

## Editor's Desk

The November 2020 issue of *Thinking Aloud* focuses on "COVID-19 and Development Challenges". The first-page article titled "COVID-19 and the road to recovery in Bangladesh" emphasizes that the current discussion on the recovery needs to change its focus from the narrow GDP growth rate to broader development issues, i.e. poverty, employment and inequality. The economic and social recovery of the country will be weak and fragile if the recovery process doesn't effectively address these three critical development challenges. The third and fourth pages of this issue narrate the synopsis of the SANEM International Development Conference (SIDC) 2020 on "COVID-19 and the Development Challenges", held online on October 1-3, 2020. The convener of the conference was Dr Selim Raihan. Researchers and academicians from five continents presented twenty-four papers at the conference on themes of macroeconomic challenges, international trade, public health, and health care services, education, labour market, employment, remittances, migration, poverty, inequality, and social protection concerning the COVID-19 pandemic. Around five hundred noted academicians, researchers, development practitioners, and policy-makers from home and abroad attended various sessions of the conference. The first session discussed the impact of COVID-19 on labour markets of various countries. Professor Dani Rodrik delivered the keynote speech of the conference in the second session. He stressed the necessity of a shift towards alternative models for globalization and development in the context of the pandemic. The third session focused on the macroeconomic impacts of COVID-19 in different regions. The fourth session addressed the institutional challenges exposed or induced by the pandemic. The fifth session again looked into the macroeconomic trends and fluctuations against the backdrop of the pandemic. The sixth session discussed pandemic's implications on poverty and human development. Session seven brought to light different country experiences of the pandemic and the policies undertaken to tackle it. Session eight featured a panel discussion on the country-specific, regional, and global development challenges that emerged due to the pandemic. Professor Francois Bourguignon, Professor Kunal Sen, and Professor Wahiduddin Mahmud graced the session as distinguished panellists. The fourth page depicts the snapshots from the sessions of SIDC 2020.

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COVID-19 and the road to recovery in Bangladesh

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Snapshots of SANEM International Development Conference (SIDC): 1-3 October 2020

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## COVID-19 and the road to recovery in Bangladesh

Selim Raihan

COVID-19 has generated large distressing effects on the economy of Bangladesh. While there have been some signs of economic recovery, the process of recovering is not uniform across sectors. Also, there are marked differences between economic and social recoveries. When it comes to the question of recovering from the crisis, the dominant discussion in Bangladesh is still on the economic recovery. However, the economic recovery process is not set apart from the social recovery process. There are valid concerns that the recovery processes in the areas of poverty, employment, health and education have become unsettled.

In the case of economic recovery, in recent months there are some positive signs concerning two dominant drivers of growth in Bangladesh – exports and remittances. In the absence of any comprehensive government support during the crisis time, remittances are working as informal social protection for families under distress. This situation is a reflection of the heightened urge to support families at home. There are some reasons for the remittance surge in recent months. Lockdown and downfall of economic activities in the leading remittance-source countries compelled the shifting of the channel of remittances from the informal to formal. Also, incentives provided by the government helped. There are also cases of people losing jobs in the middle-eastern countries and therefore sending back home all their savings. However, looking at the current economic situations and the projection of the economic growth in economies of the Gulf, Europe and North America, there are concerns about the sustainability of the positive trend in remittances flows in the days to come. Also, in the case of exports, the current positive growth may not sustain as there is a second wave of virus infection in the major export destination markets. This situation may affect these already weakened economies further and thus reduce the demand for our exported items.

Both remittances and exports generate direct and induced effects on the economy. In the case of exports, the direct-effects include foreign exchange earnings, employment generation and profits for the exporting firms. Similarly, the direct-effects of remittances are the inflow of foreign exchanges and the rise in incomes of remittance-recipient households. The induced-effects of exports and remittances rely on the strengths of the multiplier effects they have in the economy. Empirical studies have shown that the growth-impacts of exports and remittances in Bangladesh come predominantly from these multiplier effects. In this context, one critical concern is that while the direct-effects of the positive growth in exports and remittances on the economic recovery in recent months might be strong, the induced effects may remain weak for long due to the broken or suppressed supply chains in the economy.

The crisis is still on. The second wave in Europe and North America is on the rise. Also, there is a high risk of a second wave in Bangladesh. However, the experiences and learnings gathered so far might help in combating the second wave. Also, countries may not go for a full-scale lockdown this time as they did during the first wave.

If we look at the two crucial components of aggregate demand, consumption and investment, both are still depressed in Bangladesh. As the recovery process is on, consumers are spending fundamentally on essential items, while the expanded spending on inessential items may

remain weak for long. In the case of investment, private investment is showing a slow recovery. The negative growth in imports and low credit growth for the private sector are reflections of the depressed private investment.

When we talk about the recovery, we should keep in mind that the recovery is happening at the cost of inter-generational trade-off. Recovery can be fast, but the adjustment cost of recovery can be high. The adjustment is taking place both at the household and firm levels. Poor people undertake intergenerational adjustments to deal with the crisis when it comes to choosing between current consumption and saving for future consumption or investment. With insufficient government supports, poor people are trying to cope up with the situation using own savings, rearranging priorities (i.e. spending low on education, health, entertainment), downward adjustments of daily intake of food, and support from families and friends. Most of these coping mechanisms, however, require high trade-offs and high opportunity cost. The crisis forces poor-households to assign very high weights on their current survival instead of human capital development of their families in the future. As a result, these households have to sacrifice prospects for better health, better education and a better life. There will be a long-term intergenerational effect on the nutritional deficiency of food intake during the crisis period. Also, when schools and educational facilities have remained closed for months, it is possible that students from distressed backgrounds will face a higher burden, and many of them will be out of the education system permanently. All these are restricting strong induced effects of positive growth in exports and remittances to take place.

At the firm-level, the adjustment cost can be high in many manufacturing and services sectors and in particular for the SMEs. Many SMEs have lost their businesses during the crisis. Given the complexity of receiving loans and other supports through the conventional process, the recovery path for many sectors and SMEs is likely to remain uncertain. The resonant performance of these sectors is critically important for ensuring strong induced effects in the economy out of the positive growth in exports and remittances. However, in the absence of such performance, the recovery of the overall economy will be slow.

The upshots of the abovementioned discussion emphasise on three critical issues for the path to recovery in Bangladesh.

First, the availability of an effective vaccine and the vaccination of mass people is critical for sustained recovery. While we wait for the availability of an effective vaccine, there is a need for developing proper infrastructure and ensuring the required human resources for the vaccination of mass people. At the same time, the enforcement of the rules and regulations related to hygiene practices is vital. Second, the current discussion on the recovery needs to change its focus from the narrow GDP growth rate to broader development issues, i.e. poverty, employment and inequality. The economic and social recovery of the country will be weak and fragile if the recovery process doesn't effectively address these three critical development challenges.

Third, an assessment is needed to understand the challenges and constraints in implementing the stimulus packages. As many affected sectors/firms are yet to receive the benefits of the stimulus packages, such an assessment can help re-designing and re-targeting the stimulus packages.

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### Session 1: Labour Market

The first session of SIDC 2020 themed on “Labour Market”. The session was chaired by Professor Ravi S. Srivastava, former Professor of Economics & Chairperson, Centre for the Study of Regional Development, Jawaharlal Nehru University, New Delhi, India. The discussant of the session was Dr Sher Verick, Head of the Employment Strategies Unit in the Employment, Labour

Market and Youth Branch in the ILO, Geneva.

The session had four papers. The first paper, titled “The labor market and poverty impacts of COVID-19 in South Africa”, was presented by Ronak Jain, PhD Candidate in Economics, Harvard University, USA. The second paper of the session, “Long-term consequences of COVID-19 on labor market outcomes: Lessons from past economic crisis”, was presented by Dyah Pritadrajati, Social Protection Monitoring & Evaluation Expert, Asian Development Bank (ADB) and PhD Candidate, Australian National University (ANU). The third paper of the session was presented by Dr Sayema Haque Bidisha, Professor of Economics, University of Dhaka, and Research Director, SANEM on “Occupation based poverty & vulnerability in Bangladesh: Insights from COVID-19”. The paper addressed aspects such as, local and global demand crisis, reverse migration and human capital reduction due to the COVID-19 pandemic and their consequences on poverty and vulnerability in Bangladesh. The last paper of the session was on “Garment worker wage digitization: Implications for the future of the Bangladesh economy”. It was presented by Dr Guy Stuart, Executive Director, Microfinance Opportunities, U.S.A. Based on interviews of almost 1300 garment workers of Bangladesh, the paper discussed digitization of wages in the present COVID-19 and their implications.

Following the paper presentation, Dr Sher Verick addressed the issues associated with the lack of data in analyzing current economic situation and emphasized on the need of improvisation in data collection. In the closing remarks, the Chair of the session, Professor Srivastava, emphasized on the need of a research driven policy approach for coping with the COVID-19 induced labour market challenges.

### Session 5: Macroeconomic Impacts (2)

Chaired by Dr Hans Timmer, Chief Economist, South Asia, the World Bank, the fifth session on was held from 7.30 PM to 9.30 PM on the second day of the conference. Dr Bazlul Haque Khondker, Professor of Economics, University of Dhaka and Chairman, SANEM was present as the discussant of the session. A total of four papers were presented in the session.

The first paper of the session, titled “COVID-19 in Bangladesh: Impacts on production, poverty & food systems”, was presented by Dr Paul Dorosh, Director of Development Strategy and Governance Division, IFPRI, USA. Dr Dorosh argued that lockdown policies have direct impacts on the operation of certain sectors, but they also generate indirect impacts on the other sectors in the supply chain.

The second paper of the session, titled “COVID-19 in emerging markets: Firm-survey evidence”, was presented by Burton Flynn, Managing Partner, Terra Nova Capital.

The paper presented findings of a survey of companies, which reflected views of stakeholders. Himadri Shekhar Chakrabarty, Doctoral Research Fellow, Indian Institute of Management Calcutta, India, presented the third paper of the session titled “Pandemic uncertainties and fiscal procyclicality: A dynamic non-linear approach”. The paper shed light on the information asymmetries across countries in designing the stimulus for the healthcare sector while battling for COVID-19.

The last paper of the session, titled “Examining the economic impact of COVID-19 in India through daily electricity consumption and nighttime light intensity”, was presented by Dr Sebastian Franco-Bedoya, Research Analyst, the World Bank, Washington D.C. The study introduced a unique approach to assess the economic impact of the pandemic. It showed that electricity and nighttime light intensity can serve as proxy data for economic activities in almost real time in India.

### Session 2: Keynote Presentation by Professor Dani Rodrik

The second session of the conference was the keynote presentation by Professor Dani Rodrik, Ford Foundation Professor of International Political Economy at John F. Kennedy School of Government, Harvard University. The session, held from 7.30 pm – 9.00 pm on the first day of conference, was moderated by Dr Selim Raihan, Executive Director of SANEM. The session was attended by eminent

economists, students, and researchers from home and abroad. More than 150 participants attended the session. In his presentation, Professor Rodrik addressed the current global economic scenario, the implications of the COVID-19 Pandemic and the future of global economy. He said that “COVID-19 challenges mandate a shift towards alternative models for globalization and development”. Professor Rodrik argued that existing models of globalization and development are unsustainable since hyper-globalization has developed internal tension. He remarked “Retreat from hyper-globalization is required under current economic turbulence as it has been exaggerated beyond economic logic.” The nexus between global economic growth, manufacturing sector, service sector and technology took a central place in Professor Rodrik’s presentation. He said, “Advanced sectors are not labour absorbing owing to early deindustrialization of manufacturing industries, skill-dependent tradable service sectors and capital intensive agricultural industrial units.” He also pointed out, “Even if developed nations adopt labour friendly technologies, there will still exist a division between the production techniques the developing countries require and the techniques they can avail.” Professor Rodrik said, “Future job policies will have to be more production oriented and collaborative as well as enabling of effective dynamics between technological development and workers’ skills.” The future of the world economy in terms of global governance, multilateral institutions and trade was discussed at length by Professor Rodrik. He said, “Three possible global economic scenarios can be expected to occur. The good is a re-emergence of domestic social bargains and healthy global economy. The bad is a collapse of global trade. The ugly is escalated trade tensions and wars.” Professor Rodrik also discussed the economic success and upcoming challenges of Bangladesh.

### Session 6: Poverty and Human Development

Held between 2.30 PM and 4.30 PM, on 3 October, the concluding day of the conference, the session on “Poverty and Human Development” was chaired by Professor S. R. Osmani, Professor of Development Economics, University of Ulster, UK. As the discussant, was present Dr Sayema Haque Bidisha, Professor of Economics, University of Dhaka and Research Director, SANEM. In his opening remarks, Professor S. R. Osmani said, “The nature of the pandemic and the ways to tackle it have prolonged the fight against poverty.”

Four papers were presented in the session. The first paper, titled “On track or not? Projecting the multidimensional poverty index”, was presented by Dr Ricardo Nogales Carvajal, Research Officer, Oxford Poverty and Human Development Initiative (OPHI), University of Oxford. The second paper of the session, titled “Impact of COVID-19 on remittance-poverty dynamics of Nepal”, was presented by Siddha Raj Bhatta, Deputy Director, Research Department, Central Bank of Nepal. The paper stressed on the need to expand social protection coverage for the vulnerable groups in Nepal. Eleanya Nduka, Lecturer, Department of Economics, University of Nigeria, Nsukka, and PhD Candidate, University of Exeter, UK, presented the third paper of the session, titled “COVID-19 lock-down measures and social protection in Nigeria”. The paper analyzed the attitude of Nigerians towards COVID-19 hygiene and effectiveness of cash subsidy for the poor. The last paper of the session, titled “Effects of COVID 19 on primary education in India: Does it divide the government and private schools more sharply?”, by Dr Indrajit Bairagya, Assistant Professor, Centre for Human Resource Development (CHRD), Institute for Social and Economic Change (ISEC), Bangalore, India. There is a spatial divide, a gap between rural and urban areas in terms of household ownership of computers or access to the internet in India, the paper observed.

Discussing the merits of the papers presented in the session, Dr Sayema Haque Bidisha said, “In case of COVID-19, it is not only short term impact on poverty but we also need to consider the impact on long term human capital formation.”

### Session 3: Macroeconomic Impacts (I)

The third session of the conference was held on 2 October, the second day of the conference. The session was chaired by Dr Dushni Weerakoon, Executive Director, Institute of Policy Studies (IPS) of Sri Lanka. Dr M. A. Razzaque, Director (Research), Policy Research Institute of Bangladesh was present as the discussant of the session. In her opening remarks, Dr Dushni Weerakoon said, “We are still in the process of understanding the transmission channels of the effects of COVID-19 since the impact began with supply side shocks and rapidly changed into stronger demand side shocks.”

The session had four paper presenters. The first paper of the session, titled “Is COVID-19 really an exogenous shock?”, was presented by Dr Dev Nathan, Visiting Professor, Institute for Human Development, Delhi and Research Director, GenDev Centre for Research and Innovation, India. The paper focused on the interrelation between nature and human economic activities. The second paper of the session, titled “COVID-19: The Impact and the Impetus for policy in Asia and the Pacific”, was presented by Dr Sweta C. Saxena, Chief, Macroeconomic Policy and Analysis Section, UNESCAP, Bangkok. The paper argues that, even before the pandemic, Asia and the Pacific was not on track to achieve the 2030 agenda for sustainable development, and therefore, under the COVID-19 context the challenge would be more paramount. Said Ait Faraji, Head of Department of Multisectoral Models under the Ministry of Economy and Finance, Morocco, presented the third paper of the session, titled “COVID-19 and Development Challenges: Possible social-economic impacts on the Moroccan economy”. Explaining the main growth drivers of the Moroccan economy, various economic implications of the pandemic were analyzed in the paper. The last paper of the session, titled “Growth-at-Risk (GaR) in India amidst COVID-19 uncertainty”, was presented by Dr Indrani Manna, Assistant General Manager, Research, Reserve Bank of India. The paper assessed the impact of current demand conditions on expected growth distribution in India using the growth at risk framework.

### Session 7: Country Experiences

Held from 5.00 PM to 7.00 PM, on the concluding day of the conference, the session was chaired by Dr Mia Mikic, Director, Trade, Investment and Innovation Division of the UNESCAP, Bangkok. Dr Saikat Sinha Roy, Professor, Department of Economics, Jadavpur University, Kolkata, India was present as the discussant in the session. In her opening remarks, Dr Mikic stressed on a global solution to the COVID-19 crisis. She said, “Larger nations have been focusing on balancing internal and external demand in economic growth while the smaller ones have been attempting to increase participation in value chains.”

A total of four papers were presented in the session. The first paper of the session, titled “What causes spread of COVID-19 across countries and across Indian States and districts: An econometric and deep learning investigations”, was presented by Dr Somesh K Mathur, Professor, Department of Economic Sciences, Indian Institute of Technology, Kanpur, India. The paper focused on what lessons should India learn from other countries and alternative development model to mitigate the ongoing economic crisis. The second paper of the session, titled “Socio-economic impact of COVID-19 and policy implications for Bangladesh”, was presented by Dr M. A. Razzaque, Director (Research), Policy Research Institute of Bangladesh. Using the Global Trade Analysis Project (GTAP) model the paper took into account exogenous shocks to project different scenarios for Bangladesh economy. The third paper, titled, “COVID-19 effects on SMEs in China”, was presented by, Dr Xiaobo Zhang, Senior Research Fellow, IFPRI, Washington D.C. The paper discussed the distribution of labour and other conditions, productivity, optimism in the Chinese SMEs. The last paper of the session, titled “The impact of lockdowns on trade in intermediate goods: Evidence from a Special Economic Zone”, was presented by Madhav Malhotra, Project Manager, Thilawa SEZ, International Growth Centre (Myanmar), LSE. The paper explored issues like trade and export diversification as well as different shocks of the pandemic.

### Session 4: Economic and Institutional Challenges

Chaired by Dr Selim Jahan, former Director of UNDP’s Human Development Report Office, UNDP, the fourth session of the conference was held from 5.00 PM to 7.00 PM, on the second day of SIDC 2020. Dr Selim Raihan, Professor of Economics, University of Dhaka and Executive Director, SANEM was present as the discussant in the session. In his opening remarks, Dr

Jahan said, “It is important to realize how we can deal with the future institutional challenges with the institutions already in place.”

The first paper of the session, titled “Pandemic Catch-22: How effective are mobility restrictions in halting the spread of COVID-19 in developing countries?”, was presented by Adnan Fakir, PhD student in Economics at the University of Western Australia. Restriction on contagion has been in a better shape in developed countries, the paper observed.

The second paper of the session, titled “Lockdown, community abidance and individual compliance with COVID-19 guidelines: Evidence from India”, was presented by Dr Prasenjit Sarkhel, Associate Professor, Department of Economics, University of Kalyani, India. It was argued in the paper that, community behavior plays a pivotal role in private compliance and eventually helps to manage the public health situation better.

Eleanor Wiseman, PhD student, Development Economics, University of California Berkeley, USA, presented the third paper of the session. The paper titled “Trade, corruption and COVID-19: Evidence from small-scale traders in Kenya” observes that, for developing countries, closing borders is not the solution to the pandemic, as borders are crossed informally.

The last paper of the session, titled “The moral economy of the pandemic in Bangladesh: weak states and strong societies during COVID-19”, was presented by Dr Naomi Hossain, Research Professor, The American University, USA. The paper explored the relation between management of the public health crisis and different natures of regimes.

### Session 8: Panel Discussion on “COVID-19 and Development Challenges”

On the concluding day of the conference, the last session was the panel discussion on “COVID-19 and Development Challenges”, moderated by Dr. Selim Raihan, Executive Director, SANEM, and Professor, Department of Economics, University of Dhaka. The session was held from 7.30 PM to 9.30 PM. The panelists of the session were Professor Francois Bourguignon

(Former Chief Economist, the World Bank, and Chair Emeritus, Paris School of Economics), Professor Kunal Sen (Director, UNU-WIDER), and eminent Bangladeshi economist Professor Wahiduddin Mahmud. Panelists discussed the current context of the pandemic and the socio-economic challenges sparked by it.

Professor Bourguignon discussed how economic recession is likely to raise absolute poverty with unambiguous effects on inequality. He discussed in detail different aspects of policies undertaken by LDCs and Developing Countries to tackle the pandemic. He also said, “Undernourishment of children due to lockdown may impact their learning capacity in the long term and cause a rise in education attainment gap eventually.”

Professor Mahmud shed light on the recent internal migration trend in Bangladesh. Stressing on effective governance, he remarked, “Lack of credible representative local government has always been a problem in Bangladesh.”

Professor Kunal Sen focused his discussion on the nexus between SDG efforts and the implications of the Pandemic. He said that the pandemic has caused backtracking in globalization and a reversal in gains in alleviating poverty.

The panel discussion was later joined by eminent economists like Professor Rehman Sobhan, who focused on the notion that exists in South Asia on reducing poverty, and how it is derived from improved GDP growth. He said, “COVID-19 pandemic has demonstrated the vulnerable economic status of the people living slightly over the poverty line.” Around 150 economists, researchers, academicians, journalists, development practitioners, and students joined the panel discussion session.



Snapshots of SANEM International Development Conference (SIDC): 1-3 October 2020

Session 1: Labour Market



Session 2: Keynote Presentation



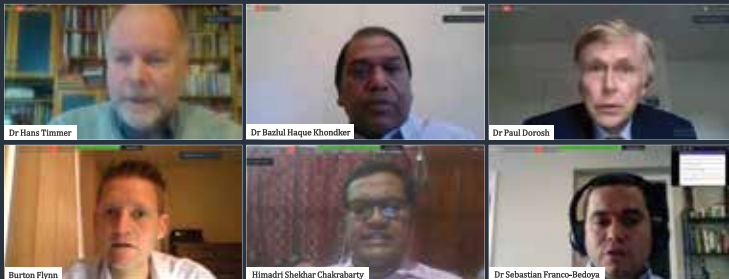
Session 3: Macroeconomic Impacts (1)



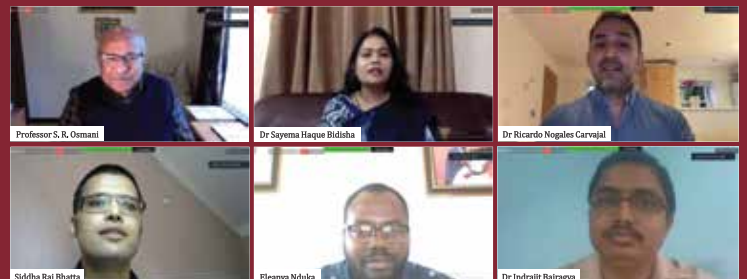
Session 4: Economic and Institutional Challenges



Session 5: Macroeconomic Impacts (2)



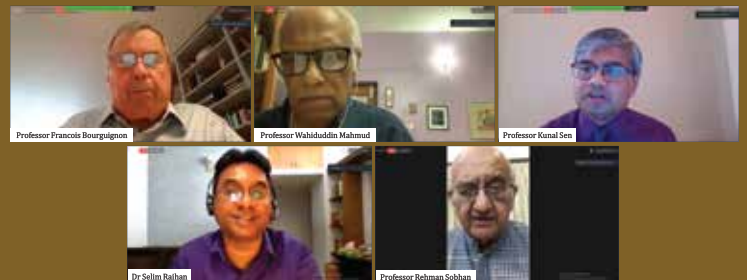
Session 6: Poverty and Human Development



Session 7: Country Experiences



Session 8: Panel Discussion "COVID-19 and Development Challenges"



SANEM is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. Launched in January 2007 in Dhaka, it is a network of economists and policy makers in South Asia with a special emphasis on economic modeling. The organization seeks to produce objective, high quality, country- and South Asian region-specific policy and thematic research. SANEM contributes in governments' policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities and individual researchers.