

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

**Responding to COVID-19**  
**A Rapid Assessment of**  
**Stimulus Packages and Relief Measures:**  
***Will the Target Groups Get the Benefits?***

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[www.cpd.org.bd](http://www.cpd.org.bd)

Lead contributions were provided by *Dr Fahmida Khatun*, Executive Director; *Professor Mustafizur Rahman*, Distinguished Fellow; *Dr Khondaker Golam Moazzem*, Research Director; and *Mr Towfiqul Islam Khan*, Senior Research Fellow, CPD.

Excellent research support was received from

<b>Senior Research Associates</b>	
<i>Mr Md Zafar Sadique</i>	<i>Mr Mostafa Amir Sabbih</i>
<i>Mr Muntaseer Kamal</i>	<i>Mr Md. Al-Hasan</i>
<i>Mr Syed Yusuf Saadat</i>	
<b>Programme Associates</b>	
<i>Mr Abu Saleh Md. Shamim Alam Shibly</i>	<i>Ms Nawshin Nawar</i>
<i>Mr Tamim Ahmed</i>	<i>Mr Md Jahurul Islam</i>
<i>Ms Iqra Labiba Qamari</i>	
<b>Research Interns</b>	
<i>Ms Fariha Islam Munia</i>	<i>Ms Taslima Taznur</i>

*Mr Towfiqul Islam Khan* was the Coordinator of the CPD IRBD 2020 Team.

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# Section I. Introduction

- ❑ In order to mitigate the COVID-19 affected sectors and people The government has announced a number of stimulus and relief packages.
- ❑ These include liquidity support for **producers, exporters as well as small, medium and large factories and business enterprises** to boost the domestic economy and cope with the evolving COVID-19 scenario.
- ❑ A number of relief packages for the extreme poor and poor households have also been initiated.
- ❑ The liquidity support packages which the Hon'ble Prime Minister unveiled are certainly welcome.
- ❑ These support measures are timely and much needed assistance in building resilience to the repercussions of the COVID-19 pandemic.
- ❑ Efficient utilisation of COVID-19 related stimulus and liquidity support packages is of utmost national importance now, given that the country is under the grip of the pandemic.

- ❑ In a recent publication, the International Monetary Fund (IMF) has mentioned that **emergency circumstances may provide a conducive environment for vested interests to exploit public funding for private benefit**, making it important to consider and minimize vulnerabilities to abuse and misuse
- ❑ Other international organisations such as the Bank for International Settlements (BIS), Financial Action Task Force (FATF) and INTERPOL have also highlighted the emerging risks and evolving threats of financial crime during the pandemic
  - The FATF has warned that **fraudulent claims on government stimulus funds may be made by individuals presenting themselves as legitimate companies seeking assistance**
  - INTERPOL has alerted its 194 member countries, including Bangladesh, regarding the **increased risk of financial fraud linked to the COVID-19** pandemic and issued **Purple Notices to law enforcement agencies around the world**
  - Experts at BIS have also cautioned financial institutions to take precautions in identifying and protecting vulnerable systems and to respond and recover from **cyber-attacks during the pandemic**

- ❑ This presentation will look into a selected support measures from the perspective of their implementation so far.
- ❑ Since the implementation of these packages are ongoing the assessment is initial and rapid based on interviews and discussions over telephone.
- ❑ We have tried to assess these support measures from the perspective of their adequacy, delivery and results, and governance.
- ❑ The areas which are covered in this presentation include
  - Operationalisation of the liquidity support through banks
  - Assessment of BDT 5,000 Crore (Emergency) Incentive Package
  - Stimulus Package of BDT 20,000 crore Credit Line Support for SMEs
  - Relief Packages to Mitigate the Impact of COVID-19



# Section II. Operationalisation of Covid-Related Liquidity Support Through Banks

- ❑ The government has announced many forms of liquidity support for producers, exporters as well as small, medium and large factories and business enterprises to boost the domestic economy and cope with the evolving COVID-19 scenario.
  - Such liquidity support provides timely and much needed assistance in building resilience to the repercussions of the COVID-19 pandemic.
- ❑ **The liquidity support will be channeled through the banking sector which has proven to be the weakest link in the economy of Bangladesh for the past decade.**
- ❑ The performance of the banking sector during the last decade was characterized by challenges such as high volume of non-performing loans (NPL) poor governance, scams, irregularities and heists in banks, growing number of private commercial banks and restricted autonomy of the Central Bank
- ❑ Recently the scenario the banking sector has aggravated further, which has been manifested by new bad loans and scams, escalation of loan write-offs, increased rescheduling of default loans, higher NPL and decline in bank profit.

## □ Package for export-oriented industries

➤ BDT 5,000 crore

### **Purpose**

Payment of three months' wages to workers

### **Target group**

Businesses which export 80% of their goods, B-type & C-type companies in Export Processing Zones, Economic Zones, & Hi-Tech Parks

### **Maximum loan amount**

Three month average of the wages paid to the workers

### **Interest rate**

Interest free; a one-time administrative fee equivalent to 2% of the loan amount shall be charged

### **Eligibility of loan defaulters**

Ambiguous; no explicit instruction from the central bank

### **Accountability mechanisms**

None

## ❑ Working capital stimulus package for affected large industries and services

➤ BDT 30,000 crore

### **Purpose**

Working capital to ensure smooth continuation of usual business operations

### **Target group**

Any business which is *not* a medium, small, micro or cottage enterprise

### **Maximum loan amount**

Single borrower exposure limit regulation of the central bank

### **Interest rate**

9%; borrower will pay 4.5% & government will pay 4.5%

### **Eligibility of loan defaulters**

Yes; even borrowers with “no capacity or inclination to repay” are eligible

### **Accountability mechanisms**

None

## ❑ Special Working Capital facility for Cottage, Micro, Small and Medium Enterprises (CMSME) sector

➤ BDT 20,000 crore

### **Purpose**

Working capital to ensure smooth continuation of usual business operations

### **Target group**

Any medium, small, micro or cottage enterprise

### **Maximum loan amount**

Will vary depending on the enterprise

### **Interest rate**

9%; borrower will pay 4% & government will pay 5%

### **Eligibility of loan defaulters**

Yes; even borrowers with “no capacity or inclination to repay” are eligible

### **Accountability mechanisms**

None

## ❑ Export Development Fund

➤ BDT 12,750 crore

### **Purpose**

To facilitate raw material imports using back to back letter of credit

### **Target group**

All authorized dealers of foreign currency

### **Maximum loan amount**

No clear instruction from the central bank

### **Interest rate**

1% for banks; 2% for borrowers

### **Eligibility of loan defaulters**

Ambiguous; no explicit instruction from the central bank

### **Accountability mechanisms**

None

## ❑ Pre-shipment Credit Refinancing Scheme

➤ BDT 5,000 crore

### **Purpose**

Pre-shipment credit to the industries which export locally produced goods

### **Target group**

Any export-oriented business enterprise

### **Maximum loan amount**

10% of the commercial invoice value of each shipped consignment under this scheme

### **Interest rate**

3% for banks; 6% for borrowers;

### **Eligibility of loan defaulters**

No; borrowers classified as loan defaulters under Bank Company Act cannot apply

### **Accountability mechanisms**

Central bank will deduct 5% interest from banks which cannot ensure loans are utilized properly

## ❑ Special Incentive Refinancing Scheme for the Agricultural Sector

➤ BDT 5,000 crore

### **Purpose**

Will vary depending on borrower

### **Target group**

Agricultural business ventures or entrepreneurial enterprises

### **Maximum loan amount**

20% of existing loans or BDT 5 crore or as determined by banks

### **Interest rate**

3% for banks; 6% for borrowers;

### **Eligibility of loan defaulters**

Ambiguous; no explicit instruction from the central bank

### **Accountability mechanisms**

Central bank will deduct 2% interest from banks which cannot ensure loans are utilized properly



## ❑ Refinance scheme for the low-income professionals, farmers and marginalised businesses

➤ BDT 3,000 crore

### **Purpose**

Assisting low income people from adverse economic impact of the COVID-19

### **Target group**

Low income professionals, farmers, marginalized businesses, or poor vulnerable groups

### **Maximum loan amount**

Will depend on the type and number of borrowers applying for any particular loan

### **Interest rate**

1% for banks; 3.5% for micro-finance institutions; 9% for final borrowers

### **Eligibility of loan defaulters**

No; borrowers classified as loan defaulters cannot apply

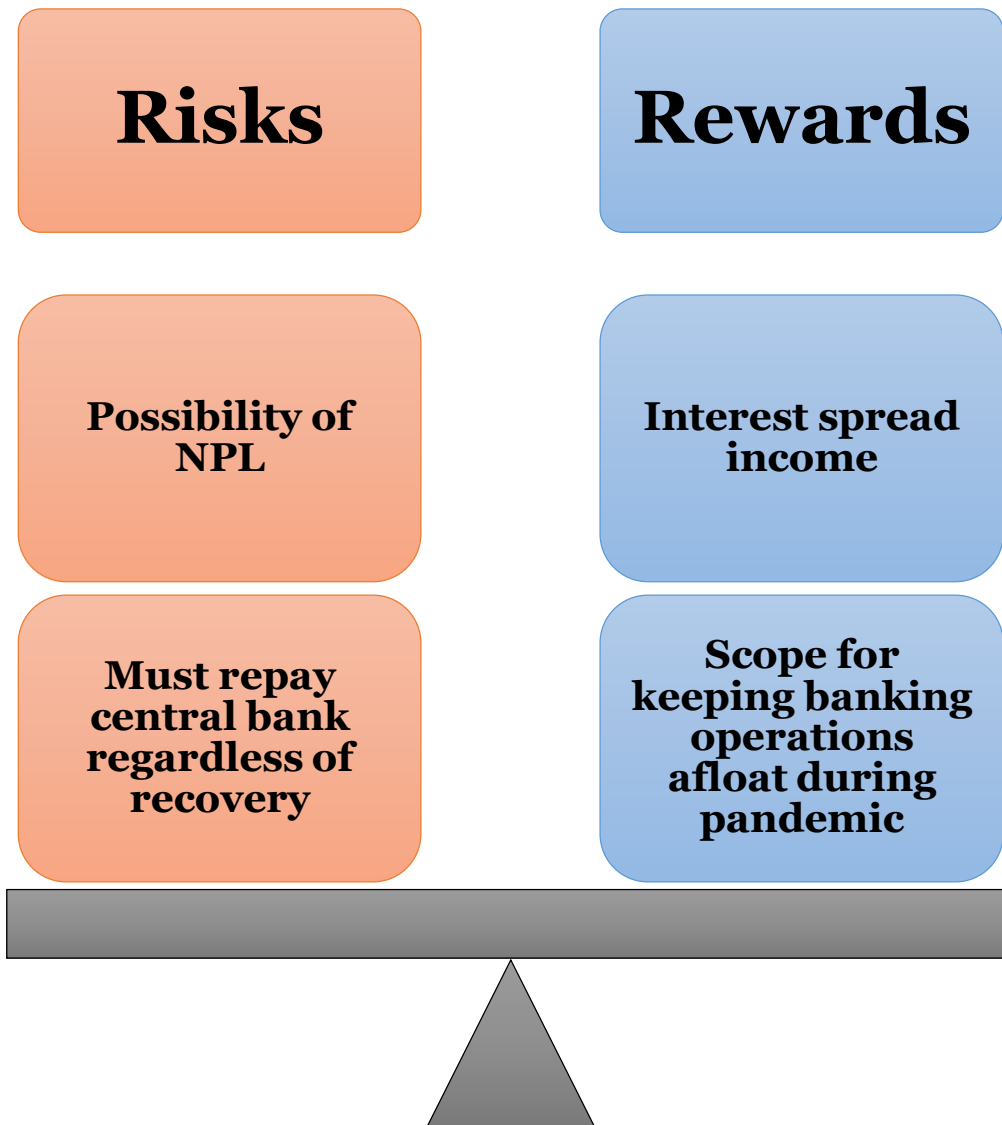
### **Accountability mechanisms**

Central bank will deduct 2% interest from banks which cannot ensure loans are utilized properly

# Liquidity Situation of Liquidity Providers

- ❑ It remains to be seen whether the commercial banks, which are supposed to be the providers of liquidity support have adequate liquidity themselves.
- ❑ Although the central bank has opted for aggressive quantitative easing, it is still likely that some, if not most, commercial banks will face some difficulties in actually implementing the COVID-19 related liquidity packages.
- ❑ The liquidity crisis may worsen if the COVID-19 pandemic continues to impact the economy for a prolonged time and if business activities diminish.
- ❑ Unfortunately, since the publicly available data of individual banks is several years old and the data of different categories of banks is a few months old, it is difficult to ascertain the liquidity position of the commercial banks during the COVID-19 pandemic.

- ❑ Commercial banks have the choice of whether they want to participate in any particular liquidity support package, and how many liquidity support packages they want to participate in.
- ❑ This decision may lead to both risks and rewards.



# Problems of the Banking Sector in Pre-COVID and Post-COVID Scenarios

<b>Problems in the banking sector</b>	<b>Pre-COVID Scenario</b>		<b>Post-COVID Scenario</b>	
	<b>Policy recommendations by CPD</b>	<b>Measures taken or planned by the government</b>	<b>New issues relevant to old problems</b>	<b>Probable implications</b>
<b>Lack of good governance</b>	Forming a goal specific, time bound, inclusive, transparent, unbiased and independent Citizen's Commission on Banking	Forming a Banking Commission	Government guaranteed and subsidized loans are being provided; weak and poorly governed banks will be able to offer loans	Adverse selection and moral hazard; delays in addressing the challenges may lead to worsening of the state of governance in the banking sector
<b>Excessive regulatory forbearance, despite knowledge of poor governance</b>	Ending the practice of bailing out weak and poorly governed banks with tax payer's money	Recapitalising commercial banks repeatedly, using vast sums of public money	Weak and poorly governed banks will take advantage of COVID-19 induced regulatory forbearance to continue business-as-usual	Performance of weak and poorly governed banks may get worse under lax regulations due to COVID-19

# Problems of the Banking Sector in Pre-COVID and Post-COVID Scenarios

	Pre-COVID Scenario		Post-COVID Scenario	
<i>Problems in the banking sector</i>	<i>Policy recommendations by CPD</i>	<i>Measures taken or planned by the government</i>	<i>New issues relevant to old problems</i>	<i>Probable implications</i>
<b>High volume of NPLs</b>	Taking strong legal steps against willful defaulters, strengthening the central bank, and broadly implementing reforms that would instill good governance	Forming an asset-purchasing type public asset management company which will issue government guaranteed bonds to buy NPLs from troubled banks	Loan defaulters will be allowed to apply for loans under certain COVID-19 related liquidity support packages	Some loans provided as part of the COVID-19 liquidity packages may become bad, increasing the volume of NPLs further; since loan defaulters will be able to access the COVID-19 liquidity support packages, they may default on their loans again out of habit

# Problems of the Banking Sector in Pre-COVID and Post-COVID Scenarios

	Pre-COVID Scenario		Post-COVID Scenario	
<i>Problems in the banking sector</i>	<i>Policy recommendations by CPD</i>	<i>Measures taken or planned by the government</i>	<i>New issues relevant to old problems</i>	<i>Probable implications</i>
<b>Money laundering and illicit financial outflows</b>	Reinforcing the capacity of government agencies, such as the Transfer Pricing Unit of National Bureau of Revenue, to ensure enforcement of law in all areas related to illicit financial outflows	Bangladesh Bank has issued guidance notes and guidelines on money laundering and terrorist financing risk management and prevention	Banks may provide loans for import of coronavirus related essential medical items without repayment guarantee; many of these items may be imported at zero tariff under the current crisis situation	Import over-invoicing may be used to carry out trade based money laundering, taking advantage of absence of repayment guarantee and import tariff as added bonuses; illicit financial outflows may increase
<b>Scams, heists and irregularities</b>	Take immediate steps to bring perpetrators to justice and recover funds	Some steps have been taken, although they are mostly too little or too late; record of fund recovery is mixed	There is no clear definition of a COVID-19 “affected” business or individual based on objective and quantitative criteria	Fraudulent claims on government stimulus funds may be made by individuals presenting themselves as legitimate companies seeking assistance

# Problems of the Banking Sector in Pre-COVID and Post-COVID Scenarios

	Pre-COVID Scenario		Post-COVID Scenario	
<i>Problems in the banking sector</i>	<i>Policy recommendations by CPD</i>	<i>Measures taken or planned by the government</i>	<i>New issues relevant to old problems</i>	<i>Probable implications</i>
<b>High number of commercial banks, relative to size of the country and the economy</b>	Refraining from awarding licenses for opening new commercial banks	Bengal Commercial Bank Limited awarded license on the grounds of increasing financial inclusion	Direct cash transfers of COVID-19 related funds will be made through mobile banking channels, instead of the 60 commercial banks in the country	New commercial banks are unlikely to promote financial inclusion, since their borrowing and lending activities are largely based in Dhaka and Chittagong instead of districts with high poverty
<b>Cronyism in banking</b>	Reduce the number of family members allowed on board of directors of banks and decrease the tenure of each director	Number of family members allowed on the board of directors increased from 2 to 4 and tenure of each director increased from 6 years to 9 years	The greatest share of liquidity support has been offered to large industries	Crony capitalists may utilize their strong political foothold in banks to obtain more than their fair share of liquidity support

# Problems of the Banking Sector in Pre-COVID and Post-COVID Scenarios

	Pre-COVID Scenario		Post-COVID Scenario	
<i>Problems in the banking sector</i>	<i>Policy recommendations by CPD</i>	<i>Measures taken or planned by the government</i>	<i>New issues relevant to old problems</i>	<i>Probable implications</i>
<b>Duality of interest rates of national savings certificates and bank deposits</b>	Rationalising the interest rates of national savings deposits to make them sustainable in the long run; allowing interest rates on bank lending and deposits to be market determined	Capping the interest rate on lending to 9 per cent, and inducing the interest rate on deposits to be around 6 per cent	Some forms of COVID-19 related liquidity support will come with subsidized interest rates	Those who are eligible for liquidity support will borrow from the government's packages and those who are not eligible may not borrow at all; alternatively small savers will be suffer a double blow to their savings from the pandemic and the low interest rate on bank deposits. Capping interest rates may not stimulate investment in the post-COVID economy.



- ❑ The allocation of funding support for healthcare should be increased, and liquidity support at low interest rates should be provided for building hospitals.
- ❑ **Loan defaulters should not be allowed to access** any of the COVID-19 related liquidity support packages.
- ❑ Weak and poorly governed banks should be barred from participating in the COVID-19 related liquidity support packages.
  - **Banks which are not fully compliant with BASEL III or the Banking Company Act should be not be allowed to participate** in the COVID-19 related liquidity support packages.
- ❑ Clear, objective and quantitative criteria should be declared to properly **identify “affected” businesses and individuals.**

- ❑ **Transparency and accountability mechanisms** should be built into all COVID-19 related liquidity support packages.
- ❑ In order to generate additional liquidity, government administrative costs should be reduced for FY2020-21.
  - The additional liquidity generated through such means should be used to increase the funding support for low income professionals, unemployed youth and small businesses.
- ❑ A **multi-stakeholder taskforce** consisting of representatives from the various ministries, central bank, commercial banks, trade bodies, civil society, non-government organisations and academia should be formed for **monitoring the delivery** of the COVID-19 liquidity support packages and **evaluating their effectiveness**.
- ❑ A goal-specific, time-bound, inclusive, transparent, unbiased and independent **Citizen's Commission on Banking** should be set up in order to bring transparency in the prevailing situation, identify the root causes of the manifest problems and suggest credible measures for improving the situation sustainably.

# **Section III. Early Assessment of BDT 5,000 Crore (Emergency) Incentive Package: Will the Target Groups Get the Benefits?**

- ❑ The major objectives of the stimulus packages are three folds:
  - (a) Revitalising domestic economic activities
  - (b) Ensuring employment of workers and
  - (c) Maintaining competitiveness of the entrepreneurs.
- ❑ According to Michalillat and Saez (2019), a well-designed stimulus package is judged from a number of aspects such as
  - (a) Size of the stimulus package based on the size of the multiplier;
  - (b) Level of usefulness of public spending measured by ‘elasticity of substitution’ between public and private consumption and
  - (c) Level of decrease in unemployment which is measured by ‘unemployment multiplier’.
- ❑ In Bangladesh, the **packages are designed with credit-line support** for affected target groups (e.g. industries/activities) at a subsidised rate, which are different from those of public spending-led support.
  - The achievement of core objectives of the stimulus packages is to a large extent ‘conditional’ on a number of factors.

- ❑ It is difficult **to do a comprehensive assessment** of the effectiveness of these packages at this stage.
  - Keeping this limitation in the purview, an **early assessment of the** stimulus package has been carried out
  - The purpose is **to appreciate challenges being faced at the preparatory stages** in disbursement of credit, accessibility and availability of credit by the target groups.
- ❑ The idea is to get some understanding as to **whether the three objectives** set by the government – revitalising economic activities, maintaining jobs and competitiveness of the businesses – will likely be achieved when these packages are fully implemented.
- ❑ This exercise has been carried out **based on the primary information** and data collected from different stakeholders.
  - A number of KIIs were conducted. A total of 62 RMG workers were interviewed by telephone using structured questionnaires.

- The purpose of the KIIs and the brief survey was to examine and understand **how initial steps for disbursement of credit were organized**.
  - What were the challenges faced in the disbursement of credit?
  - What role was played by the Central Bank in providing guidance and in terms of monitoring and enforcement?
  - What were the difficulties faced by the borrowers as also how the workers of export-oriented industries fared in this process?

# Disbursement of Credit Line Support (Perspectives of Lenders and Borrowers)

- ❑ On 25 March, 2020 the government launched the **BDT 5,000 crore stimulus package** for export-oriented industries.
  - Export-oriented enterprises would be able to take loans for paying the salaries of their workers for three months (**April, May and June in 2020**).
  - The banks would have the responsibility of disbursing the loaned amount (**65% of workers total wages**) directly to the workers' **bank accounts or MFS accounts**.
  - The lending bank will **charge only 2 per cent as service fee**. The borrower enterprises were to repay the loans in 18 installments over two years (with six months of grace period).

## Preparatory Processes for Loan Disbursement

- ❑ There was an **initial opposition** from a section of entrepreneurs regarding the **opening of workers' bank/MFS accounts** in order to pay wages.
- ❑ According to KIIs with the RMG entrepreneurs, **workers faced minor difficulties** in opening bank and MFS accounts. As of 2 May 2020, around 30 lac workers had opened MFS account.
  - Due to the lockdown, and the consequent shut down of factories, it was difficult for the factory management to reach workers and generate all the required information correctly.

# Disbursement of Credit Line Support (Perspectives of Lenders and Borrowers)

- As a result, the process **took additional time**, and this led to the late payment of wages to the workers.
- **Management staff had to struggle** in preparing all the documents required for submission in connection with the loan application due to **limited movement of vehicle and closure of many offices** during lockdown
- Consequently, additional time was required to complete the process, and hence some workers received their wages with some delays.

□ Depending on the date of application, most of the loans applied were disbursed within 15 May, 2020.

- This **indicates timely disbursement of the loan**.
- The amount of loan was determined by the banks taking the average of total wages of workers of the borrowing enterprises over the stipulated three months.
- According to the borrowers, they **did not face any significant problems** in availing of the loan, and did not incur additional financial expenses to get the loan.
- Some of the **borrowers are from other export-oriented industries** including exporters of vegetables, leather, and leather footwear.



# Disbursement of Credit Line Support (Perspectives of Lenders and Borrowers)

## Lenders' Perspective on Disbursement of Loan

- ❑ The decision by the Central Bank to increase cash flow by lowering the repo rate & CRR, and through purchase of treasury bills was **well appreciated by the banks**.
  - Although the decision to **decrease the repo rate would enhance** liquidity of banks, it could also increase **banks' burden** if repayment of the loan would not be ensured.
  - Banks hold **Treasury Bills in varying amounts**; hence the success of lowering the repo rate as an instrument remains uncertain.
  - Moreover, banks' income has been affected by some of **the recent pronouncements**
  - On 1 June, 2020 government has **allocated BDT 2,000 crore in favour of banks** to adjust their interest related losses.
- ❑ According to bank officials, the most formidable challenge for the banks is that only banks are bearing all the risks of providing the loan.
  - Even before the COVID 19, the banking sector was struggling with a large amount of NPL, which is **indicative of the weaknesses** of banks in disbursing loans.
  - Not taking due cognisance of this, the central bank's instruction to banks to provide loan based on the **bank-client relationship would further deepen** the problem facing the banking sector in the upcoming time.

# Disbursement of Credit Line Support (Perspectives of Lenders and Borrowers)

## Lenders' Perspective on Disbursement of Loan

- **Huge demand** for loans within a time could make it **difficult to exercise due diligence and undertake** the inspection of borrowers to examine repayment capacity
  - This could end up with disbursement of a good amount of loans to **possible 'future defaulters'**.
- Due to the lockdown, the **money deposited with the banks have decreased**
  - Consequently, the banking sector at present is not in a position to support the disaster-triggered recessive economy through large scale lending activities.
  - The capacity of **repaying the loan by many existing borrowers** has significantly decreased, therefore, delays and non-repayment of a large amount of existing loans could be a reality.
  - A sharp rise in **unemployment owing to the** COVID crisis could lead to a significant withdrawal of deposits from the banks. As a result, some banks may be unable to disburse new loans in the upcoming months.
  - If COVID crisis is prolonged, a **more flexible repayment** timeline would help entrepreneurs but at the cost of banks.

# Disbursement of Credit Line Support (Perspectives of Lenders and Borrowers)

## Disbursement of Loan to Export-oriented Enterprises

Bank Name	Total number of companies applying for loan	Total amount of applied loan (in BDT Crore)	Loan per company (in BDT Crore)
Exim Bank	122	540	4.42
South East Bank	150	480	3.3
DBBL	60	300	5.0
Agrani Bank	83	188	2.27
Rupali Bank	40	125	3.13
Pubali Bank	48	302	6.29
Dhaka Bank	45	210	4.67
Mutual Trust Bank	45	200	4.44
Bank Asia	50	300	6.0
Total	643	2645	4.11

Source: The Daily Star, 2020

- As of 2 May 2020, 37 lending banks claimed BDT 2,566.2 crore under the stimulus package.
  - As of 11 May, 2020 a total of **2,132 garment factories have applied for BDT 3,343** crore from the stimulus package. Of those, 1,615 are BGMEA members, which have applied for Tk2,614 crore, and 517 are BKMEA member which have applied for Tk729 crore.
  - The number of RMG enterprises applied have considerably increased (58 per cent of total RMG enterprises) in less than two weeks.
- Despite that, a large section of enterprises has not yet applied for the loan.
  - This is partly **because of having financial contingency plans in case of units that are part of group of companies which were cross-subsidised** from mother companies.

## Disbursement of Loan to Export-oriented Enterprises

- It is important to examine why rest of the enterprises did not apply for loan for their workers.
  - Did these enterprises find that they did not qualify for applying for loans (such as small scale and sub-contracting enterprises)?
  - Why exporters from other sectors did not apply so much for loans like the ones in the RMG sector?
- Under both stimulus package of BDT 5,000 crore and BDT 30,000 crore, members of **buying house associations who are also associated with the value chain with** direct and indirect employment of 4 lac people were not given any monetary support as per the guideline formulated by the Bangladesh Bank.

# Workers' Views regarding Payment of Wages during COVID-19 Period

## ❑ Opening Bank/MFS accounts in availing wages

- About **95%** of the interviewed workers have received their respective wages digitally.
- Of these workers, about **47.6%** have opened their accounts during the COVID period.
- The **highest number of bank/MFS accounts were opened in Chittagong (63.6%)** followed by Gazipur (50%).

**Table 3: Opening of Bank/MFS Accounts by Workers**

District	% of workers said 'yes'		% of bank/MFS account holders among the workers*
	Any Bank/Mobile Acc. before Corona Crisis?	Did you Open Bank/Mobile Acc. during Corona period?	
Chittagong	40.9	63.6	104.5
Dhaka (others)	33.3	36.4	69.7
Dhaka (Savar)	60.0	40.0	100.0
Gazipur	50.0	50.0	100.0
Narayanganj	54.5	36.4	90.0
Total	47.5	47.6	95.1

Source: Workers' Telephone Survey, May 2020

Note: \* Sum may exceed 100% as a large section of workers now have both a bank and a MFS account

## ❑ Payment of Workers' Wages and Other Entitled Financial Benefits

- **85.5%** of total interviewed workers have reported that they have received full payment for the month of March, 2020 (table in the following slide)
- In April, 2020 **only 14.8%** of respondents mentioned about receiving full payment.
  - About 27.3% received 50% or less of the gross wage.
  - Majority of workers in Gazipur and Dhaka (others) complained about receiving less than their full wages.

# Workers' Views regarding Payment of Wages during COVID-19 Period

- Among the rest of the workers, 60.7% workers received payment between 60-95% of their gross wages while for other workers the payment varied – from no payment to token payment (1-7%) to half payment etc.

**Table 4: Payment Received by Workers during March and April, 2020 (N=62)**

District	March (% Without overtime)				April (% Without overtime)			
	Full Payment	60 to 95%	Half or less than half payment	No Payment	Full Payment	60 to 95%	Half or less than half payment	No Payment
Chittagong	86.4	9.1	0	4.5	9.1	68.2	0.0	22.7
Dhaka (Others)	88.9	11.1	0	0	0.0	44.5	33.3	22.2
Dhaka (Savar)	60.0	20	20	0	30.0	50	10	10.0
Gazipur	100.0	0	0	0	0.0	100	0.0	0.0
Narayanganj	90.9	0	0	9.1	36.4	36.4	18.2	9.1
<b>Total</b>	<b>85.1</b>				<b>14.75</b>	<b>60.7</b>		

Source: Workers' Telephone Survey, May 2020

- The industrial police stated that about 50% of the factories did not pay the Eid bonus.
  - Various dues include 60% of salary for April, overtime payments and Eid bonus etc.

## □ Revitalising Economic Activities

- Through government emergency credit support workers received wages which was well-below their normal wages that provided **minimum income support** to them.
- Such wages were spent for meeting a part of essential needs but left a lot of their required needs unspent.
- Hence a limited level of ‘multiplier effect’ would have taken place
  - Limited level of ‘substitution effect’ seems to be observed with this spending to stimulate private consumption.

## □ Payment of Workers’ Wages

- **63% of respondent workers mentioned that they could not pay house rent, 39% mentioned about unpaid utility bills, 36% mentioned about unpaid school fees.**
- Because of limited employment opportunities during the lockdown period, spouses of **35% of surveyed workers did not have any job.**
  - 43% workers’ spouses from Gazipur did not have any income during the lockdown period.
  - In this period, the average amount of loans taken by garment workers from various **sources was about BDT 3,765 per family.**

**Table 5: Workers' Unpaid Bills (% of Total Respondents)**

District	Unpaid house rent	Unpaid Utility Bills (gas, electricity, water)	Unpaid School Fees of the Children	Due Payment to Rural home	Other due payments
Chittagong	66.7	28.6	28.6	57.1	78.9
Dhaka (others)	66.7	33.3	28.6	33.3	66.7
Dhaka (savar)	60.0	30.0	33.3	80.0	50.0
Gazipur	50.0	71.4	33.3	62.5	50.0
Habiganj	0.0	0.0	0.0	0.0	0.0
Narayanganj	72.7	54.5	60.0	54.5	45.5
<b>Total</b>	<b>63.3</b>	<b>39.0</b>	<b>36.2</b>	<b>56.7</b>	<b>60.3</b>

Source: Workers' Telephone Survey, May 2020

**Table 6: Average amount of loan taken by workers during lockdown period**

District	Average Loan/Debt (26 <sup>th</sup> March- 15 <sup>th</sup> May)
Dhaka (Savar)	2830
Dhaka (other)	8367
Gazipur	5143
Narayanganj	3409
Chittagong	3711
Total	3765

Source: Workers' Telephone Survey, May 2020



- More than 90% of surveyed workers from the selected districts reported that they did not receive any in-kind support.
    - Few reported that local political leaders took necessary documents (NID/birth certificate, contact number etc.) several weeks back, but they did not hear from them nor had they received any support.
  - Livelihood situation of workers is under threat.
- Employment and Unemployment Situation of Workers**
- About 3.3% of the workers reported that they had been laid off from their factories.
    - One surveyed worker mentioned that his factory had laid off 600 workers out of 1200 workers due to not have required amount of orders in hand.
  - Unless the business situation improves, incidences of both laying off and retrenchment of workers will increase further in the coming months.
  - In other words, fiscal stimulus did not help stop laying off of factory workers.
    - Without any improvement in the business situation, workers would be retrenched in the coming months.

## ❑ **Maintaining Competitiveness**

- ❑ The stimulus packages for export-oriented industries have extended some support for the enterprises with a view to improve their competitiveness.
  - However, maintaining competitiveness will call for positive response from the brands and buyers in the form of placement of orders over the coming months.
  - Thus, preparedness and support at the buyers' end are more important in maintaining competitiveness at the suppliers' end.
- ❑ Thus, maintaining competitiveness would be difficult to maintain only by supply-side preparedness; rather reciprocal response at the buyers' end will be necessary.

- ❑ The government needs to rethink about the stimulus package in order to ensure its effectiveness in achieving the stated objectives.
- ❑ **Ensuring Access to Export-oriented Enterprises:** It is found that a section of export-oriented enterprises of the RMG industry and a large section of enterprises of other export-oriented industries **did not take the offered** loans. It is important to explore the reasons behind enterprises not availing these facilities.
  - Most importantly, **whether not availing of the facility had led to workers of those enterprises not getting wages** is an issue that needed to be examined.
  - The definition of export-oriented enterprises needs to be widened to include associated services related to the **export-sector supply chains: buying houses, enterprises producing accessories for export-oriented industries, backward linkage textiles enterprises for export-oriented industries.**
- ❑ **Ensuring Banking Facility to All Categories of Exporters by Providing Guarantee against Disbursed Loan:** The loan facility should not be determined by bank-customer relationship only, rather, the facility should be extended considering the level of adverse effect on enterprises.
  - Central Bank should introduce a **credit guarantee scheme for enterprises which are in difficult state and are not found as 'loanable'**. In this case, the Central Bank can negotiate with international commercial banks or international loan guarantee schemes/facilities to provide credit support to risky but needy export-oriented enterprises.

- ❑ **Payment Irregularities undermine Workers' Survivability:** Workers need regular payment of their wages; otherwise, it is difficult to ensure food security and minimum livelihood standards.
  - Public monitoring agencies such as DIFE and DoL should strictly monitor the payment of workers' wages on a regular basis.
- ❑ It seems that the agreed wages (65% of gross wages) are not sufficient to meet their monthly dues, such as house rent, utility bills, children's school fees, paying family members in rural areas.
  - To pay this amount of wages, brands, and buyers, as well as sourcing countries, should come forward with a financial package to pay a share of workers' wages.
- ❑ **Workers should not be officially laid off or retrenched:** Guaranteeing workers' employment should be made 'conditional' on availing credit support as well as other monetary and financial support from the government
  - Global brands should come forward to increase more export orders to countries in need by evenly distributing orders between apparel producing countries
  - In this connection, a part of the orders from the major apparels exporting countries such as China could be distributed by the brands to other supplying countries such as Bangladesh, at least for a period of one year.

# **Section IV. Stimulus Package of BDT 20,000 crore Credit Line Support for SMEs: Will the Target Groups Get the Benefits?**

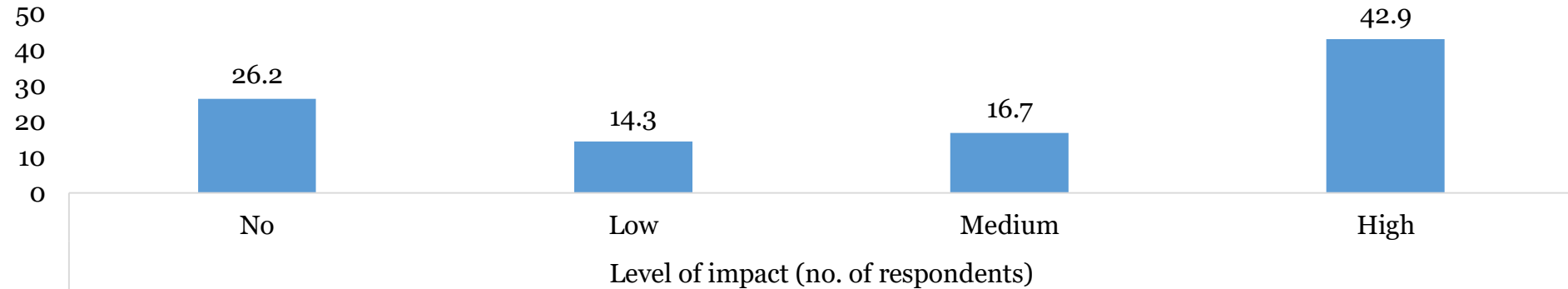
# Disbursement of Credit Line Support (Partnership Agreement, Lenders' and Borrowers' Perspectives)

- ❑ On 05 April 2020 the government declared a stimulus package of BDT 20,000 crore credit line support for the CMSMEs scale enterprises; Of which, BDT 10,000 crore will be provided by the Central Bank under its refinancing scheme; where the-
  - Commercial banks can charge a **maximum interest rate of 9% of which 4% interest will be charged to the borrowers, and 5% will be paid** by the government as a subsidy to the concerned banks and financial institutions.
- ❑ According to Rapid Assessment Survey 2020 conducted by the CPD, **the majority of enterprises have experienced a 'high' level of adverse impact on production** (about 42.9 per cent).
- ❑ The majority of SMEs are largely dependent on religious festivals, cultural events/festivals, etc for their businesses.
  - Since the outbreak of COVID-19 and consequent shut down of economic activities for about two months, SMEs have missed out on several important cultural events such as Pahela Baishakh, Eid-ul Fitr.

# Disbursement of Credit Line Support (Partnership Agreement, Lenders' and Borrowers' Perspectives)

**Figure 1: Level of Adverse Impact on Production**

Adverse Impact on Production (% of total respondents, n=31)



- ❑ Due to this, BDT 20,000 crore credit line support had offered an opportunity for the SMEs to get the necessary working capital.
- ❑ However, **the package is still at the preparatory stages of disbursement** and difficult to undertake a comprehensive assessment of the effectiveness of the package.
  - The purpose of the rapid assessment was to understand whether the three objectives as announced by the government– revitalising economic activities, maintaining jobs, and competitiveness of the businesses – could be achieved or not.

## *Disbursement of Credit Line Support*

### Procedural Issues

- ❑ The proportion of distribution of these loans would follow the ratio of **50:30:20** as applicable to manufacturing, services, and trading activities, respectively.
- ❑ A minimum of **70% of the total annual loan** was to be provided to the cottage, micro and small-scale industries, and the rest 30% to medium scale industries.
- ❑ A minimum of **15% the total annual loan was to be provided in rural areas**, while 5% of the loan was to be provided to women entrepreneurs
- ❑ This package was to be in place for 3 (three) years. Any single company will be eligible for subsidy under this package for a maximum of one year
- ❑ Both new and existing borrowers may avail the loan. Bangladesh Bank can be able to increase/decrease the limit.
- ❑ Bangladesh Bank will **inspect the loan/investment activities** under this fund. 'Special Monitoring Cell' at the head office and a separate help desk in each branch must be set up of the banks and financial institutions.
- ❑ Banks and financial institutions will co-operate with the concerned chambers or associations and members of the FBCCI regarding the selection of borrowers, disbursement, supervision, and recovery of loans



## Disbursement of Credit Line Support

### Partnership Agreement between Central Bank and Commercial Banks

- ❑ As of 18 May, 2020 a **total of 17 banks have signed agreements** with the Central Bank; the number of banks was expected to rise after the Eid holidays are over.
- ❑ According to the official of the Central Bank, a section of commercial banks are **unwilling to sign** the agreement.
  - Banks consider the amount of **subsidy (5%) is inadequate** to meet their high **administrative costs (over 9%)** for dealing with SME loans.
  - With **limited human resources**, banks may find it **difficult to verify** loan applications in a speedy manner, which will also increase the administrative pressure.
- ❑ According to senior officials of commercial banks, the classification of potential borrowers under this package loan and maintaining the conditionality as per agreement would be difficult to maintain on the part of banks.
  - *First*, each bank and financial institution will need to provide information on the monthly basis. *Second*, in case of verification of the information, the concerned department of Bangladesh Bank may request the bank/financial institution to provide loan documents and conduct audit activities at the branch/field level.

# Disbursement of Credit Line Support (Partnership Agreement, Lenders' and Borrowers' Perspectives)

- *Third*, failure to follow proper procedures for disbursement of loan may result in cancellation of the relevant loan incentive from the package in question.
- *Fourth*, government's interest subsidy will be paid to the banks/financial institutions only on a quarterly basis (March, June, September, and December).

## Lenders' (Commercial Banks') Perspective on Disbursement of Loan

- ❑ Banks specialised with SMEs, rural-based lending activities and women entrepreneurship development activities would prefer this package.
  - Banks that do not have such specialised operations would be less interested to take advantage of this package.
- ❑ Bank officials felt that it would be **highly unlikely to disburse among new** entrepreneurs.
  - This is partly because of the limited amount of funds available for disbursement among new clients.
  - Disbursed loans to new SME clients **during FY2019 were 10% of its total** outstanding loan, which was unlikely to be maintained during the COVID period.
- ❑ Banks are providing loans at **normal interest rates to their existing** borrowers.
  - One of the banking officials mentioned that about 1500 applicants had submitted application to its bank to date.

## Lenders' (Commercial Banks') Perspective on Disbursement of Loan

- ❑ **Only existing borrowers will receive the stimulus package** loan, because the amount of credit support is well below the required amount of support to cover all the SMEs.
  - This number of entrepreneurs was only 4-5% of total SMEs in Bangladesh (about 5.6-8.0 million).
- ❑ The bankers are reviewing the case of affected clients on a case by case basis and examine their financial records to identify risky borrowers.
  - One of the banks has identified 1800 clients and has classified them as per the level of risks based on their cash and sales records.
- ❑ Bankers feel that risk **mitigation measures depend on the bank's liquidity position**.
  - The lending rate cap at 9% limits banks' capacity to lend to SME borrowers.
- ❑ Given the liquidity constraints, banks' selection of borrowers has been determined by an assurance of repayment of the loan.
  - Borrowers' capacity to repay the loan has reduced due to their limited earning.

## Borrowers' Perspective on the SME Loan Package

- ❑ The majority of entrepreneurs were found to be aware of this stimulus package.
  - They feel that it will be either **difficult for them to receive the** loan or they are not eligible for this loan
- ❑ Micro-level entrepreneurs **are not expected to receive this loan** since they did not have a record of borrowing from banks.
  - In most cases, micro and small scale enterprises tend to conduct businesses using their fund or borrowing from informal sources.
  - These entrepreneurs opined that banks will lend to big borrowers to reduce the administrative burden, cost, and time.
- ❑ In this **backdrop**, micro and small-scale entrepreneurs demand other facilities such as-
  - **Temporary withdrawal** of interest payment of existing loans
  - **Waiver of payment of utility bills** for several months and
  - **Compensation of losses during** the last three months of lockdown period
- ❑ SME entrepreneurs are not well aware of the guideline of the refinancing scheme prepared by the Bangladesh Bank, hence seeking funds through their associations.

## Borrowers' Perspective on the SME Loan Package

- ❑ **Maintaining financial statements is a barrier** for the SMEs in availing loans under this package.
  - A large section of SME entrepreneurs does not maintain the double-entry bookkeeping system.
  - They cannot afford to **employ an accountant to maintain** their accounts.
- ❑ Majority of female entrepreneurs them do not know where and how to apply for this loan.
- ❑ One ME received a loan from its LC limit at a normal interest rate.
- ❑ A few **entrepreneurs have contacted the banks for accessing loans from the package but were refused.**
  - Local branches have got away by saying that they have not received circulars from their head office.
  - Some of the banks said that the packaged loan is disbursed only by the government banks. In some cases, they were asked to come after the Eid holidays.
  - Some SME entrepreneurs have been asked why a bank should provide loans to small scale entrepreneurs when their administrative cost is too high.

## Revitalising Economic Activities

- ❑ SMEs are in general, deprived of getting credit from formal sources.
- ❑ The micro and small-scale entrepreneurs are in need of working capital support are considered to be risky and tend to be excluded from the credit line support.
  - New/rural-based/women-led SMEs are perceived highly risky regarding repayment of loans.
- ❑ Banks are reluctant to sign agreements due to lower subsidy and higher operating expenses to deal with SMEs.
- ❑ Limited scope of the 'substitution effect' of public spending to increase private consumption and thereby to revitalize the CMSMEs led activities.

## Payment of Workers' Wages and Ensuring Employment

- ❑ Majority of the SMEs will remain outside the ambit of the stimulus package.
  - These enterprises are finding it difficult to pay their dues (workers' wages and other benefits).
  - Even those who can avail of the facility find it inadequate to pay workers' wages.
- ❑ Unemployed and unpaid workers would continue to face a difficult situation even after the lockdown period due to limited scope for businesses
- ❑ Marginal level of multiplier effect would be observed by which limited advantage could be taken by workers working in CMSMEs.

## Maintaining Business Competitiveness

- ❑ The traditional banking system finds SMEs as risky and tend to avoid to lend.
  - The stimulus package will hardly reach these enterprises, let alone help maintaining their competitiveness.
  - These enterprises need different types of financial instruments to compete.

## Suggestions

- ❑ ***Distributing Loans through Banks which have Specialised SME Operations;*** The Central Bank can increase the exposure limit of the specialised banks to provide credit.
  - To ensure inclusive credit disbursement, the Central Bank may provide an additional fund to banks for 'loan processing' to meet the high operating costs.
- ❑ ***Classification of borrowers needs to be more specified:*** SME entrepreneurs are not well aware of the classification of borrowers.
  - Classification based on economic activities, geographic location, types of operations, and gender should be well-specified.
- ❑ ***Allocation of Fund for SMEs need to be increased:*** To raise liquidity flow to commercial banks, govt. may discuss/negotiate with international development banks to provide low-cost credit support.

- ❑ ***Distributing Loans through SME Foundation*** to cottage and micro-enterprises which are usually not eligible for traditional bank loans.
  - A specialised fund for the SME Foundation under the Ministry of Industry to distribute credit to the SMEs.
- ❑ ***Introduce the Credit Guarantee Scheme for New Entrepreneurs and Risky Borrowers***: This guarantee could be shared trilaterally between borrowers, lenders, and the central bank.
  - Central Bank can negotiate with international commercial banks or loan guarantee facilities to provide credit support to start such operations in the CMSME sector.
  - India, Pakistan and Indonesia have launched the similar initiative.



# Section V. Relief Packages to Mitigate the Impact of COVID-19

□ This section reviews two broad packages announced for the support of the poor and low-income households who are the worst hit due to COVID-19 pandemic. These are as follows:

❖ **Expansion of the coverage of the social safety net programmes which amounts to BDT 6,859 crore**



❖ **Cash assistance equivalent to BDT 2,500 for a month to 50 lac families. The total package amounts to BDT 1250 crore.**



Under this package an amount of BDT 6859 crore will be spent. This package is basically a combination of many small sub-packages. So, the beneficiary numbers vary across the sub-units of the package.

❖ The components of this package will include the following:

➤ A certain Programme “Ghore Fera” will cater to the people with low-level incomes who have returned to their respective villages.

➤ The safety net is also supposed to provide free of cost homes for the underprivileged who are homeless or landless along with 6 month of food rations and cash assistance.

➤ The infrastructure in Bhashan Char is being constructed to make room for 100,000 people and the government had been making arrangements for people to migrate there.

➤ Some programmes like Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), and the Open Market Sale (OMS) of rice at Taka 10 per kg (a quarter of the market price) have been operating on a large scale.

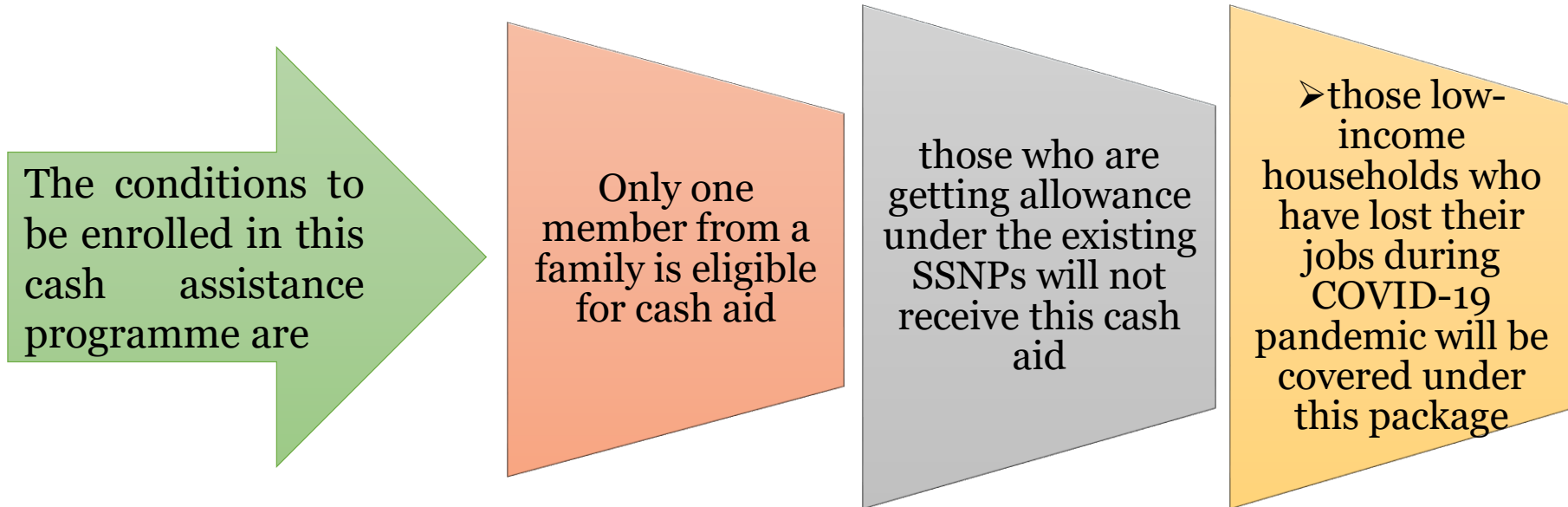
# Challenges of Implementation of Social Safety Net Programmes

- ❑ In order to eliminate corruption, a prerequisite step is being prepared before the disbursement of food relief begins. The step involved the issuance of a Quick Response (QR) smart card, the ownership of which will grant that person food rations.
- ❑ The smart card will be based on a database of the poor and needy that is being prepared by the **ICT and Disaster Management and Relief ministries**.
- ❑ Such cards will help to close down the flaws in the existing distribution system, combat corruption and will eliminate ghost lists.
- ❑ However, there are **many people in this category who live in isolated areas** who have no means of letting the ones in charge of the distribution that they need assistance
- ❑ There are **problems with the listing** of beneficiaries. Countless families are still suffering from food shortages and most of them are not even included in any data list. The preparation of this dataset has been **full of bureaucracy**, slowing down the process even more;
- ❑ Besides **the lack of coordination and expertise in the bureaucratic administration**, there is huge corruption that is high among the officials which causes misappropriation of these relief packages. Many local leaders and local government officials have been involved in theft of food rations and other corruption for which arrests are being made

- A detailed census that includes the poor is yet to be developed. Such an expansive dataset could have enabled a digital infrastructure that could have made the process of relief distribution more effective and efficient.
- It has to be taken into account that not everyone has national identification (NID) and they should not be left out from the social safety net programmes at all cost.
- In the relief and assistance programmes, everybody, everywhere from among all segments of the population, who are in need of such support, can be reached by identifying them through coordinated efforts at central and local levels.
- One of the areas which remained outside the government support is the migrant workers. The government should focus on this extreme loss that the country will be facing due to expatriates losing their jobs;
- The government must extend social safety nets to cover migrant workers returning to the country

# Cash Assistance for 50 Lakh Families

- On 14 May 2020, the government started to distribute of BDT 2,500 via mobile financial services (MFS) such as bKash, Rocket, Nagad and SureCash to each of the 50 lac impoverished families severely affected by the COVID-19 outbreak.
- They include day-labourers, rickshaw- and van-pullers, dock workers, petty traders, shop employees, barbers, hawkers, and construction workers, agriculture workers, private-sector workers, workers in poultry and dairy farms and transport workers.



# Cash Assistance for 50 Lakh Families

- ❑ The concerned ministries involved with this package are **Ministry of Finance, Ministry of Disaster management and Relief**. The technical assistance has been provided by the **a2i division** of the Government. The PMO is overseeing the operationalisation of this initiative.
- ❑ **Are the support measures adequate?**
  - The initiative to support the vulnerable people with cash support is a welcome decision by the government. However, the **amount is inadequate** for a family of four persons
  - CPD in its earlier media briefing recommended that Tk 8,000 per household should be distributed to a total of 1 lac 70 thousand families (under the lower-case scenario) and 1 lac 90 thousand families (under upper case scenario) for two months
  - This will require BDT 26,962 crores (about 0.9 per cent of GDP) under the lower-case scenario and BDT 29,852 crore (about 1 per cent of GDP) under the higher case scenario
  - A cash transfer of BDT 26,962 crore will generate BDT 168,514 crore worth of demand for goods and services in the economy; and in the upper-case scenario, a cash support of BDT 29,852 crore will generate BDT 186,573 crore worth of demand for goods and services in the economy
  - This multiplier effect will stimulate local small business activities since demand will be generated for their products. This will also be an indirect stimulus for large businesses.

# Mechanisms of Sending Money

➤ The Ministry of Finance receives the lists from the offices of the district commissioners. Since the list is in Bangla, then they translate this list into English and align a large part of this list with the database of the National Election Commission

Then these lists of the beneficiaries are verified and evaluated further by the Ministry of Disaster Management and Relief, who will disburse this money to the mobile financial services providers (MFSs) only after being confirmed with the beneficiaries' national identity cards and bank accounts

➤ Mobile financial services (MFSs) providers then check this list through the verifications of national ID cards. After having this scrutiny, this allocated amount of BDT 2,500 is sent through the designated MFSs providers to each beneficiary household's account number



**Among the targeted 50 lakh families,**

Nagad will distribute cash to 17 lac households (amounts to BDT 425 crore)

bKash will distribute cash to 15 lac families (amounts to BDT 375 crore)

Rocket will distribute cash to 10 lac families (amounts to BDT 250 crore)

SureCash will distribute cash to the remaining 8 lacs (amounts to BDT 200 crore).

## **❑ How the beneficiaries are selected?**

- At the level of local government, a list of qualifying families was prepared.
- The local administration along with support from locally elected representatives prepared this list. In an attempt to determine the accuracy of the list, the government has checked the details of 10 per cent of the families listed for the support

**❑ Despite having this procedure, some anomalies were found in the list of beneficiaries and in the distribution of cash support.**

- More than one member of the same family has got their names listed as the beneficiary;
- A large number of well-off and solvent people across the country have been selected for the government's cash relief intended for 50 lac poor households who are hit hard by the coronavirus pandemic;
- Many people who are already enjoying allowances under social safety net programmes have also been added to the list;
- Many ineligible people were selected in the list erroneously as the local authorities had to make it hastily;
- In some areas, the list was prepared considering voting politics;
- It has been found that a union Parishad member used his mobile number for 40 beneficiaries;
- There were contentions of nepotism and irregularities in the case of preparing the list

## Steps Taken by the Government So Far

- At the time of data entry of the lists, there was an option to insert a phone number in the datasheet. Primarily, the addition of any 11-digit numbers was allowed. But later it **became compulsory to use a beneficiary's genuine mobile number** that must be the same as the national ID;
- During the verification at the **Upazila level**, most mistakes were found, which was corrected at that stage. Nonetheless, there were a few errors;
- There is no way of distributing money to the same number more than once. Disbursement of money to those controversial numbers has already been halted. The government asked the **field administration to rectify the complete data** by 18 May 2020. Those who have used others' numbers should use either their own or bank account numbers;
- The reimbursement of money can only be made clear until their **national identification cards or bank accounts have been certified**. Beneficiaries can collect cash assistance from bank accounts without cell phones.

# Ensuring Efficiency in Delivering this Cash Assistance Programme

- An united effort and commitment from all the relevant stakeholders
- An in-built technology-induced mechanism needs to be put in place to ensure minimum leakages
- The list of programme beneficiaries must be disclosed through the website of the relevant department of the Government with other key details including address and phone number
- CSOs working in the community will need to be encouraged to review the list within a week of inclusion of the participants
- The government will need to forge collaboration of the mobile and electricity companies so that they can provide the required information
- A competent team of technology experts will need to be vigilant in monitoring these activities and its website where there are the lists of the beneficiaries and the required big data analysis
- Strict measures will need to be enforced to deal with corruption and malpractices in implementing the programme

# Section VI. Conclusion

- ❑ Lack of fiscal space has compelled the government to offer mostly **liquidity support instead of fiscal stimulus** to mitigate the adverse impacts of COVID-19
- ❑ In general, the nature and design of the liquidity support packages have *three main characteristics*:
  - The **greatest amount** of liquidity support is offered to the **least vulnerable**
  - The **most stringent** requirements and regulations are applicable to the **most vulnerable**
  - Several **loopholes** have been left wide open to provide **ample room** for unscrupulous individuals and businesses to **exploit humanitarian aid for private gain**

- ❑ The banking sector is a rather dubious candidate to be tasked with the tremendous responsibility of supporting businesses and individuals during the pandemic
- ❑ The reality is that the banking sector of Bangladesh is unprepared to deliver the COVID-19 related liquidity support packages
- ❑ Most of the major problems in the banking sector continue to persist during the pandemic and are apprehended to get more acute
- ❑ Urgent steps are needed to **rescue the banking sector from the quicksand of poor governance**, because if it sinks underground it will most likely take the entire economy along with it

- ❑ Three **core objectives** of the stimulus packages **will hardly be achieved** through the BDT 5,000 crore emergency support for the export-oriented industries.
- ❑ The impact in terms of stimulating economic revitalisation of the RMG sector is rather limited.
- ❑ Raising private consumption through workers' wages could not be ensured due to irregularities in wage payment and despite the credit support workers' employment could not be ensured.
- ❑ Rather there are incidences of unemployment in the RMG sector.
- ❑ In this backdrop, the government needs to rethink about the stimulus package in order to ensure its effectiveness in achieving the stated objectives. Following issues need to be taken into account:
  - Ensuring Access to Export-oriented Enterprises
  - Ensuring Banking Facility to All Categories of Exporters by Providing Guarantee against Disbursed Loan
  - Payment Irregularities undermine Workers' Survivability
  - Workers should not be officially laid off or retrenched



- ❑ The stimulus package for SMEs is an important monetary policy instrument.
- ❑ However, **the instruments in its current form will hardly achieve the objectives** as stated in the policy statement of the government – revitalising economic activities, supporting workers through wages and employment and reducing unemployment, and helping businesses to maintain their competitiveness.
- ❑ The government needs to think of additional measures to ensure that SMEs are actually able to draw benefits from the stimulus package. Following issues need to be taken into account:
  - Distributing Loans through Banks which have Specialised SME Operations
  - Allocation of Fund for SMEs need to be increased
  - Classification of borrowers needs to be more specified
  - Distributing Loans through SME Foundation
  - Introduce Credit Guarantee Scheme for New Entrepreneurs and Risky Borrowers

- ❑ Given the current allocation, coordination, monitoring and infrastructural management of the existing social safety net programmes, this would be arduous to reach to the maximum number of beneficiaries amid this crisis.
- ❑ Besides, the social protection system of the country suffers from the **problem of targeting, leakages and beneficiary selection** which came at the fore at this critical moment.
- ❑ Due to these ongoing flaws in the current system such as; the distribution mechanisms, **corruption in the listing process and its delivery system**, more attention in the coming days will be required from the relevant authorities and policy makers of the Government.
- ❑ In this context, attention will be required to focus on the issues such as;
  - Preparing a central database of the beneficiaries for all safety net programmes;
  - Enhancing and enforcing the coordination and collaboration both at the local and central level. In that case, concentration may be given in connecting the NGOs working at the grass-root level;

## □ Attention Required in the Following Areas (Contd.):

- Digital infrastructure needs to be built up with all sorts of surveillance mechanisms; In that case, the ICT division of the Government may take the lead;
  - The Anti-Corruption Commission of the Government may play a role in ensuring the credibility of the system.
  - In the case of cash-transfer programme, a competent team of expert may help in overcoming the leakage that arises in this process. Digital payment system should also be updated following the examples of other countries such as; Adhar Card in India.
- In this way, the transfer and relief programmes could help in mitigating the income erosion and unemployment crisis of the country in the short and medium term.

# Stay Well, Stay Safe

