

The Daily Star

Taming coronavirus rampage

Needed: stimulus packages worth 6pc of GDP

Tk 10,085cr needed per month to support poor, new poor, finds survey

Star Business Report

Bangladesh needs to spend Tk 10,085 crore per month to support the poor and the newly poor struggling to survive amid the coronavirus pandemic, suggested a new study.

Due to the income shock emanating from the pandemic, 77.2 per cent of the vulnerable non-poor fell below the poverty line, said the survey report styled "Livelihoods, Coping, and Support during COVID-19 Crisis".

This would imply that beyond the 20.5 per cent of the population officially recognised as poor there is a group of 'new poor' representing an additional 22.9 per cent of the population that needed to be brought within the discussion on poverty.

In reality, this percentage would be somewhat greater because even a portion of the households above the median income also fell into poverty.

"Providing assistance to such a large number of people within a short time efficiently and effectively will be a critical question," said the survey report, which had a sample size of 5,471 households evenly split between rural and urban areas.

The Power and Participation Research Centre (PPRC) and the Brac Institute for Governance and Development (BIGD) concluded the telephonic rapid response research project on the economic impact of the pandemic.

Hossain Zillur Rahman, executive chairman of the PPRC, and Imran Matin, executive director of the BIGD, shared the findings of the research at a virtual discussion.

All indicators of vulnerability indicate that the urban poor has been more severely impacted by the crisis.

This is particularly an area of concern because social protection programmes in Bangladesh has mainly focused on the rural poor, it added.

As per the study, the country would require more than Tk 33,000 crore to support the poor and new poor for three months.

"And this is quite a big amount of money," said Shamsul Alam, a member of the General Economics Division of the planning ministry.

Almost half the population needs entitlement support, said SR Osmani, professor of development economics at Ulster University.

"They have to be supported for quite a long time."

Bangladesh would require almost 4 per cent of GDP to support the people for three months. The stimulus packages that the government has announced amount to about 4 per cent of GDP.

"But a huge part of the packages is actually loans that have to be repaid," Osmani said, adding that the actual fiscal cost of the stimulus packages announced would not be more than half a percentage of GDP as most of the costs to be incurred by the government are interest subsidies.

Those packages should be raised to 1 per cent of GDP.

Another 1 per cent of GDP should be needed for the healthcare system.

So, altogether, Bangladesh needs to put in place a support measure amounting to 6 per cent of GDP, according to Osmani.

"If you want to manage the health crisis properly and want to reopen the economy safely, you must have complete support for half of the population for nearly three to four months. If people don't get support, they will stop staying at home. If they start going back to work prematurely, the health crisis would worsen. Then you will have to need to impose restrictions again," he added.

The incentive packages that the government has announced are largely being offered through the banking mechanism as subsidised loans, said Rehman Sobhan, chairman of the Centre for Policy Dialogue.

How far this is going to translate into actual productive activity and feed into responding to some of the consumption and saving needs of the beneficiaries is an open question.

"It will put the entire risk of the incentive package on the already very vulnerable banking system with high degrees of default and financial indiscipline," Sobhan added.

Naila Kabeer, professor of gender and development at the Gender Institute, London School of Economics and Political Science, and Asif Saleh, executive director of the Brac Bangladesh, also spoke.