

COVID-19 and social protection in South Asia: Bangladesh¹

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The COVID-19 pandemic is posing an unprecedented challenge to the social protection systems of countries across the globe. Informal workers are particularly at risk, as they often represent the 'missing middle', covered by neither social assistance nor social insurance. In a recent policy brief, the International Policy Centre for Inclusive Growth and the United Nations Children's Fund Regional Office for South Asia (IPC-IG and UNICEF ROSA 2020) analyse the economic fallout from the crisis and the policy measures taken in eight South Asian countries, and advocate for the inclusion of the missing middle in mainstream social protection. This One Pager summarises the study's findings for Bangladesh.

The number of confirmed cases in Bangladesh is one of the highest in South Asia, with a notable increase in the second half of June. The characteristics of the health system pose a challenge, as the country has a ratio of 8 hospital beds per 10,000 persons and the lowest ratio of availability of critical care beds in the region (0.7 per 100,000 population).

As a result of the crisis, the World Bank estimates that Bangladesh's gross domestic product (GDP) will grow by only 1.6 per cent during financial year 2019-2020 as a consequence of demand and supply shocks caused by the containment measures. These negative economic impacts are due in particular to lower foreign remittances, as the income of emigrant workers falls, and decreased exports of ready-made garments, which account for approximately 80 per cent of Bangladesh's exports to foreign markets.

This economic hardship will lead to an increase in the number of people living in poverty. According to one projection from the International Food Policy Research Institute, extreme poverty is expected to increase from 20 million to 28 million people as a result of COVID-19. Moreover, an estimated 64.4 million Bangladeshis work in informal employment, which represents almost 95 per cent of total employment. The International Labour Organization estimates that almost all of them (63.5 million) have been significantly affected by the crisis and are at considerable risk of suffering losses to their livelihoods.

To protect livelihoods and the economy during the lockdown, the government has adopted a range of monetary and macro-fiscal policies.

Foremost, the Bangladesh Bank has adopted measures to ease the economic burden and increase credit and liquidity. The government has also implemented programmes to protect jobs and employment, such as a temporary interest-free loan to pay wages and allowances for workers in enterprises that export at least of 80 per cent of their production. The Bangladesh Bank has also implemented a BDT30 million refinance scheme for low-income groups, farmers, and marginal and small businesses through microcredit entities for income-driven activities.

Bangladesh has also expanded the social assistance system to provide additional coverage to vulnerable groups. As a consequence, the coverage of cash transfers has increased from 15 million to 39.8 million people. Additionally, the government has provided food assistance through different channels, including the Special Open Market Sales programme, which provides rice at BDT10/kg to vulnerable and jobless people (maximum of 20 kg per month) during the lockdown, and the Food Friendly Programme (FFP), which was extended to give additional support during this period. The FFP consists of the sale of 30 kg of rice at the price of BDT10 per kg monthly to each family and is granted to 5 million families.

Notwithstanding the efforts made to improve coverage during the pandemic, the crisis has also highlighted the limitations of Bangladesh's social protection system. The country should take steps to both expand existing programmes, such as the maternal and child benefit schemes, social pension schemes and the employment generation programme, and implement new initiatives to be able to provide a minimum level of protection to all citizens. In particular, social insurance programmes are currently very limited, hampering the construction of a comprehensive system that can effectively mitigate the population's vulnerability and reach the 'missing middle'. Taking such steps would not only help the country overcome the long-lasting effects of the COVID-19 crisis but also mitigate the potential impacts of future shocks on people's livelihoods.

Reference:

IPC-IG and UNICEF ROSA. 2020 (forthcoming). *Socio-economic impacts of COVID-19, policy responses and the missing middle in South Asia*. Research Report. Brasilia: International Policy Centre for Inclusive Growth.

Note:

1. The authors gratefully acknowledge comments received from Mekonnen Woldegeorgis (UNICEF Country Office for Bangladesh). Full references for the data cited in this One Pager can be found in the full report (IPC-IG and UNICEF ROSA 2020).