foreign currency for imports and its national budget as well. Another burning issue was in the

⁵ Muhammad Shahadat Hossain Siddique, 'COVID's 19 Impact on Bangladesh Economy' brac institute of governance and development, 2020

⁶ IFRC, 'COVID-19 response and recovery operations in Bangladesh: Evaluation of activities funded by the Disasters Emergency Committee' 31 Aug 2022

agricultural sector, almost 60 percent people are involved in this sector is one of the key elements which contribute significantly to the country's GDP. During COVID-19 pandemic farmers produced their agricultural products and most of them were perishable items. Unfortunately, village farmers do not have any refrigeration technology or cooling system so they could not have any access to the vegetable market to sell their products. Therefore, this sector could not play a vital role in the country's economic growth during the pandemic period. Nevertheless, the government has "One House One Farm" initiative and good intentions to make use of every piece of land available, so they could help to stimulate the economy by increasing agricultural production in the rural areas and exporting to other countries.

4. Due to COVID-19 Poverty Rate is Significantly Increased in Bangladesh

In the last decade, Bangladesh has made remarkable progress in education, health, gender equality, reducing poverty and environmental issues. Despite the economic constraints 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, exports declined, inequality increased across several dimensions and the poverty rate in 2020 increased to 18.1 percent from 14.4 percent'⁷ During the COVID-19 pandemic country was mostly shut-down, particularly, industries, transportation, tourism, hotel-restaurants and service sectors' so many workers lost their jobs. And a good number of them reverse migrated to their villages. In order to living, either they spent their saving or they borrowed money from others. As a result, more working people became poorer than before the COVID-19 pandemic situation. Meanwhile, the war between Russia and Ukraine dealt a major shock to commodity markets. Commodity prices surged during the first quarter of 2022, reflecting the effects of the war in Ukraine. Food prices rose by two to times, which was their largest increase. These increases in prices are having major humanitarian and economic impacts and exacerbating food insecurity and inflation in many developing countries. COVID-19 was a new challenge that has had an impact on global economic development, with a major portion of Bangladeshi overseas workers losing their jobs in abroad. The impact of the pandemic will affect more poor people in the developing countries like Bangladesh and still they eagerly need an initiative from the government to improve their overall socio-economic conditions. Commodity markets are facing an unprecedented array of pressures, lifting some prices to all-time highs, particularly for commodities where Russia or Ukraine is a key exporter. Changes in commodity trade patterns are expected to

⁷ The World bank, 'Bangladesh: Reducing Poverty and Sharing Prosperity', 2021

continue even after the war ends, along with the possibility of further outbreaks of COVID-19, alongside a broader slowdown in global growth.

5. Initiatives for Economic Recovery After COVID-19 in Bangladesh

The government has taken more initiative with 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 financial year 2022-23, 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’⁸ During the COVID-19 pandemic like other developing countries Bangladesh also has been facing the challenges to recover from which has constrained economic activities and reversed some of the gains achieved in the last decade. Due to the impact of COVID-19, 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 lock-down, and remittances from overseas has been falling rapidly. Many businesses, either in the formal/informal sectors are in danger of closing down or cutting their workforces. One of the country’s biggest domestic economic pillars 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 percent 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 percent of GDP while even Nepal has revenues of 23 percent of GDP’⁹ Given the fact that being a small volume of economic 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.

5.1 International Funding agencies help Bangladesh to Recovery from COVID-19

Fortunately, the World Bank, the Asian Development Bank (ADB) and some other industrialized countries were committed to cooperating with Bangladesh to help sustain its efforts to overcome ‘ADB’s assistance in 2020-2021 committed US\$4.56 billion for projects and programs in Bangladesh including more than US\$2.6 billion for managing the immediate economic, social, and health-related impacts of the COVID-19 pandemic’¹⁰ The assistance includes US\$500 million in rapid budget support approved in April 2020, after receiving the government request.

⁸ Selim Raihan, “Covid-19 and the challenges of trade for Bangladesh” The Daily Star, 25 March 2022

⁹ IMF, ‘World Economic Outlook database’ 2021 (<https://www.imf.org/>)

¹⁰ ADB, ‘ADB Helps Bangladesh on Road to Recovery from COVID-19’ 2021

This support forms part of ADB's COVID-19 Active Response and Expenditure Support (CARES) Program, which is funded through the COVID-19 pandemic response option under ADB's Countercyclical Support Facility. This budget support has built on earlier concessional emergency assistance and a grant to help provide for the immediate needs of medical supplies and logistics support. 'Bangladesh has managed the ongoing COVID-19 pandemic well so far, through the stimulus and incentive packages and expanded social protection programs under a pragmatic policy to support both lives and livelihoods' (Ginting:2021). Bangladesh had quickly responded to implementation of reforms for improving public investment, expenditure efficiency, domestic resource mobilization, business climate, and boosting competitiveness to support the larger role of the private sector and economic diversification, as well as promoting small enterprises for local-level job creation which are critical to sustaining these gains.

The World Bank (2020) approved US\$1.05 billion for three projects to help Bangladesh create quality jobs and accelerate economic recovery from the COVID-19 pandemic as well as build resilience to future crises. This is an extraordinary response to an unprecedented crisis. The COVID-19 pandemic has deeply jeopardized many of Bangladesh's remarkable achievements in poverty reduction and shared prosperity, including livelihoods of its population. IMF Approved a US\$732 million disbursement to Bangladesh to address the COVID-19 pandemic. Since March 2022, several stimulus measures were deployed to sustain economic activity and protect the most vulnerable. There is a package of about US\$600 million to support the wages of workers in the RMG sector, provided in the form of subsidized loans to companies so that they can pay wages for three months. This is very important because the RMG sector is responsible for much of the recent progress in incorporating women into formal economic activity. Additionally, about US\$150 million was provided as cash assistance to about five million families displaced by the pandemic. There are also measures to protect the homeless and for food distribution. Cash allowances for the elderly, widows, and disabled individuals are also being expanded.

During the pandemic period many students and office workers had returned to homes in rural areas and it took a few weeks to iron out the difficulties they faced in finding a suitable hot spot from where to study or work. The government rose to the challenge and introduced policies requiring all universities and business sectors to go digital, to make teaching and learning business activities accessible online. For Bangladesh, this marks an incredible step forward as the digitization of the education and business sectors paves the way for further innovation. Within four months, digitization was mainstreamed. 'Doing online education and business has been awesome. It has given them the opportunity to connect locally and globally share experiences, and stay motivated, all from the comfort from their own room. The Covid-19 pandemic has compelled Bangladesh to enhance digital learning/teaching capacity as an institution today'¹¹ Bangladesh is now experiencing a surge in its youth population and the pandemic has halted the progress of skilling up labors and hampering growth. Going online has been a

¹¹ M. Rahman, M. Aziz & S.O. Ahmed, 'COVID-19 boosts digitization of higher education in Bangladesh' World Bank, 2020

steep learning curve both for the education and business sectors.

6. Recommendations

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

- Take to increase loans to the Small and Medium Scale (SME) companies by the public/private banks and other financial institutions for increasing job creation. Government and NGOs can provide training to produce more bare-footed entrepreneurs based on their indigenous knowledge and though an appropriate innovative and holistic approach.
- Bangladesh has a lot of natural beauty with flora and fauna all over the country. It has the world's longest beach and a mangrove forest and there are many royal Bengal tigers (national animals of Bangladesh) in Sundarbans (forest). It would be a dynamic tourist spot to foreign visitors. Therefore, the country can earn a lot of foreign currency and new job can be created in the service sector through expanding and giving more emphasis on its inbound program.
- Special and large scale training programs for females (rural/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 this technical knowhow for increasing their production capability and also extend their marketing network, so that they can be linked with the world-wide market.
- Bangladesh made remarkable developments in Information Technology (IT) during COVID-19, both in the education and business sectors. Recently, many university graduates prefer to involved in free-lunching than looking for a job in the conventional job market. It would be helpful for new graduates if the government and universities enhance digital education from the high school level.
- Awareness building of men and women's empowerment through education, motivation, training and extension work by GO-NGOs and Corporate's CSR (Corporate Social Responsibility). Either at the rural or urban level, a strong tripartite and efficient organizations should be established among the government, corporate and NGOs 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 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. For the time-being the welfare approach is necessary/helpful but in the long run the welfare approach does not work well. This is because, it does not foster new skills, nor empower underprivileged people, but rather it creates greater dependency on either community people or on the government and is not sustainable. The only road to improve socio-economic condition is through business and social welfare.

7. Concluding Remarks

The above analysis may be seen as a pathway to overcome the post COVID-19 challenges of economic recovery in Bangladesh. 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 women. The constitution of Bangladesh upholds the necessity of equal opportunities between women and men. It sanctions positive measures for disadvantaged groups. The Government has already undertaken several noteworthy efforts toward integrating the agenda into the broader policy and plan framework including implementation. Despite this, a lot of evidence shows that in the last two decades poor people have been increasing their empowerment through education, health, income and community participation. 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 economy affected by COVID-19.

To improve the situation for vulnerable people, particularly women socioeconomic conditions through active and effective involvements are needed by the government. Without the government strong political will and social commitment economic recovery of 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 approach of the country. Eventually, for the post COVID-19 challenge ahead sustaining the commitment of economic recovery requires renewed accountability by all sectors, such as in government, corporations and non-governmental organizations to increase the employment both in urban and rural areas. In particular to give attention to those who were heavily affected by the pandemic in their everyday lives.

References

- ADB, 'ADB Helps Bangladesh on Road to Recovery from COVID-19' 2021
- IFRC, 'COVID-19 response and recovery operation in Bangladesh: Evaluation of activities funded by the Disasters Emergency Committee' 2022
- IMF, 'World Economic Outlook database' 2021 (<https://www.imf.org/>)
- M. Rahman, M. Aziz & S.O. Ahmed, 'COVID-19 boosts digitization of higher education in Bangladesh' World Bank, 2020
- Morales A T, 'Solidarity' Manila, Philippines, July-September 1990
- Muhammad Shahadat Hossain Siddique, 'COVID's 19 Impact on Bangladesh Economy' brac institute of governance and development, 2020
- Rashid Askari, (a) 'Bangladesh's Economic Recovery and Recipes for Sustainability' The Daily Sun, 19 March 2023
- Rashid Askari, (b) 'Bangladesh's Economic Recovery and Recipes for Sustainability' The Daily Sun, 19 March 2023
- Selim Raihan, "Covid-19 and the challenges of trade for Bangladesh" The Daily Star, 25 March 2022
- The World Bank, 'Bangladesh: Reducing Poverty and Sharing Prosperity', 2018
- The World Bank, (a) 'Bangladesh: Reducing Poverty and Sharing Prosperity', 2021
- The World Bank, (b) 'Bangladesh: Reducing Poverty and Sharing Prosperity', 2021