

# Unpacking the Covid-19 stimulus packages: The devil is in the details

DEBAPRIYA BHATTACHARYA and MURSALIN HOSSAIN

THE history of designing and delivering policy-driven economic stimulus packages is customarily traced back to the "New Deal" which was implemented in the United States during the Great Depression of the 1930s. The second milestone in the chronicle of wide-scale use of stimulus packages relates to the Great Recession of 2008, which was brought about by the global economic and financial crisis. The underlying logic of these public policy interventions was informed by the Keynesian postulate that if there is a fall in the market demand for investment and employment, then the government needs to come forward with fiscal support in order to protect consumption and employment. So, the move to counteract the socio-economic fallout of the pandemic did not come as a surprise when all sources of economic wisdom readily recommended expansionary fiscal policy stance. This has, in turn, created the third milestone in this regard. Evidently, most of the governments followed suit and Bangladesh was no exception.

Bangladesh government has to be given credit for the early announcement of its first stimulus package with the advent of Covid-19 in the country. While the first case of infection was spotted on March 8, 2020, the first stimulus package was declared on March 25, 2020. Indeed, on the eve of the Bangla New Year, on April 14, 2020, the prime minister quite appropriately laid out the basic features of her government's policy approach. The policy approach highlighted the intended push for higher public expenditures, support to the private sector, infusion of more liquidity in the market and expansion of social safety net programmes. Guided by these policy commands, the government sequentially deployed a large set of support measures ranging from food assistance to cash transfer to provision of subsidised credit to easing of controls on money supply.

To address the livelihood concerns generated by the scourge, the government has rolled out a total of 25 support measures (including the two recently announced cash support programmes). Eighteen of these were new interventions, while another seven related to the expansion of existing programmes. The total value of these programmes has been estimated to be Tk 1,250 thousand million. Around Tk 773 thousand million (i.e. about 2.76 percent of GDP) worth of support was allocated in the

fiscal year 2020 (FY20), and another Tk 477 thousand million (i.e. 1.71 percent of GDP) was earmarked for FY21.

Admittedly, comparing stimulus packages across countries is a difficult task. Yet, the data from the Asian Development Bank indicates that the size of Bangladesh's stimulus packages is the third largest in South Asia (behind India and Pakistan), and as share of GDP (2019), it ranks fourth (behind India, Pakistan and Nepal).

However, as it is said, the devil is in the

and cash transfer happen to be most resultative.

Of the total 25 packages announced, there are 14 relating to fiscal supports, of which 2 involved food assistance and 12 involved cash transfer. Thus, the fiscal support related packages accounted for less than 20.5 percent of the total allocation. The remaining 11 packages were "hybrid" in nature as these concerned the government putting its own money to support bank loans at subsidised interest rates. These hybrid schemes account

Additionally, the allocation for direct cash support programme (underwritten by the European Union and German government) for the workers of the apparel exporting industries and for additional beneficiaries of the existing social safety programmes are also to be disbursed.

Nonetheless, the spectacular jump in direct fiscal support component in FY21 is quite intriguing.

**Inflated measure of fiscal support**

A closer look at the composition of the fiscal support packages reveals a curious picture as a number of not directly Covid-related schemes have been included there. For example, a big chunk of the earmarked fiscal support in FY21 concerns customary revenue budget provision for agriculture subsidy (45 percent of annual fiscal allocation) and a farm mechanisation programme (more than 15 percent of the annual fiscal allocation). Further, the government's regular rice procurement exercise has been included here. Moreover, a home construction programme launched to celebrate Bangabandhu's 100th birthday anniversary has been put in this kitty.

Thus, if we take out these regular fiscal activities of the government, the actual pandemic-related direct fiscal support for FY21 can be estimated to be Tk 53 thousand million. This figure is only a little above 11 percent of the total annual allocation, which is less than 0.2 percent of the GDP (FY21). This covers also the two packages of cash incentives for the health workers and other frontline workers.

Accordingly, the relevant figures for FY21



PHOTO: AMRAN HOSSAIN

People trying to protect themselves from the heat as they wait in line to buy food at a lower price from a truck of Trading Corporation Bangladesh, Dhaka, on April 27, 2021.

details. Let us tease out three such details of these packages from the vantage points of their taxonomy and deployment in the country.

**Fringe role of direct fiscal assistance**

All recent surveys have revealed that employment and income have been severely squeezed by the pandemic-induced economic slowdown. As a result, households have experienced reduced food intake, dissaving and indebtedness along with negative fallout for health and education. These debilitating effects have been most pronounced for the traditionally "left behind" as well as the newly "pushed behind" people. Empirical evidence suggests that in order to protect household-level consumption and to withhold deepening of inequality, fiscal interventions in the form of food assistance

for more than 79.5 percent of the total allocation.

Food assistance and cash transfer programmes were only a little above 4 percent and 1.5 percent of the total allocation in the fiscal year 2019-20 (FY20) respectively. Although certain improvements were observed in allocative prioritisation in 2020-21 (FY21), the hybrid components continued to dominate with about 56 percent of the total annual outlay. However, within the fiscal support programmes for FY21, direct cash transfer to affected poor households and distressed workers accounted for less than 10 percent of the annual provision. The packages declared so far for FY21 did not include any food assistance.

Two cash support programmes for the poor households, announced in the third week of April 2021, are yet to be fully rolled out.

*Direct fiscal support measures are not only characterised by negligible allocation, but these channels of allocations also suffered from inordinately poor implementation.*

## The story of the middle class you're never told



OF MAGIC & MADNESS  
BADIUZZAMAN BAY

WHAT is the picture that flashes through your mind when someone talks of social classes? A reader of *The Guardian* newspaper once made an interesting albeit highly generalised observation. "Upper class: your name on the building. Middle class: your name on your desk. Working class: your name on your uniform." The reality is not so simple, of course, nor is it my intention to delve into a lengthy study of class divisions. Suffice it to say that we all have some idea of what constitutes the social hierarchies. Rich or poor, we all seem to know our place.

Yet it is possible that we don't know or care enough to recognise that there exists a class of people that still remains outside the bounds of established class narratives. For lack of a better word, let's call them a hybrid group—they have the "appearance" of the middle class but face all the "realities" of the lower/working class. This ambiguous social identity makes them a class of their own, and extremely vulnerable at the same time.

This week, we got a glimpse into the complex make-up of their world through the story of Farid Ahmed, a resident of the Kashipur Union in Narayanganj Sadar Upazila. On May 19, Farid Ahmed called the government hotline 333 asking for food assistance. The hotline, as many will know, can be used to seek help in a variety of crisis situations, and the government has recently added food assistance for the poor to its list of services. So after Farid's call, the upazila administration responded and, the following day, arrived with help. Then, they came to know that Farid owned a four-storey house and also a hosiery factory. As punishment for his apparent deceit and "harassment" of government officials, UNO Arifa Zahura, who led the team carrying food supplies, directed Farid to arrange for food for 100 poor people. Under threat of imprisonment for three months, Farid obliged, and prepped

Tk 65,000 worth of food packets—each containing 5 kg of rice, 1 kg of salt, potatoes, onions and oil—which the UNO later distributed.

This could have been the end of this story, and we all could have gone to bed with a little more proof of the decadence of the Bengali middle class. But, as it later transpired, Farid Ahmed, despite the appearance of a well-to-do person, is actually poor and deserved every bit of the help he sought. The house he was reported to be in possession of is inherited property which he shares with his seven siblings. It is not his to claim. He lives with his wife, two daughters and an intellectually challenged son in tin-shed rooms built on the roof. A sexagenarian stroke patient, Farid is the sole earning member of the family and works for a pittance in the hosiery factory he was falsely credited with owning. As if he wasn't already struggling enough, after the UNO's ordinance, he now had to mortgage his wife's jewellery and take out a high-interest loan to pay for the penalty.

The absurdity of the situation is hard to miss. Here was a man in need of urgent assistance. He and his family were most likely facing risks of starvation before his appeal for help, but far from getting it, they were humiliated and slapped with a punishment to feed a hundred others like them. Even if the monetary loss can be recovered after the local administration recompenses him, which hopefully they would, the loss of reputation this family has endured could hurt them for a lifetime. Who will they turn to now to address their very real threat of hunger?

In simple terms, this is a story of misidentification leading to punishment handed out by an overzealous executive officer of the state. Since the news went viral, many people have lambasted the said officer. They also criticised the rudimentary beneficiary identification mechanism of the social safety net programmes as well as the discretionary power exercised by state executives when confronting an alleged crime. All fair points. It also should be noted that a noble initiative by the state was undone by the inefficiency of certain state functionaries. A case can also be made of the poorly



A weeping Farid Ahmed gestures as he tries to explain to UNO Arifa Zahura how he was financially devastated by the pandemic.

COURTESY: PROTHOM ALO

planned and communicated hotline food service that provides no guideline as to who will or will not qualify as beneficiaries, and nothing in the way of instructions to penalise potential wrongdoers.

But for me, beyond all this, this story also represents the ordeal facing the hybrid social group sitting awkwardly between the middle and lower classes in our society. Imagine the courage it must have taken a man of Farid's background—with a building carrying the family legacy—to reach out and ask for government assistance. These people have their sense of dignity but don't have the means to lead a respectable life any longer. They cannot seek aid as openly and readily as many others, and they are generally frowned upon when they do so. There is no government support package for them either. Evidently, lack of a home or flat or even desk is not the only measure of poverty. Clothes, on the other hand, can make the poor invisible too: in this day of RMG

revolution, "it is much easier to be decently dressed than it is to be decently housed, fed, or doctored". So to really understand the plight of this group of people, you have to look past their attire and any remaining sign of affluence, and into their wallet which can uncover the real picture: their reduced food intake, dissaving and indebtedness.

In economic terms, there is a term that comes close to describing these people: "new poor". Before Covid-19, the official poverty rate in Bangladesh was 20.5 percent. There hasn't yet been a government survey on how many people have fallen below the poverty line during the pandemic. However, according to a survey by the South Asian Network on Economic Modeling (SANEM), 42 percent of the population are now poor. According to another survey conducted by the Power and Participation Research Centre (PPRC) and BRAC Institute of Governance and Development (BIGD), some 24.5 million new people have become poor due

to the effects of Covid-19. Clearly, a large segment of the middle class is filling up the ranks of the newly impoverished. Because of the pandemic, many have either lost their jobs or have had to contend with reduced salaries. Many relocated to cheaper housing establishments or their village homes permanently, failing to bear the expenses of a city life.

Unfortunately, across the policy and social circles, there seems to be an apathy born of a lack of understanding about the social fluidity and attendant complications facing the new poor. We remain generally indignant about the best-dressed but silently suffering poor. We find it hard to fathom the enormous amount of change that a sudden loss of income or status can bring into one's life. Just consider: how many times have you heard your friends and colleagues ridicule people's tendency to leave Dhaka during holidays? The poor and new poor, faced with the socioeconomic insecurities thrust upon them, are leaving the cities in search of a cheaper and more secure life in their villages. Many are leaving because holidays are the only time they get to see their loved ones, and because we, in our infinite wisdom, have made sure there is little income-generating activity for them during the holidays. Most of us only see defiance and lack of awareness in their actions. We ridicule without ever probing why they do what they do.

Can the poor and new poor be blamed for struggling to meet the increasingly high costs of living in Bangladesh? Is the government doing enough to ensure the newly poor are also brought into the social protection schemes? Are we doing enough to help address their sufferings? What about the psycho-social impacts of their transition from being once-affluent to now-poor? How is this affecting their choices, decisions and social realities?

There are many questions and few answers about the story of this largely invisible, little understood and almost muted newly-impoorished middle class. It surely deserves closer attention.

Badiuzzaman Bay is a member of the editorial team at *The Daily Star*. Email: badiuzzaman.bd@gmail.com

### QUOTABLE QUOTE



LARRY KING (1933-2021)  
American television host

Nothing I say this day will teach me anything. So if I'm going to learn, I must do it by listening.

### BEETLE BAILEY

by Mort Walker



### BABY BLUES

by Kirkman & Scott

