



Macroeconomic policy response to Coronavirus pandemic in Bangladesh: An Analysis

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The objective

- ▶ Is to discuss the policy responses to coronavirus pandemic and vaccination in Bangladesh
- ▶ Why important?
- ▶ Major impacts on macroeconomy:
 - loss of economic activity (measured by GDP loss and increase in unemployment;
 - second, a lack of demand from consumers and firms caused by the lack of confidence:
 - production↓ →output↓ →employment↓→incomes↓
 - slowdown in an economy, eventually leading to recession.



Policies responses

- ▶ Are different for developed and developing countries. Health care spending increased globally and expansionary fiscal and monetary policies used, which depends on:
 - Fiscal capacity: Stimulus packages by developed countries 20-25%, by developing countries 5-6% of their GDP
 - Debt-to-GDP ratio
 - Tax GDP ratio
 - Interest rate, inflation
- ▶ Their limitations



The Bangladesh context

- ▶ Interesting case. Why?
- ▶ Effects on the macroeconomy:
 - GDP down as C,I, X,T went down
 - unemployment and poverty up
- ▶ Specific features:
 - demographic structure
 - informality
 - low tax to GDP ratio
 - low healthcare capacity

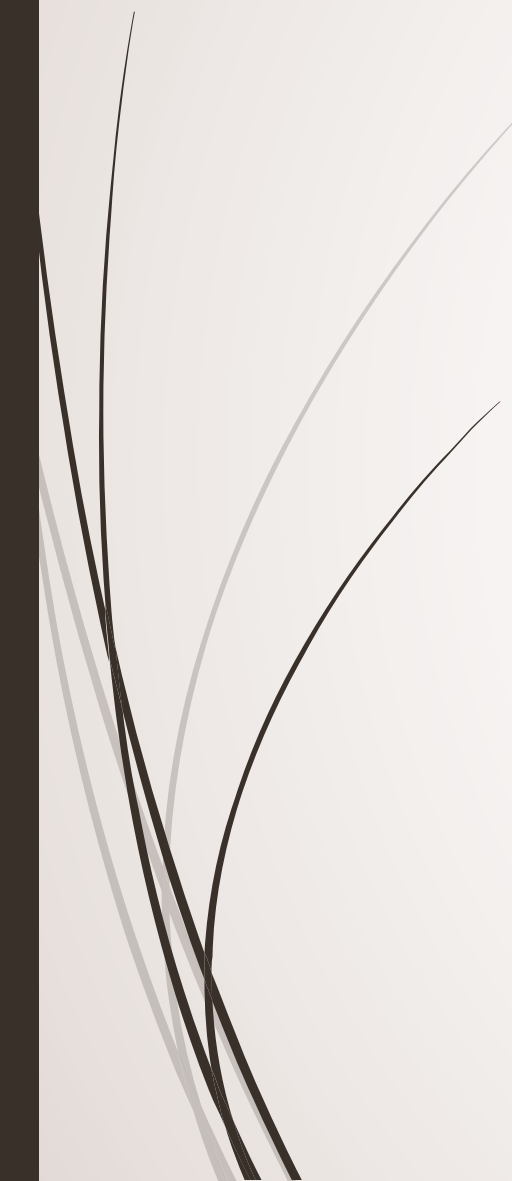


Policies responses in Bangladesh

- ▶ Healthcare expenditure increased
- ▶ Government stimulus packages
- ▶ Most of the fiscal expansion was backed by Bangladesh Bank by directly increasing high-powered money
- ▶ In addition Bangladesh Bank reduced CRR, repo rate, reserve repo rate, to increase the money supply
- ▶ Objective was to stimulate private credit growth which did not pick up, resulting in excess liquidity in the banking system
- ▶ Other factors like increased remittance flow, Grants/loans added to the excess liquidity

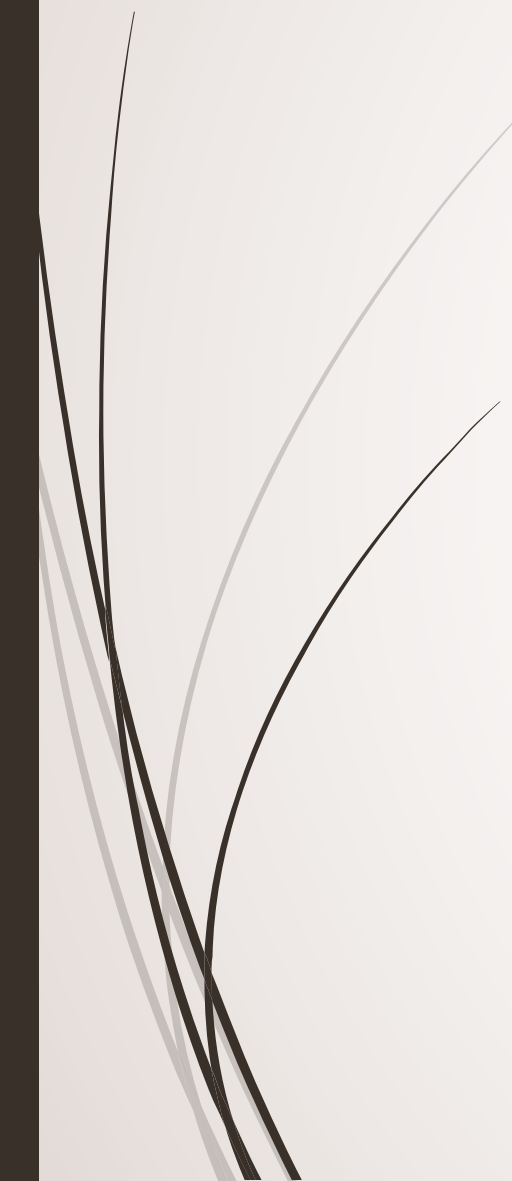


Vaccinating Bangladesh

- ▶ The Covid19 vaccination has started in major cities, and in some districts in more than 1000 vaccine centres. Nearly 2% of the population already received their first dose.
 - ▶ Vaccination will raise consumers and business confidence. This in addition to the growing pent-up demand will increase AD and stimulate economic activities.
 - ▶ However, many practical issues remain to be addressed
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Vaccinating Bangladesh



Bangladesh has well functioning immunization programs for BCG, PCV, IPV, OPV, MR, TD and Penta. Most of these vaccines are imported from India and some from South Korea and Europe. Covid 19 vaccines are also imported, from India. COVAX will provide some vaccines. Vaccines from these two sources will cover 30% of the population, phase by phase. The plan for the rest 30-40% of the population, which is needed for herd immunity, is yet to be shared but it will be completed by 2022.



Vaccinating Bangladesh

- ▶ Vaccines travel a long way from the airport to vaccine points in rural areas. From the airport to national storage depot located in Dhaka. From Dhaka, they are transferred to districts every three-months; to Upazilas every month. Mostly open-air rented trucks are used in inter-district transportation.
- ▶ Nearly 70% of the population lives in rural areas. They get vaccines at the local vaccination-points on the day of vaccination. Vaccines are taken to these vaccination points using local transports (like rickshaws/van) by porters in cold boxes, which do not have any in-built cooling capacity. Unused vaccines are returned to Upazilas at the end of the day.
- ▶ Transportation are the weakest link in Bangladesh vaccine cold-chain infrastructure.



Vaccinating Bangladesh

- ▶ Most of the districts and many of the upazilas have enough storage capacity for the phase by phase covid19 vaccines as is planned. To cover majority of the population within a short period of time, rapid expansion of the vaccine storage capacity at all the nodes (central, district, upazila) is necessary. Also uninterrupted power supply, with environment friendly technology.
- ▶ Other challenges: Use of technology, disposal of waste, lack of skilled technician



Vaccinating Bangladesh: Cold-chain

- ▶ Setting up country-wide cold-chain is necessary not just for covid 19 but also for future calamities and for improving food cold-chain particularly livestock, fisheries. Good proportion of food is wasted every day because of the absence of cold-chain.
- ▶ Massive investment required, and this will create huge fiscal pressure.
- ▶ Brac University teamed up with UoB and HW university to assess the cold-chain requirement of the country. This is an ongoing research funded by UKRI. We have just completed our survey, currently analysing the data, to find out the best options for creating a robust cold chain system in Bangladesh.



Scope of policies



- ▶ There is scope for further fiscal expansion
- ▶ As private investment is not picking up, public investment has to continue, if well targeted, could stimulate aggregate demand to raise employment and potential output.
- ▶ Excess liquidity:inflation?
- ▶ Government can also use the excess liquidity for vaccine purchase and setting up of country wide cold chain logistics.



Thank you for listening!