Independent Review of Bangladesh's Development

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

Virtual Media Briefing

Health and Economic Risks of Corona Pandemic and Recommendations

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CENTRE FOR POLICY DIALOGUE

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The CPD IRBD 2020 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

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Section 1:

Introduction

Introduction

- In view of the COVID-19 emergency, it is important for Bangladesh to be appropriately ready and to take necessary preparations to deal with both immediate and medium term ramifications of this outbreak at the earliest
- COVID-19 is going to have serious implications for health sector preparedness and macroeconomic management of Bangladesh
- This has important implications for reprioritisation, resource reallocation and fiscal-monetary policies and measures to be pursued by Bangladesh to near and medium terms
- As Bangladesh prepares for the upcoming budget for fiscal year (FY) 2020-21, it is important to understand the extent of resource requirement for healthcare and economic management
- To this end, the Centre for Policy Dialogue (CPD) has undertaken the current exercise which mainly addresses two broad issues: *(i) what are the transmission channels of the COVID-19 outbreak that may have impacts on the economy? (ii) what can the policymakers do to overcome the challenges of COVID-19?*

Introduction

- According to World Health Organisation (WHO), coronaviruses (CoV) are a large family of viruses that cause illness
- Such illness range from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV)
- Coronavirus disease (COVID-19) is a new strain that was discovered in 2019
- Coronaviruses are zoonotic, meaning they are transmitted between animals and people
- Though previously there have been many pandemics, those were region specific
- They were also found mostly in less advanced countries
- Coronavirus has hit all types of countries
- Coronavirus is found to be one of the most dangerous and disruptive disease so far in human history

Introduction

- On 8th December 2019, there was onset of symptoms in the first known case of pneumonia with unknown etiology in Wuhan City, Hubei Province, China
- On 31st December 2019, China reports a cluster of cases of pneumonia with unknown etiology in Wuhan to the WHO. China reported 27 cases and 0 deaths at that point in time
- On 7th January 2020, Chinese scientists identify the pathogen as a novel coronavirus
- On 30th January 2020, WHO declared a "public health emergency of international concern". At that time, China reported 7736 conformed cases and 170 deaths. Outside China, 82 confirmed cases were found, but no deaths
- Since then the coronavirus also known as COVID-19 has spread at a rapid speed
- As of 20 March 2020, the **coronavirus** COVID-19 has affected **178 countries and territories** around the world with **244,282 coronavirus cases, 10,006 deaths and 87,407 recovered cases**
- WHO announced COVID-19 outbreak a pandemic on 12 March 2020

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Introduction

- COVID-19 pandemic is apprehended to have serious health and economic implications
- This is considered to a global health and societal emergency that requires effective immediate actions by governments, the private sector and individuals
- In Bangladesh, 20 cases were detected, 1 death and 3 recovered cases as of 20 March 2020
- Given the nature of the disease it is unpredictable as to what will be the nature and extent of health and economic losses
- International organisations have made preliminary estimations on economic losses. However, the impact will depend on the duration of the diseases and the type of remedial measures taken to tackle the disease

Introduction

- We have looked into the implications of COVID-19 on the Bangladesh economy at two levels: from global to national, and, at the national level
- While looking into the transmission channels of the impact, we have looked into five sectors which are critically important for Bangladesh economy. These are:
  - *External Sector Performance*
  - *Disruption of Supply Chains in Major Economic Activities*
  - *Healthcare*
  - *Public Finance*
  - Monetary Policy
- In view of the emergent scenario, CPD has proposed a set of policy initiatives and measures to address attendant implications

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Section 2:

State of the Global Economy in view of the Coronavirus Crisis

State of the Global Economy

- The impact of COVID-19 is apprehended to be unprecedented and will have lasting economic damage on the global economy
- Before COVID-19 outbreak in January 2020, it was predicted that the global economy will grow at 2.7% (UNCTAD calculation based on IMF, WEO). These numbers have been revised downward
- IMF earlier had projected that global economic growth is expected to rise from 3.0% in 2019 to 3.3% in 2020 and 3.4% in 2021
- However, IMF has now made a downward revision of 0.1 percentage point for 2019, 1.7 percentage point for 2020 and 0.2 percentage point for 2021 compared to those predicted in the October 2019 (3.0% in 2019, 3.3% in 2020 and 3.4% in 2021) issue of the World Economic Outlook (WEO) report of the IMF

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Economic Outlook

Economic outlook of selected countries (GDP Year on Year growth in %)

Region/Country	2019 (Revised March 2020)	2019 (Previous, Oct. 2019)	2020 (Revised March 2020)	2020 (Previous, Oct. 2019)	2021 (Revised March 2020)	2021 (Previous, Oct. 2019)
World	2.9	3.0	1.6	3.3	3.2	3.4
USA	2.3	2.4	0.7	2.0	0.9	1.7
Eurozone	1.2	1.2	-0.1	1.3	1.2	1.4
-Germany	0.6	0.5	-0.3	1.1	1.1	1.4
-France	1.3	1.2	0.3	1.3	1.4	1.3
-Italy	0.2	0.0	-1.6	0.5	0.7	0.7
-Spain	2.0	2.2	0.7	1.6	1.1	1.6
United Kingdom	1.4	1.2	0.3	1.4	-0.3	1.5
China	6.1	6.1	2.4	5.8	5.9	5.8
Japan	0.8	0.9	-0.4	0.5	1.3	0.5
India	5.3	6.1	5.3	7.0	6.4	6.5
Brazil	1.2	0.9	1.8	2.0	2.4	2.3
Australia	1.8	1.6	1.2	1.6	2.3	1.6

Source: Macrobond, IMF, RaboResearch & IMF World Economic Outlook (March 10, 2020)

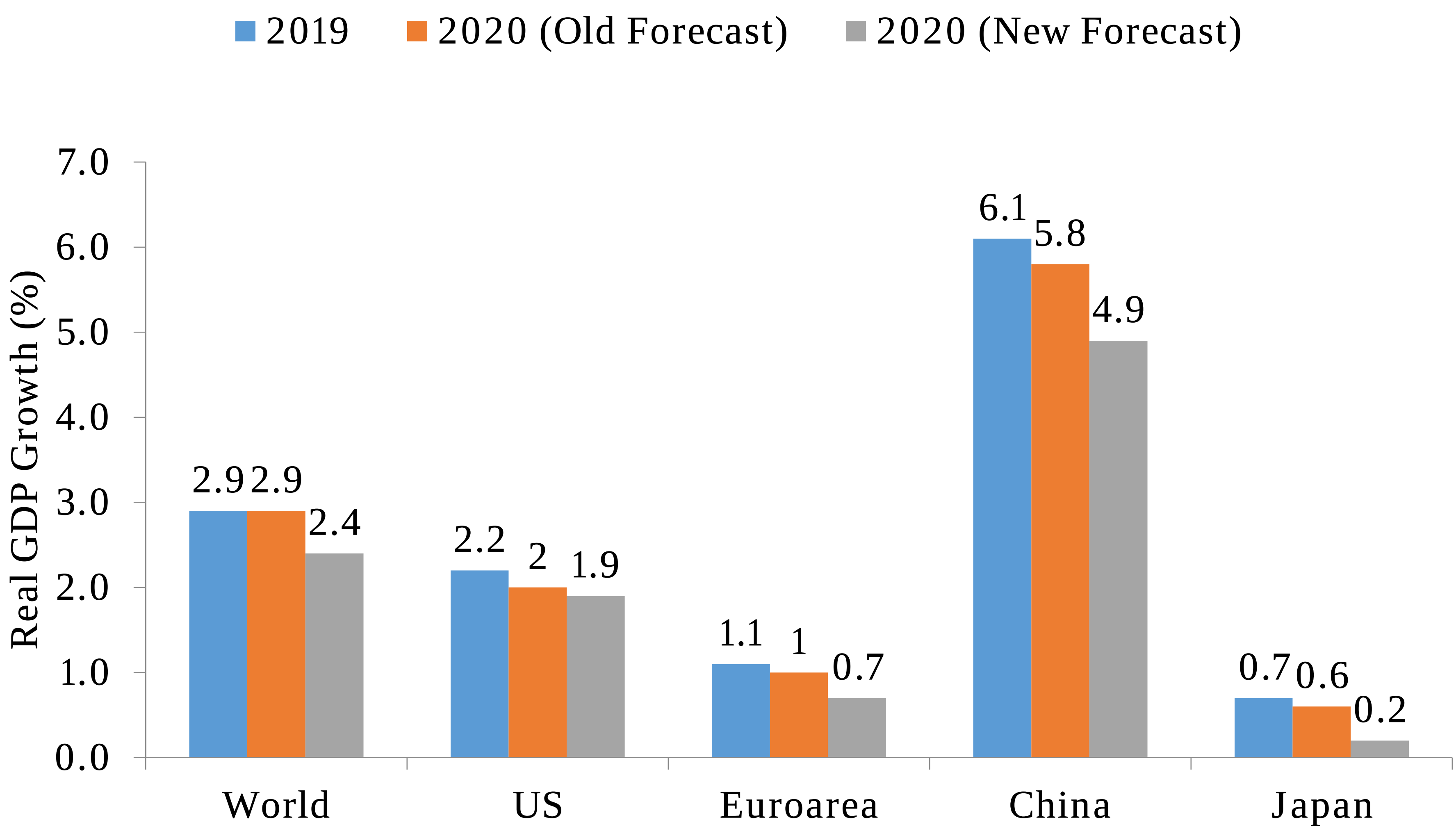
Possible Economic Losses due to COVID-19

- Comparative scenario of possible economic losses due to COVID-19 by the different organizations

Organisation	World GDP loss (%)	World trade loss (% of GDP)	Europe		Asia	
			World GDP loss (%)	World trade loss (% of GDP)	World GDP loss (%)	World trade loss (% of GDP)
UNCTAD	1.7	0.6	0.4	0.3	0.2	
OECD	2.4	1.0	0.7	0.3	0.3	-
ADB	0.2	0.40	0.6	0.5	0.01	-
IMF	1.6	0.3	0.1	0.7	0.2	-

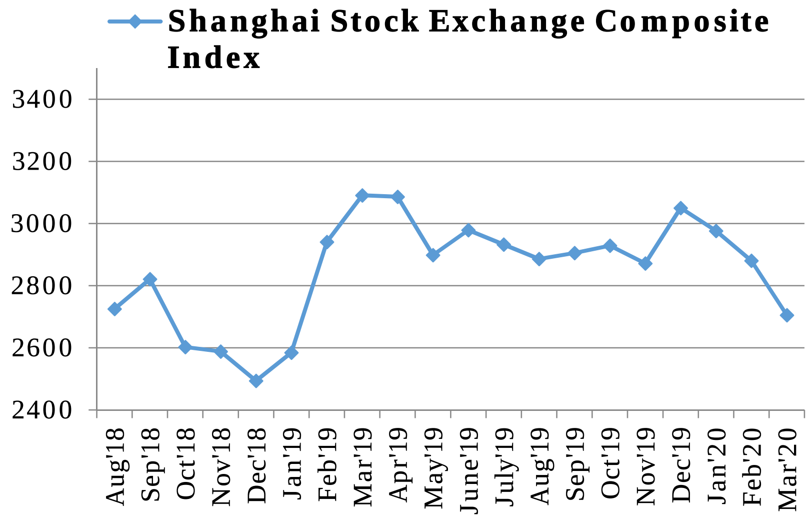
Source: Compilation from the published reports of the mentioned organizations

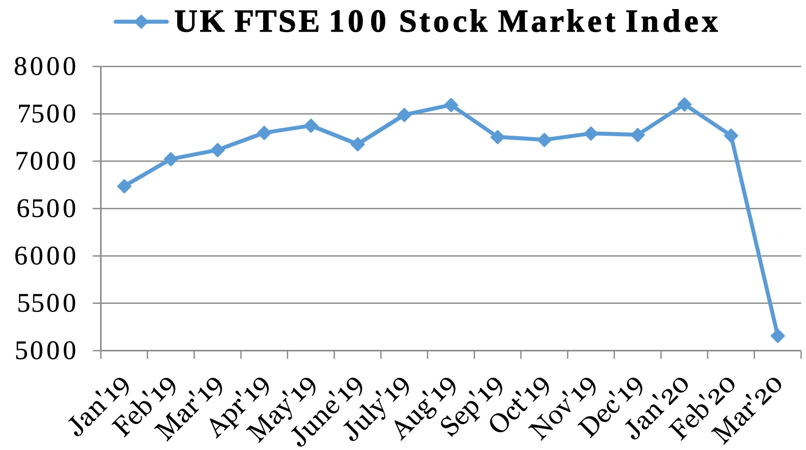
Global Economic Growth Slowdown

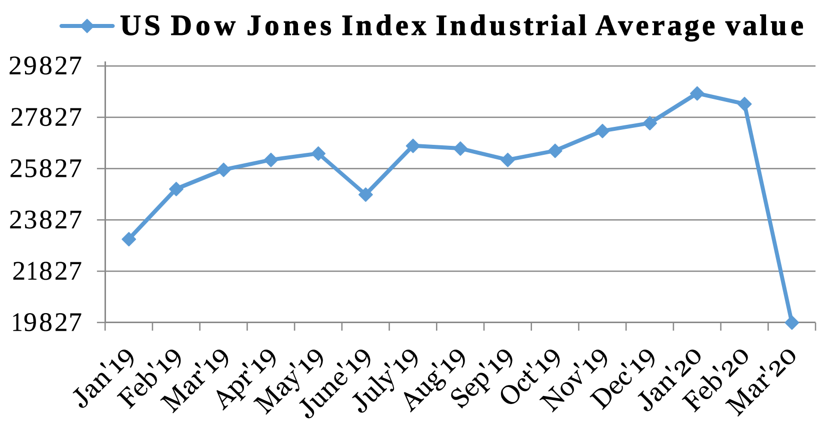


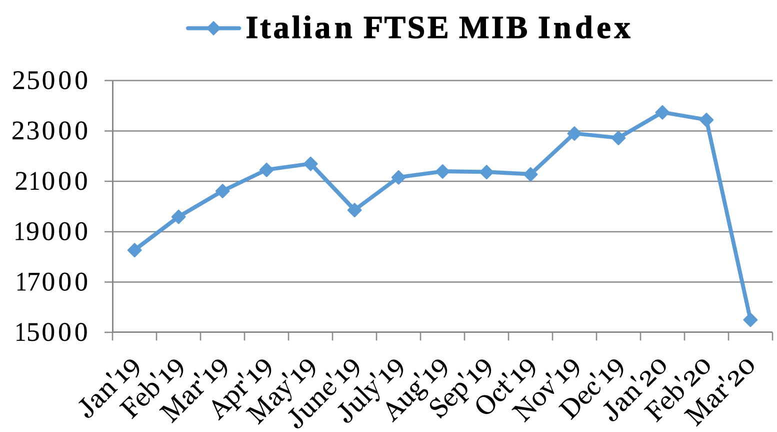
Source: OECD Economic Outlook Report (March 2020)

Global Stock Market Scenario









Source: Trading Economics

Economic Impacts of COVID-19

- It is apprehended that the impact of COVID-19 and the global economy can be severe and the global economy may fall into recession through the following channels:

- **Direct impact on production:** The slowdown in China will have impact on exporters to China

- **Supply chain and market disruption**
  - Most of the manufacturing firms are highly dependent on the imported intermediary inputs from China.
  - Many large companies rely on the sales in China to achieve their financial targets

- **Financial impact on firms and financial markets**
  - Disruption of inputs and production may put a pressure on some firms; particularly, the companies with inadequate liquidity will be under stress.
  - There might be the possibility for the firms to reduce their engagement in the equity and corporate bond market due to the uncertainties happened by the outbreak.

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Economic Impacts of COVID-19 (Cont.)

- *Major areas of impact*: tourism, disruption in retail due to decline in consumption & demand, e-commerce may boost, supply chain disruptions hurt telecom and technology, automotive production stalled, energy sector is vulnerable, windfalls for pharma but challenges around
- The effect of this outbreak is still uncertain and evolving continuously as more and more cases are found in more and more countries
- The impact will depend on the duration of the outbreak, number of affected people and countries, and the lethality of the outbreak
- Global community has called for a coordinated policy actions to address the ramifications of COVID-19
- Initiatives such as “World Economic Forum COVID-19 Action Platform” are needed to enhance business support and protect the livelihoods of people

Relief Packages of Different Countries

CHINA	The People's Bank of China has cut down on bank reserve requirement to make $79 billion available for lending purposes to companies that have been suffering due to the crisis *(QUARTZ, 18 March, 2020)*
ITALY	The 25 billion euro worth economic support package has been authorised to support companies and workers. Extra funding will be allocated to the healthcare system as well cater to increasing unemployment benefits, freezing tax and loan payments to prevent job losses. *(QUARTZ, 18 March, 2020)*
SPAIN	A stimulus package worth of $219 billion is to be allocated for virus aid out of which $110 billion will be provided by the government to companies to protect them during the lockdown *(Bloombeerg, 17 March, 2020)*
SOUTH KOREA	The government had announced a $9.8 billion of emergency funding to shield the impact of the crisis on the economy. Additional funds will be provided in the form of treasury bonds and limitations have also been imposed on short-selling transactions *(REUTERS, 16 March, 2020)*
FRANCE	A total of 45 billion euros has been approved to aid companies and employees. The government is also being lenient towards companies in terms of social charges and tax. Sate-subsidised work schemes is also being implemented temporarily *(QUARTZ, 18 March, 2020)*

Relief Packages of Different Countries (Cont.)

GERMANY

The government in Berlin has decided to compose a stimulus package worth of 550 billion euros and offer unlimited credit to cushion companies against any backlash *(France 24, 13 March, 2020)*

IRAN

The government has asked IMF for $5 billion for emergency funding and a concrete relief package catering to containing the crisis is yet to be announced *(REUTERS, 12 March, 2020)*

USA

The president has signed an emergency aid package of $100 billion which would also ensure paid sick leaves and fee testing. Policies surrounding tax payment are being relaxed. Grants to support the airlines industry, small business are being seriously considered to be incorporated in the stimulus package *(abc News, 19 March, 2020)*

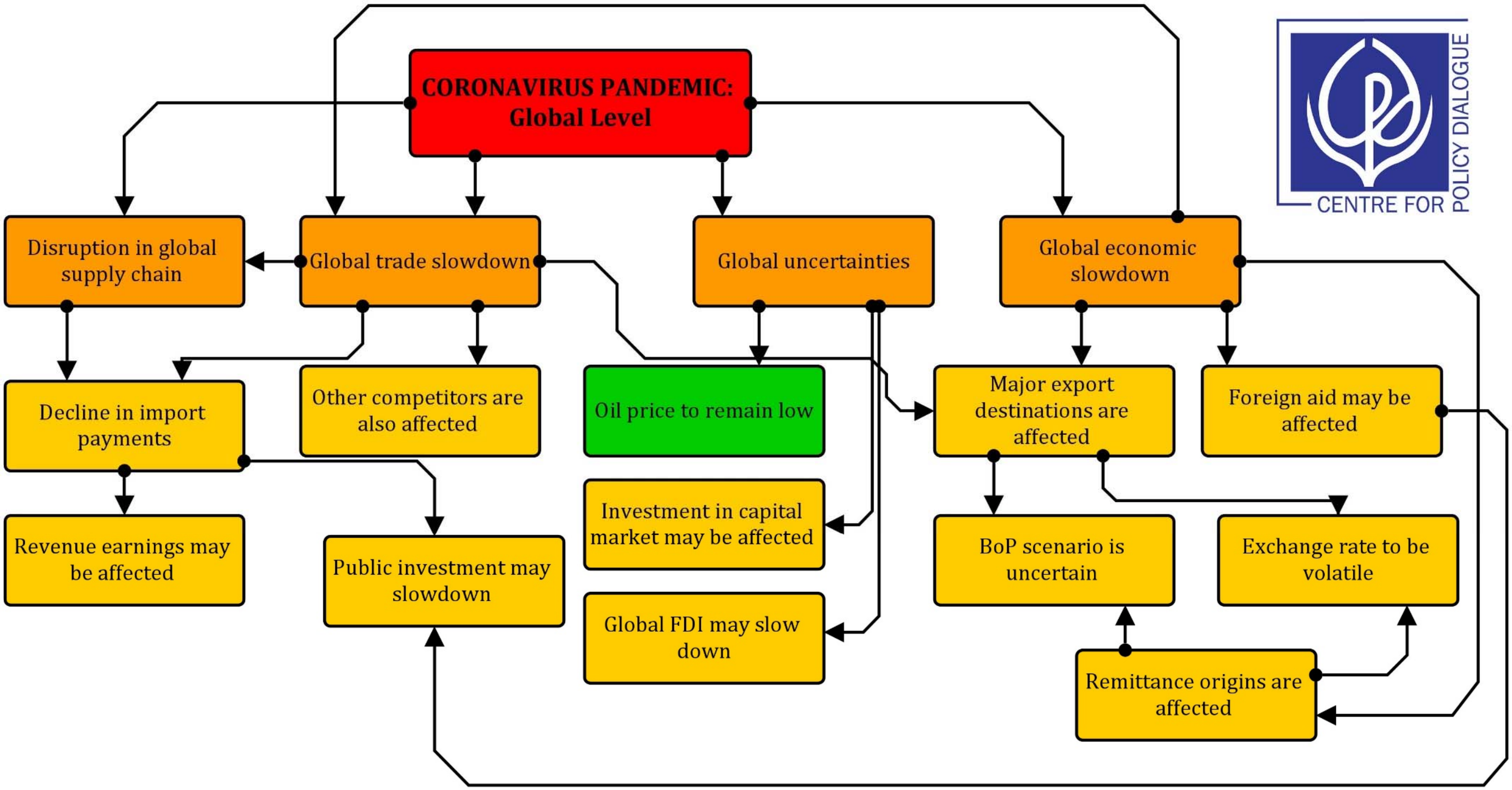
UK

The government of UK has assembled a package of 300 billion pounds to offer state-backed loans to businesses. Small entities operating in retail, hospitality and leisure would be able to apply for up to cash grants of up to 25,000 pounds. Officials had also announced a 30 billion pounds of emergency spending (11 March) that would go to National Health Service (NHS), sick pay for employees, etc. *(The Telegraph, 17 March, 2020)*

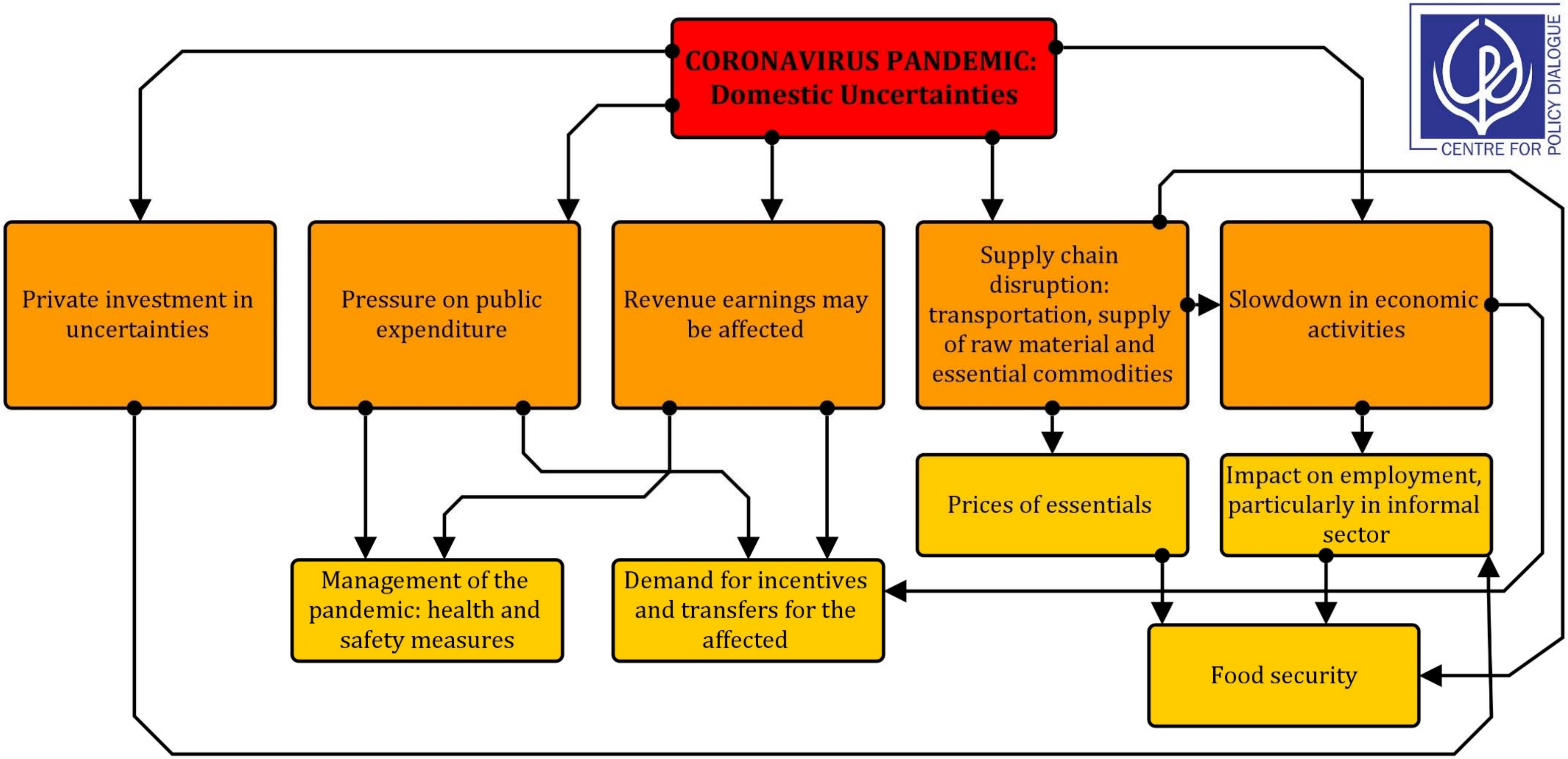
Section 3:

Transmission Channels for the Bangladesh Economy

Transmission Channels for the Bangladesh Economy: Global Level



Transmission Channels for the Bangladesh Economy: Domestic Uncertainties



Section 4:

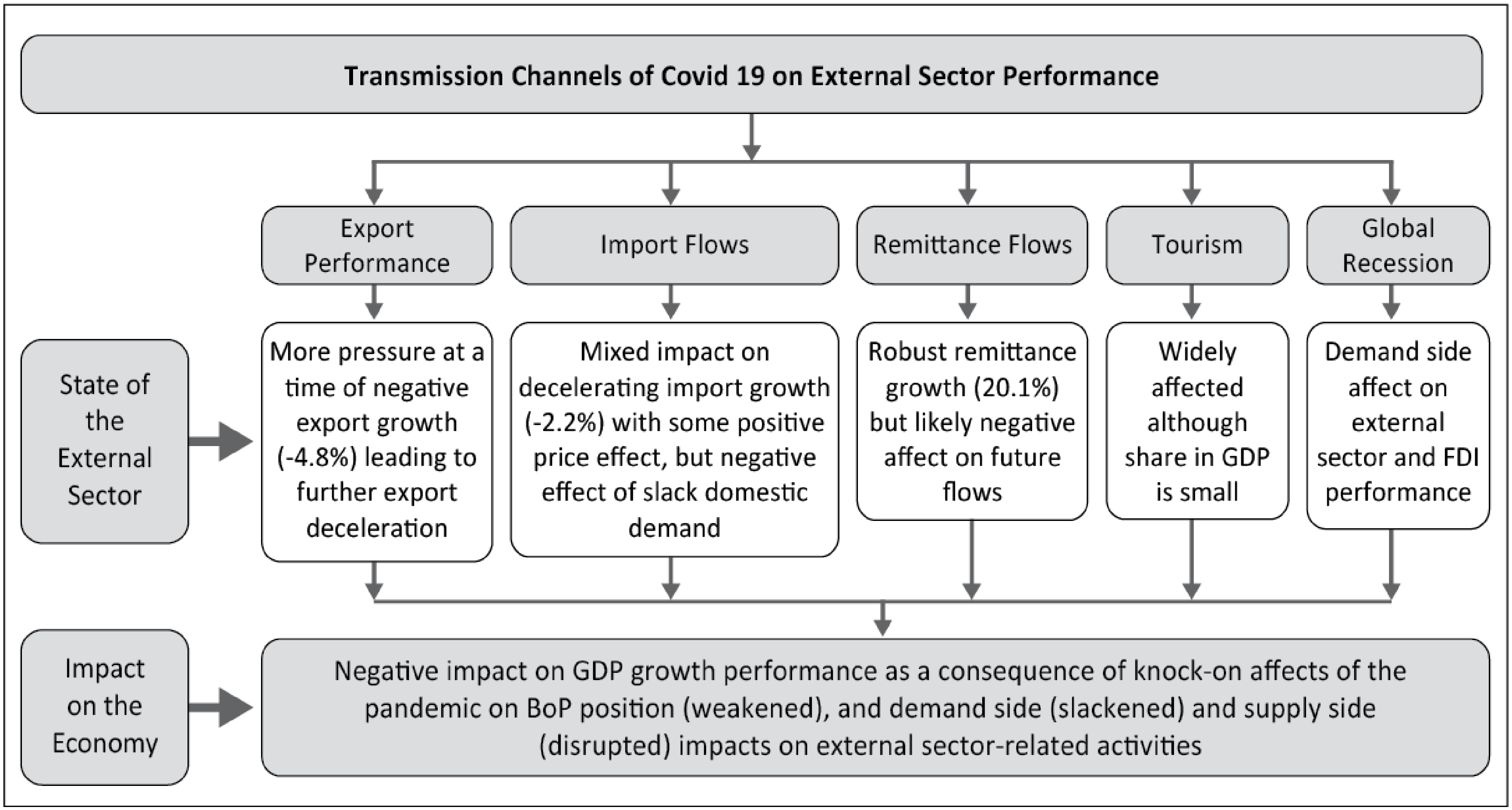
Current State of Bangladesh Economy in view of the Coronavirus Crisis

Section 4.1:

External Sector Performance

COVID-19 and the External Sector of Bangladesh

Covid 19 and External Sector of Bangladesh



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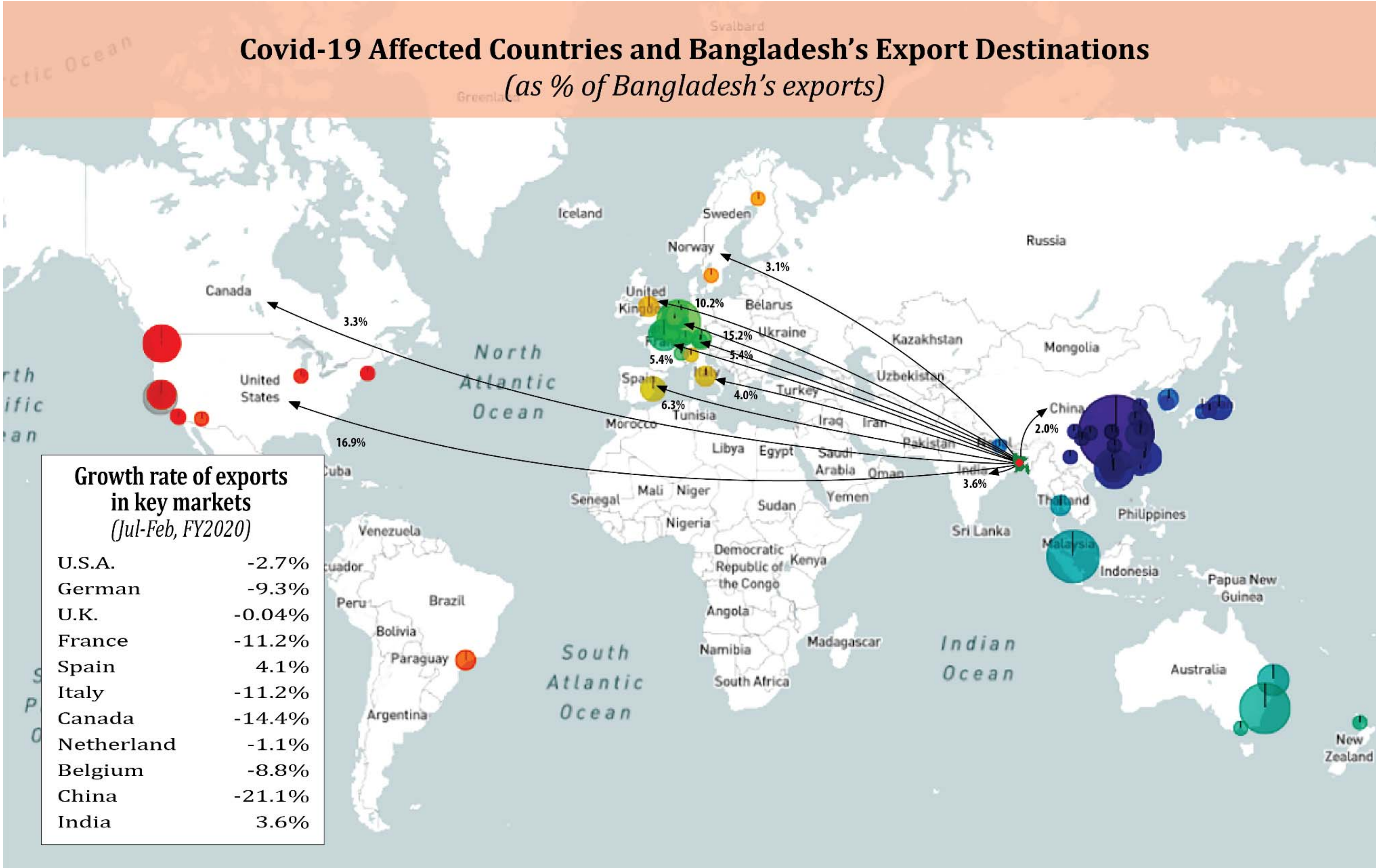
COVID-19 Affected Countries and Bangladesh's Export Destinations



Growth rate of exports in key markets
(Jul-Feb, FY2020)

U.S.A.	-2.7%
German	-9.3%
U.K.	-0.04%
France	-11.2%
Spain	4.1%
Italy	-11.2%
Canada	-14.4%
Netherland	-1.1%
Belgium	-8.8%
China	-21.1%
India	3.6%

COVID-19 and Destination of Major Export Items

Covid-19 and Destinations of Major Export Items
(Share in respective exports)

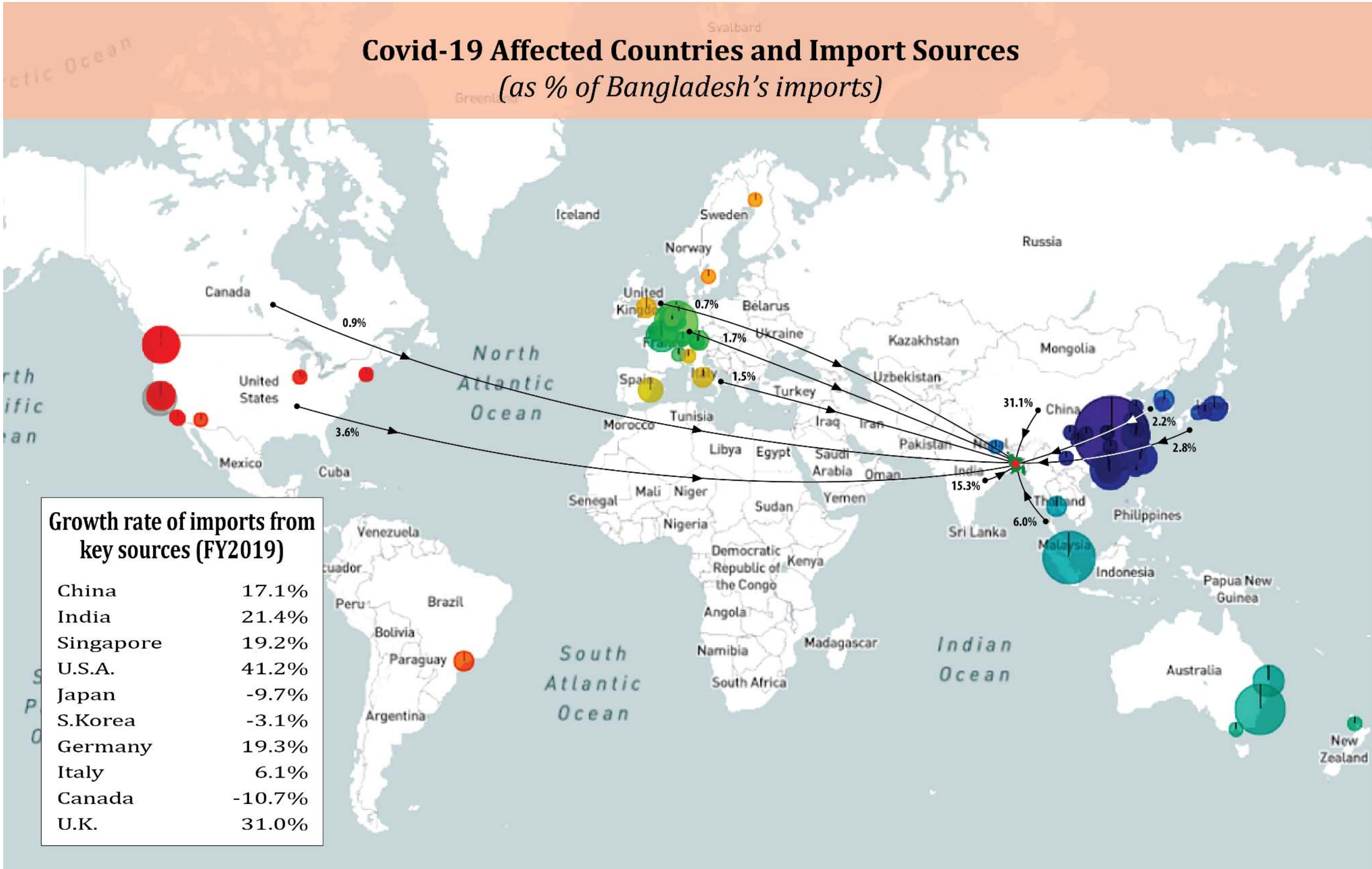
Fish	
China	16.3%
U.K.	15.3%
Netherlands	14.1%
Germany	10.3%

Jute and Jute goods	
Turkey	22.7%
India	19.3%
China	15.0%

Raw leather	
Hong Kong	29.3%
China	23.2%
Italy	13.7%

Leather goods	
U.S.A.	25.8%
Japan	24.4%

COVID-19 Affected Countries and Import Sources



Growth rate of imports from key sources (FY2019)

China	17.1%
India	21.4%
Singapore	19.2%
U.S.A.	41.2%
Japan	-9.7%
S.Korea	-3.1%
Germany	19.3%
Italy	6.1%
Canada	-10.7%
U.K.	31.0%

COVID-19 Affected Countries and Remittance Sources

Covid-19 Affected Countries and Remittance Sources

(as % of Bangladesh's remittance inflows)

Growth of remittance inflow in FY2019

K.S.A	20.0%
U.S.A.	-7.7%
Kuwait	22.0%
U.K.	6.3%
Qatar	21.3%
Italy	14.4%
Singapore	11.6%
S.Korea	16.8%
Japan	57.6%

External Sector Performance Scenario

- COVID-19's adverse implications are being felt at a time when Bangladesh's external Sector is under considerable pressure in several fronts:
  - Export target for FY2020 (12% growth) is highly unlikely to be attained in view of the negative growth over the first eight months of FY 2020 (-4.8%)
  - Major export items such as knitwear (-5.7%), woven wear (-5.9%), home textile (-7.5%), frozen fish (-4.4.%) and leather and leather products (-9.1%) posted negative growth
  - Import growth over the first seven months of FY2020 was negative (-2.7%)
  - Important import sub-components such as intermediate goods (-2.1%) and capital goods (-8.3%) including capital machineries (-22.0%) posted negative growth

External Sector Performance Scenario

- Remittance sector however registered positive growth in terms of robust growth of inflows over first seven months (+21.5%), and a rise in numbers of migrant workers going abroad (+4.2%)
- During first six months of FY 2020, the negative trade balance (-8.2 billion US$) and services balance (-1.7 billion US$) could hardly be balanced by the positive secondary income (rising to +9.6 billion US$ thanks mainly to remittance) and declining financial account (falling to +1.8 billion US$)
- As a consequence, overall BoP position in December 2019 (+0.027 billion US$), while somewhat better than December of the previous year (+27.0 million compared to – 513.0 million US$), remained weak

Implications of COVID 19 on External Sector Performance

- Already export sector has started to feel the adverse effects of COVID 19
  - Supply chain of key sectors such as RMG got disrupted: particularly in the initial period because of snags in import of raw materials from China (Yarn: more than half; synthetic yarn: two-thirds; fabrics: three-fourths), as also of assembling plant including electric equipment (more than half)
  - Exports are being negatively affected both from import side particularly from China and export side: backward and forward supply chains disrupted; execution of orders delayed; shipments deferred; L/C payments facing problems; business travels halted; uncertainties as regards future demand
  - The likely adverse effects of a global recession on demand for export, further accentuating current negative performance
  - While the fall in oil and consequently commodity prices could help Bangladesh, on account of lower import payments, and also lower domestic demand, resulting in arresting further weakened of BoP scenario, this could lead to a low-level equilibrium with consequent negative implications for investment, trade-related activities and in the final analysis in slowing down the pace of GDP growth

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Section 4.2

Disruption of Supply Chains in Major Economic Activities

Immediate Impact on Major Supply Chains: Newspaper Reports

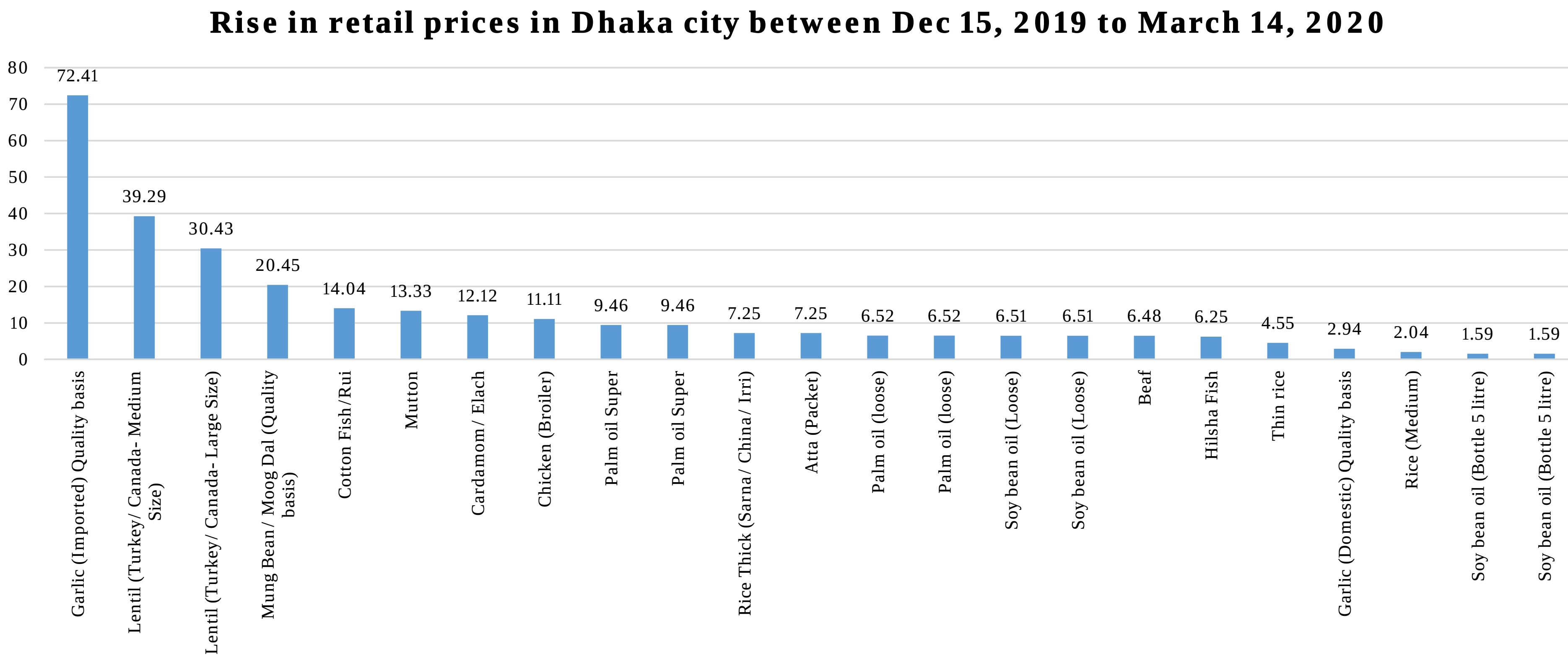
Immediate Impact in different sectors/activities

- **Agriculture sector:** export of crab & eel, supply of onion, garlic & ginger, prices of spices, lentil, pepper, turmeric, sugar & palm oil

- **Manufacturing sector:** Finish leather and leather goods; garments accessories and packaging, pharmaceuticals, cosmetics and toiletries, woven and knit industry, live and chilled food, plastic, electrical merchandise manufacturers industry, jute spinners industry, medical instrument and hospital equipment, eyeglass, computer & computer accessories, electronics, jute spinning, medical instrument and hospital equipment

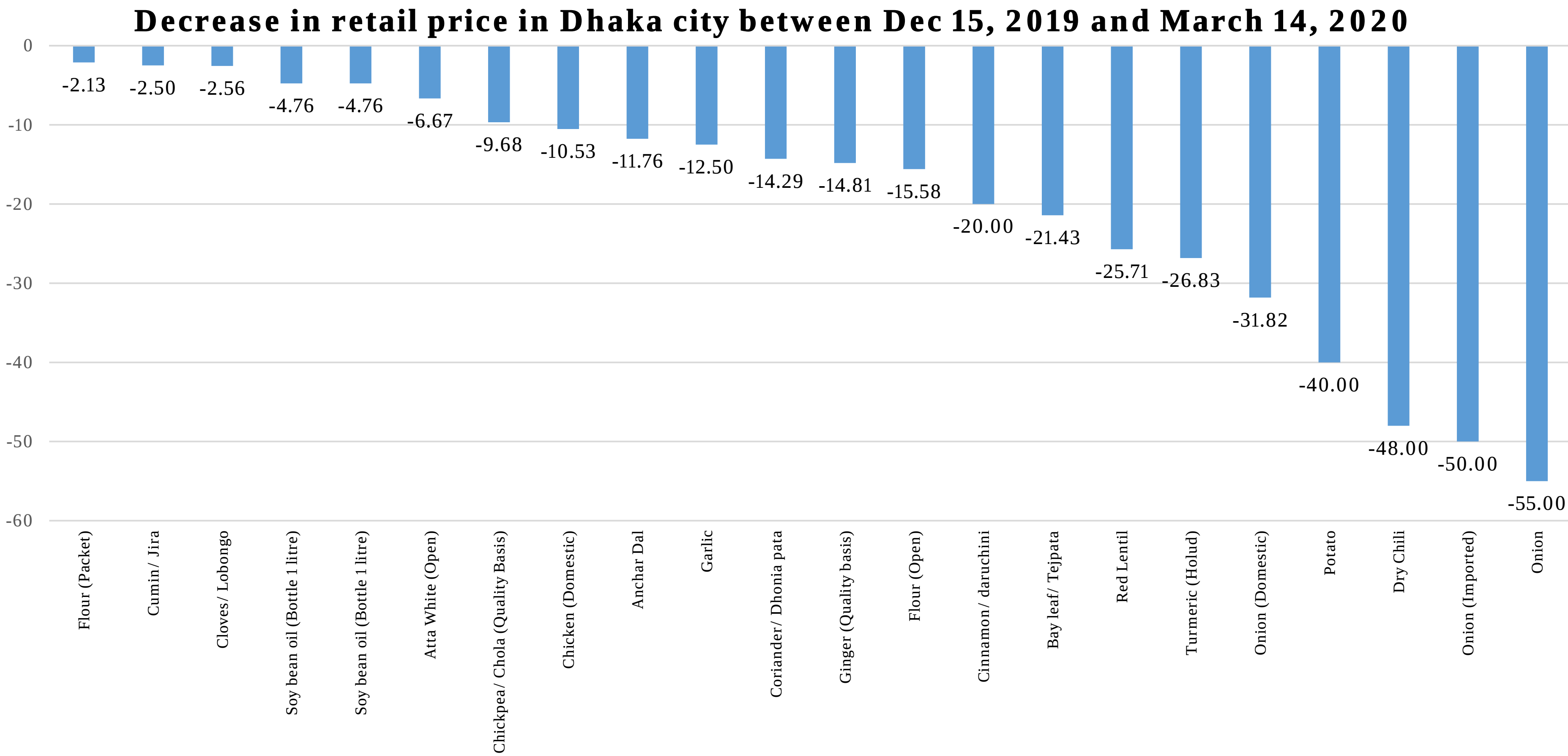
- **Services sector:** travel & tourism- airlines, air cargo carriers, tourists, hotel, MICE (meetings, incentives, conferences and events)
  - Wholesale & retail trade- sales of non-essential products such as electronics, garments, leather goods, shoes & furniture

Prices of Food Products



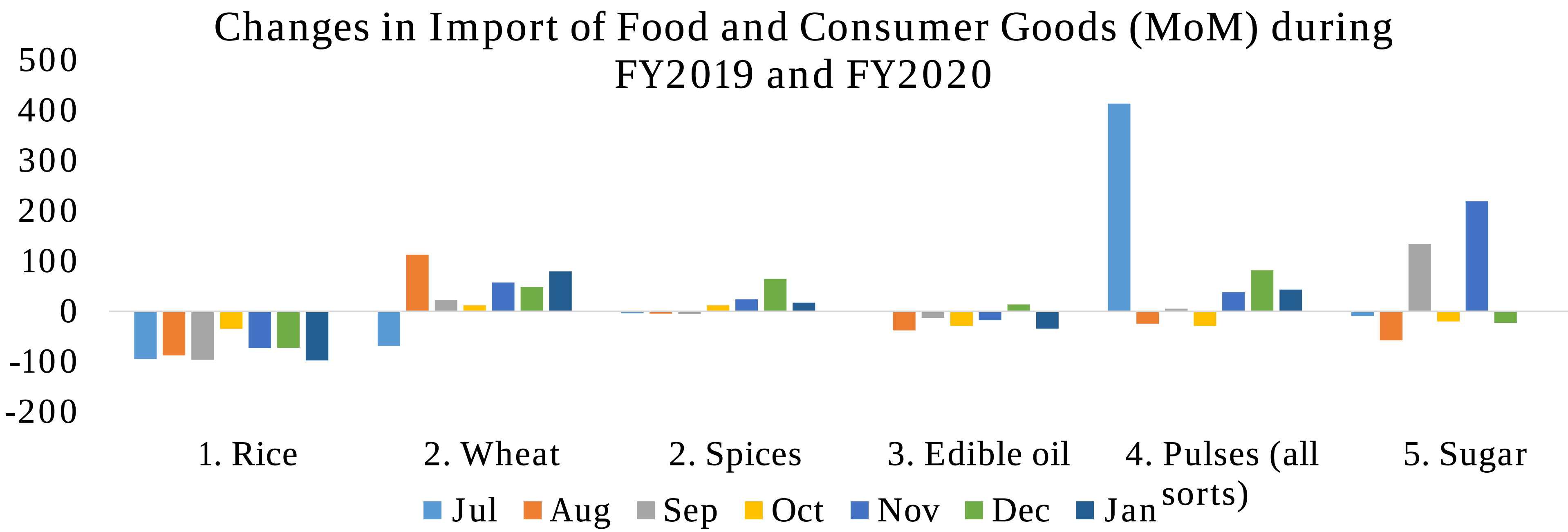
- According to TCB, changes in retail prices of food products in Dhaka city during December, 2019 and March, 2020 have experienced two opposite trends.
  - Major rise in prices was happened in case of garlic (70%), lentil (39%), fish (14%), mutton (13%), chicken (11%), palm oil (9.5%), rice (7%), packed atta (7%) and soy bean oil (6.5%): Slowed down of import and/or low level of supply of domestic production may cause this rise.

Prices of Food Products (Cont.)



- Major decline in retail prices occur in case of onion (-55%), dry chilli (48%), potato (-40%), turmeric (-26%), ginger (-14%): Rise in the supply of domestic production and import from different sources (China plus) are likely to contribute in slowing down the retail prices.

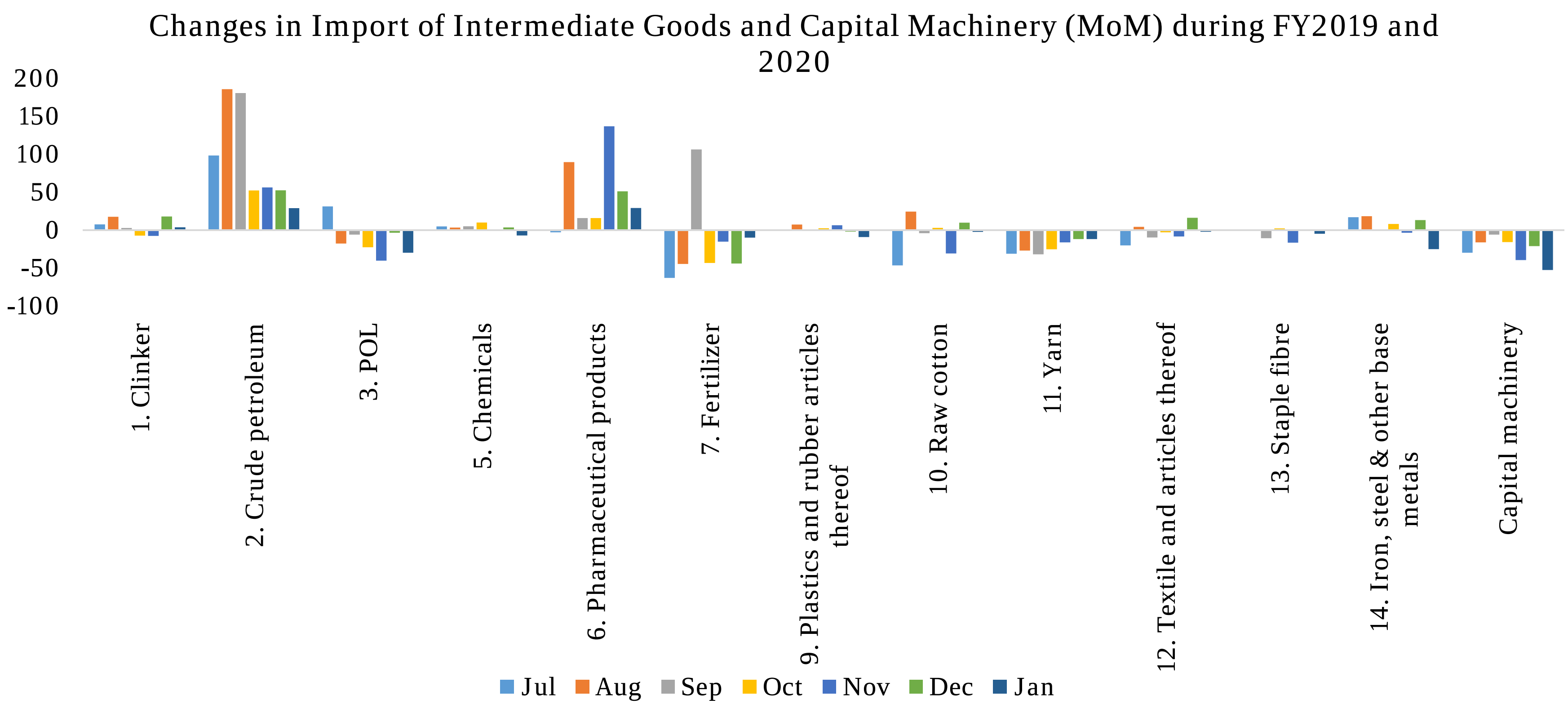
Import of Food, Intermediate Goods & Capital Machinery (July-Jan of FY 19 & FY20)



- Import of food and consumer goods experienced variation at a limited scale after the outbreak of coronavirus in December, 2019.
  - China is not the main source of import for most of the food products. Import from China and other sources have contributed to less variation during these months.

Import of Food, Intermediate Goods & Capital Machinery (July-Jan of FY 19 & FY20)

- Import of intermediate goods and capital machineries experienced more fluctuation during this period
  - China the main source of import for most of those products. Restrictions in import from China have contributed to high variation.



Major Sources of Import of Food and Agricultural Products

Product: 01 Live animals	Product: 02 Meat and edible meat offal	Product: 03 Fish and crustaceans, molluscs and other aquatic invertebrates	Product: 04 Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	Product: 06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	Product: 07 Edible vegetables and certain roots and tubers	Product: 08 Edible fruit and nuts; peel of citrus fruit or melons	Product: 09 Coffee, tea, maté and spices	Product: 10 Cereals
France (24.5)	India (82.6)	Myanmar (41.6)	New Zealand (55.6)	Viet Nam (51.8)	Australia (47.5)	China, 46.5	India (33.71)	India (23.92)
United States of America (23.6)	France (5.9)	India (23.1)	India (8.6)	China (26.5)	Canada (18.1)	South Africa (16.9)	China (20.9)	Russian Federation (21.12)
United Kingdom (12.1)	Australia (4.9)	China (20.8)	Australia (8.3)	India (12.2)	India (13.8)	Brazil (3.7)	Guatemala (17.31)	Canada (11.76)
New Zealand (9.5)	United Arab Emirates (3.5)	Uruguay (4.1)	Czech Republic (5.1)	Thailand (3.4)	China (6.6)	Thailand (2.8)	Singapore (8)	Brazil (11.15)
Netherlands (7.8)	Brazil (1.5)	Thailand (2.5)	Denmark (3.5)	Malaysia (1.6)	Russian Federation (3.2)	Indonesia (2.1)	Viet Nam (5.74)	Ukraine (10.15)
Malaysia (6.0)	Malaysia (0.4)	Netherlands (2.2)	Ireland (2.3)	Netherlands (1.4)	Myanmar (3.2)	India (1.9)	Myanmar (3.92)	United States of America (6.81)

Product: 11 Products of the milling industry; malt; starches; inulin; wheat gluten	Product: 12 Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	Product: 15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	Product: 17 Sugars and sugar confectionery	Product: 18 Cocoa and cocoa preparations	Product: 19 Preparations of cereals, flour, starch or milk; pastrycooks' products	Product: 20 Preparations of vegetables, fruit, nuts or other parts of plants	Product: 22 Beverages, spirits and vinegar
Thailand (41.06)	United States of America (72.56)	Indonesia (49.3)	Brazil (90.86)	Malaysia (24.29)	India (36.01)	China (19.83)	Singapore (41.89)
India (19.2)	Canada (6.89)	Argentina (25.44)	India (3.83)	India (21.4)	Denmark (16.51)	United Kingdom (12.03)	United Arab Emirates (18.46)
Germany (8.05)	Brazil (5.17)	Malaysia (12)	China (2.02)	Singapore (15.05)	Belgium (11.54)	Belgium (10.69)	Belgium (6.47)
Pakistan (7.45)	India (2.65)	Brazil (7.51)	Germany (0.41)	Indonesia (7.73)	Australia (8.58)	Thailand (10.07)	Netherlands (3.65)
Korea, Republic of (3.37)	Russian Federation (1.75)	Paraguay (4.5)	Malaysia (0.38)	Turkey (6.92)	Malaysia (5.2)	Singapore (9.2)	United Kingdom (3.62)
China (2.39)	Australia (1.74)	China (0.21)	Australia (0.37)	United Arab Emirates (5.23)	Thailand (4.75)	United States of America (7.37)	Thailand (3.4)

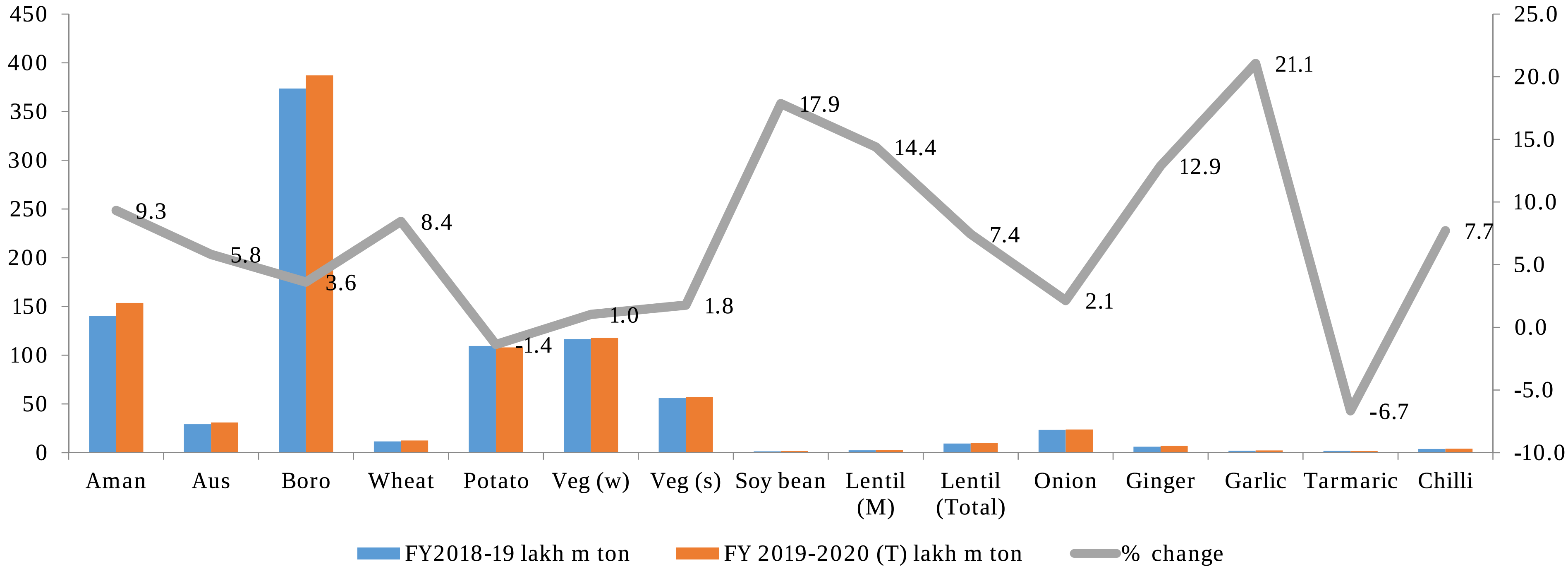
Major Sources of Import of Intermediate Products, Machineries & Others

(52) Cotton	(84) Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	(85) Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	(27) Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	10 Cereals	72 Iron and steel	39 Plastics and articles thereof	87 Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	55 Man-made staple fibres	15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...
China (38.0 %)	China (34.7%)	China (43.8%)	Singapore (29.7%)	India (17.8%)	China (22.5%)	China (20.9%)	India (48%)	China (61.6%)	Indonesia (50.2%)
India (27.8%)	Italy (9.0%)	Hong Kong, China (14.9%)	China (28.7%)	Russian Federation (14.3%)	Japan (21.4%)	Taipei, Chinese (13.7%)	Japan (23.2%)	India (16.0%)	Argentina (24.3%)
Pakistan (8.8%)	India (9.0%)	Singapore (8.1%)	Malaysia (18.2%)	Ukraine (14.1%)	India (12.3%)	Saudi Arabia (12.5%)	China (18.4%)	Indonesia (6.3%)	Malaysia (11.6%)
Australia (4.8%)	Singapore (8.6%)	India (7.3%)	India (12.3%)	Canada (13.9%)	United States of America (8.8%)	India (10.2%)	Singapore (2.3%)	Thailand (5.1%)	Paraguay (6.7%)
United States of America (4.6%)	Japan (6.9%)	Germany (3.0%)	Indonesia (5.1%)	Thailand (9.6%)	Korea, Republic of (7.0%)	Thailand (7.7%)	Thailand (1.7%)	Korea, Republic of (1.9%)	Brazil (5.1%)
Brazil (2.3%)	Germany (6.4%)	Finland (3.0%)	United Arab Emirates (1.6%)	Brazil (7.0%)	United Kingdom (4.2%)	Korea, Republic of (7.4%)	Korea, Republic of (1.2%)	Austria (1.8%)	Korea, Republic of (0.4%)
Hong Kong, China (1.9%)	Malaysia (2.9%)	Viet Nam (2.2%)	Iran, Islamic Republic of (1.0%)	Argentina (5.6%)	Brazil (2.8%)	Malaysia (4.9%)	United Arab Emirates (1.0%)	Malaysia (1.4%)	Ukraine (0.4%)
Benin (1.4%)	Korea, Republic of (2.7%)	Russian Federation (2.1%)	South Africa (0.8%)	Viet Nam (4.6%)	Taipei, Chinese (2.7%)	United Arab Emirates (4.1%)	Turkey (0.9%)	Taipei, Chinese (1.2%)	China (0.2%)

Major Sources of Import of Intermediate Products, Machineries & Others (Cont.)

(60) Knitted or crocheted fabrics	(17) Sugars and sugar confectionery	(54) Man-made filaments; strip and the like of man-made textile materials	(73) Articles of iron or steel	(25) Salt; sulphur; earths and stone; plastering materials, lime and cement	(29) Organic chemicals	(48) Paper and paperboard; articles of paper pulp, of paper or of paperboard	(32) Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring ...	(90) Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	(71) Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...
China (69%)	Brazil (94.5%)	China (59.7%)	China (50.5%)	Viet Nam (38.9%)	China (32.5%)	China (31.1%)	India (28.3%)	China (36.0%)	United Arab Emirates (46.6%)
Hong Kong, China (14.8%)	India (2.1%)	Taipei, Chinese (11%)	India (14.5%)	Thailand (18.0%)	India (26.4%)	Korea, Republic of (11.6%)	China (19.52%)	Singapore (10.0%)	Singapore (46.4%)
India (4.5%)	China (1.0%)	India (10.3%)	Thailand (9.7%)	India (14.1%)	Singapore (13.2%)	Hong Kong, China (8.9%)	Singapore (16.0%)	India (7.6%)	Thailand (5.0%)
Taipei, Chinese (4.4%)	United Arab Emirates (0.8%)	Viet Nam (4.6%)	Viet Nam (3.8%)	China (7.1%)	Korea, Republic of (4.6%)	India (6.6%)	Korea, Republic of (6.4%)	Germany (7.3%)	China (1.2%)
Korea, Republic of (2.6%)	Australia (0.3%)	Thailand (4.2%)	Korea, Republic of (3.4%)	Iran, Islamic Republic of (5.4%)	Malaysia (3.4%)	Singapore (5.8%)	Taipei, Chinese (5.2%)	United States of America (6.3%)	India (0.5%)
Sri Lanka (1.0%)	Italy (0.2%)	Korea, Republic of (4.0%)	Singapore (3.0%)	Malaysia (4.8%)	Taipei, Chinese (2.3%)	Australia (5.5%)	Thailand (4.7%)	Japan (5.8%)	United States of America (0.1%)
Viet Nam (0.9%)	Malaysia (0.2%)	Japan (2.1%)	Japan (2.5%)	Indonesia (2.2%)	Thailand (2.1%)	Taipei, Chinese (5.0%)	Spain (3.0%)	Netherlands (3.6%)	Hong Kong, China (0.1%)
Japan (0.8%)	Germany (0.2%)	Hong Kong, China (1.0%)	United Arab Emirates (2.1%)	Oman (1.6%)	Switzerland (2.0%)	Indonesia (4.3%)	Switzerland (2.5%)	Korea, Republic of (3.1%)	Australia (0.1%)

Domestic Production of Agricultural Products



- According to the DAE, production of major agricultural products during FY2020 is likely to be higher compared to that in the last year (FY2019)
    - Figure shows that all types of rice, wheat, vegetables, soy bean, lentil, onion garlic & chili have been targeted to produce at a higher level in the current year compared to that in the previous year
    - Production of potato and turmeric may produce less in this year.

Public Food Stock

- Food reserve under the PFDS is higher in FY2020 compared to that in FY2019
  - Until March 15 2020, the government had the reserves of food grains, especially rice and wheat, at 17.62 lakh m tons, which is about 1.85 lakh m tons higher than the same period of the last year
  - As of 18 March, 2020, total public food stock is 17.4 lakh ton of rice & 3.19 lakh ton of wheat
- Import of rice and wheat has been ongoing during FY2020
  - Till March 12, 2020 about 51.79 lakh m. tons of food has been imported of which wheat is 51.74 tons and rice is 4000 tonnes
- Government has taken preparation for ensuring available supply of some of products specially need during Ramadan season (to be started end of April, 2020)
  - In the first eight months (July-February) of FY2020, the import of chickpea through Chittagong port has been estimated to be 199471 tons
  - According to the Ministry of Commerce, the demand is around one and a half million tonnes

Businesses and Employment

- Business and employment would confront adverse impact if economic activities need to shut down in case the coronavirus outbreak in the country
  - Service sector related enterprises would be affected more which include hotel & restaurants, wholesale and retail; trade and banks, insurance and financial services
  - Impact would be higher in small scale enterprises and those operate informally for not having any contingency plan
  - Manufacturing sector particularly export-oriented RMG and textiles industries would be affected most
- Workers usually work under temporary contractual arrangement particularly those work in small scale and informal enterprises would be affected most.
  - Workers who work in labour-intensive formal and export-oriented industries would be adversely affected

Supply Chain Risks in Bangladesh

- The domestic supply chains are at different levels of risks at the current state of outbreak of coronavirus. However, levels of risks across all sectors will rise cumulatively in case the virus outbreak intensifies
  - Most of the supply chains in the agriculture sector are at stable state with minor adversity in supplies and prices
  - Most of the domestic **market-oriented manufacturing supply chains have partially affected** both in supplies and prices *due to disruption in import of raw materials from China*
  - Main export-oriented manufacturing supply chain**, RMG** has been gradually affected at higher levels with withholding/lowering/withdrawing orders at different levels and finally at the risk of closing down of factories**.** Other export-oriented industries/products (**leather, pharmaceuticals and agro-processed prod**ucts) have got affected

Supply Chain Risks in Bangladesh

- Most affected sectors both at present and possibly in the future would be service sector & related activities. **Tourism/travel** is the most affected sector which include airlines, hotels, restaurants, MICE and tour operators. Other service sectors/activities such as **wholesale/retail trading, shops and transport** are being affected at different levels

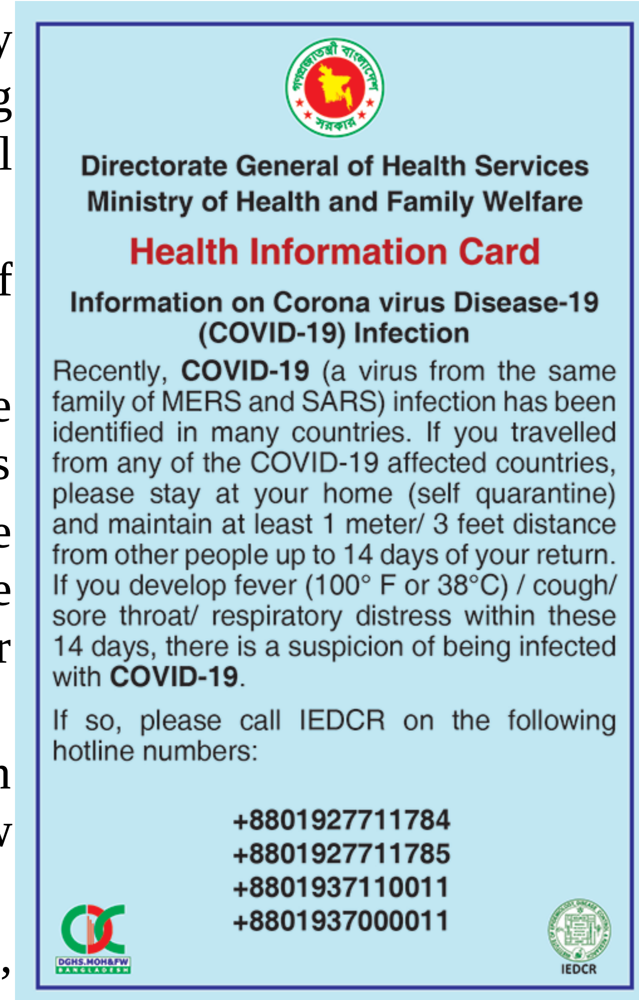
- Key adverse impact would occur in the form of possible health hazards of workers, demand shock, supply shock of raw materials, intermediate products, machineries, difficulty in repaying loan, lack of financing facility in flexible terms, temporary shut down of operation and closed down of factories/businesses

Section 4.3:

Healthcare

Response of the Government of Bangladesh

- At present, passengers returning from countries highly affected by COVID-19 are being screened using rudimentary tools, such a thermometer or thermal scanner
  - Those who are displaying known symptoms of COVID-19 are being isolated in hospitals
  - Those who are not showing any signs of the disease are being advised to "home quarantine" for two weeks
    - Unfortunately, it cannot be assessed if the returning passengers are taking such advice seriously since there is no monitoring or enforcement mechanism
    - In fact, COVID-19 entered Bangladesh through returning migrant workers from Italy, and is now spreading exponentially
    - Moreover, in the initial stages of the disease, COVID-19 can be present inside a person's body without showing any visible signs


Directorate General of Health Services
Ministry of Health and Family Welfare

Health Information Card

Information on Corona virus Disease-19 (COVID-19) Infection

Recently, **COVID-19** (a virus from the same family of MERS and SARS) infection has been identified in many countries. If you travelled from any of the COVID-19 affected countries, please stay at your home (self quarantine) and maintain at least 1 meter/ 3 feet distance from other people up to 14 days of your return. If you develop fever (100° F or 38°C) / cough/ sore throat/ respiratory distress within these 14 days, there is a suspicion of being infected with **COVID-19**.

If so, please call IEDCR on the following hotline numbers:

+8801927711784
+8801927711785
+8801937110011
+8801937000011

DGHS.MOH&FW BANGLADESH

IEDCR

Response of the Government of Bangladesh (cont.)

- A directive was given by the Honorable Prime Minister to avoid mass gatherings (Dhaka Tribune, 10 March, 2020)
- Restriction was imposed on public transport movement at some places in Madaripur's Shibchar upazilla (Daily Star, 20 March, 2020)
- Most shops, including cosmetics, furniture and electric appliances, in vulnerable areas were closed down, but markets of daily necessities would remain open (Daily Star, 20 March, 2020).
- Leaves of all health sector officials were cancelled by the government (Daily Star as of 20 March, 2020)
- DGHS ordered 1 lakh kits developed by Gonoshasthaya Kendro that can detect a COVID-19 case within minutes (Daily Star, 20 March, 2020).
- Army has been given the charge of running the two quarantines: Ashkona Hajj Camp near the Hazrat Shahjalal International Airport, and Rajuk Apartment Project near Diyabari of Uttara-18 (Daily Star, 20 March, 2020).

Response of the Government of Bangladesh (cont.)

- Tongi ijtema gorund will be readied to gear up the further quarantine facilities (Daily Star, 20 March, 2020).
- All bus services between Dhaka and Rajshahi have been cancelled (Daily Star, 20 March, 2020)
- Health ministry received an allocation of taka 200 crore in additional funds for the treatment of the patients (Daily Star, 20 March, 2020)
- DNCC formed a committee to take steps to ensure home quarantine (Daily Star, 20 March, 2020)
- The DNCC committee declared closure of all of its community centers to avoid mass gatherings (Daily Star 20 March, 2020)
- Mobile court would be set up to ensure the home quarantine (Daily Star, 20 March, 2020)

Responses of Other Governments to COVID-19

CHINA
(81174 cases; 3242 deaths)*

Aggressive quarantine, public monitoring & city-wide lockdown.
The Guardian, 9 March 2020)

ITALY
(35713 cases: 2978 deaths)*
Entire country operating under a "red zone", schools, shops and restaurants closed, sports events cancelled.
(REUTERS, 16 March 2020)

SPAIN
(13716cases; 598 deaths)*
Emergency lockdown; nationalisation of all private hospitals
(Business Insider, 16 March 2020)

SOUTH KOREA
(8413 cases; 84 deaths)*
Large scale home quarantine, set-up of drive-through screening clinics, subsidisation of small firms.
(The Wall Street Journal, 16 March,2020)

FRANCE
(9043 cases; 244 deaths)*
Countrywide lockdown; military and police deployed to ensure people do not leave house.
(CNBC, 17 March 2020)

GERMANY
(8198 cases; 13 deaths)*
Tax relief given to firms, government-level assistance to impacted firms, cancellation of public events.
(The Berlin Spectator, 18 March 2020)

IRAN
(17361 cases; 1135 deaths)*
Public gatherings cancelled, international flights to Europe banned, citizens asked to stay home.
(Al Jazeera, 18 March 2020)

USA
(7087 cases; 100 deaths)*
Free COVID-19s testing, increased benefit for unemployed, paid leave, etc.
(abc News, 19 March, 2020)

UK
(2630 cases; 103 deaths)*
Schools closed and exams cancelled, strict limitations on the mobility of people, work from home policy encouraged.
(BBC, 19 March, 2020)

**Statistics given are number of total COVID-19 cases and total deaths respectively taken from Situation Reports of WHO., as per 19 March, 2020)*

Rapid Escalation of COVID-19 in Italy in 5 Days

On 20 March 2020, death toll rose to 3405, the highest in the world

11 Feb 2020	22 Feb 2020	7 Mar 2020	8 Mar 2020	9 Mar 2020	11 Mar 2020
Stage 1	**Stage 2**	**Stage 3**	**Stage 4**	**Stage 5**	**Stage 6**
3 cases; 0 deaths	9 cases; 0 deaths	4636 cases; 197 deaths	5883 cases; 234 deaths	7375 cases; 366 deaths	10149 cases; 631 deaths
First few cases appear; **people feel it's nothing to worry about** and some believe it's only a flu	Number of cases rise & some regions are quarantined; **people still continue life as usual** and feel only the elderly are at risk	Cases double in a day & there are more deaths; schools & universities are closed but other businesses remain open, while **10,000 escape from quarantine**	Healthcare system collapses due to surge in cases & lack of resources; **some people are left to die** as treatment must be provided selectively—war-like situation	Entire country is under self-imposed quarantine, but all businesses are still open and **some people are still continuing life as usual**	Quarantine is imposed, most businesses are closed, people found outside without valid reason are **fined** €206, while COVID-19 patients found outside are **jailed**

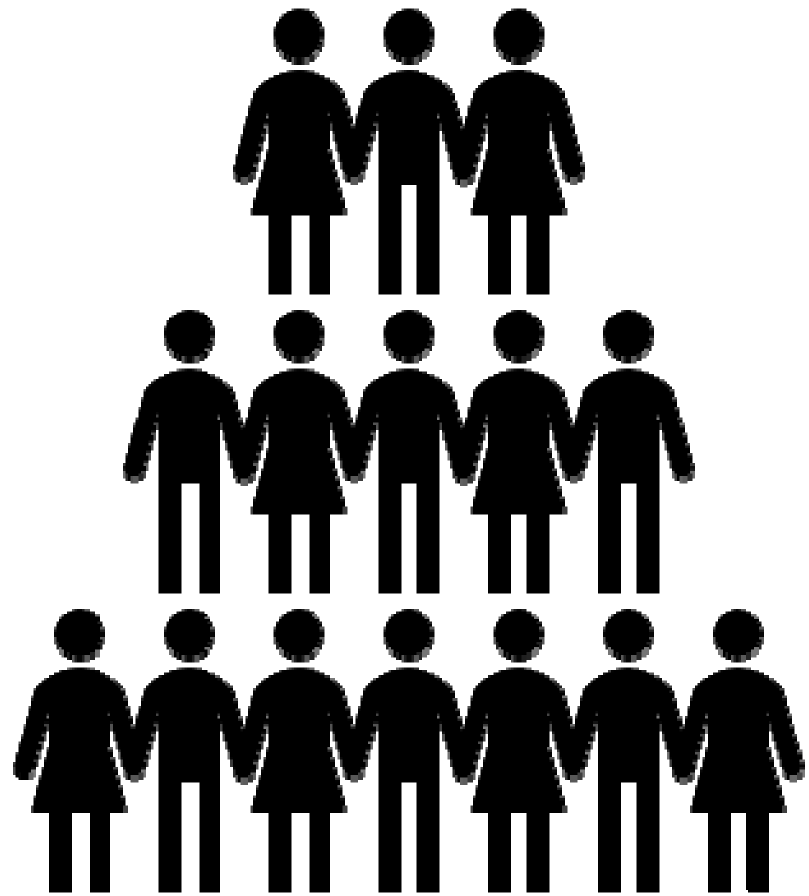
Source: Situation reports, WHO

Bangladesh's Preparedness: Healthcare Infrastructure & Equipment

1 hospital bed

for

every 1,196 persons



Source: Directorate General of Health Services (DGHS), 2017

Bangladesh's Preparedness: Healthcare Infrastructure & Equipment

Among the healthcare facilities in Bangladesh,

5.1% have emergency transport

21.5% have alcohol-based disinfectant

27.5% have medical masks

28% have all basic equipment

34.5% have lab facilities

43.1% have regular electricity

55.1% have soap and water

83.7% have paracetamol oral suspension

86.3% have thermometer

90.1% have improved water source

Source: Bangladesh Health Facility Survey 2017

Bangladesh's Preparedness: Healthcare Personnel

1 registered physician

for

every 1,581 persons

Source: Health Bulletin 2018, DGHS

Bangladesh's Preparedness: Healthcare Personnel

Among the healthcare facilities in Bangladesh,

28%

have specialists[i]

59.1%

have general practitioners[ii]

79.7%

have nurses

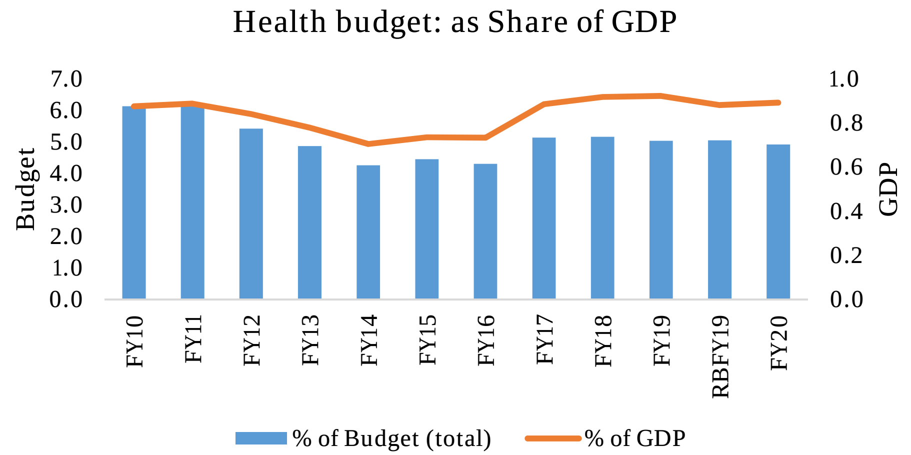
Source: Bangladesh Health Facility Survey 2017

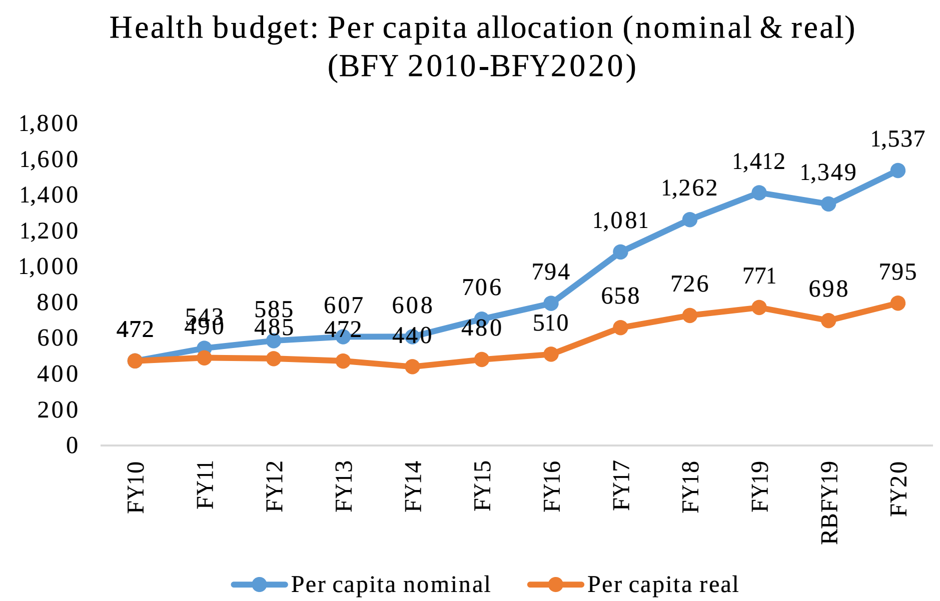
Note: i) Specialist (consultant) medicine [including cardiology], specialist (consultant) general surgery, specialist (consultant) obstetrics/gynecology, specialist (consultant) pediatrics, specialist (consultant) psychiatry, specialist (consultant) anesthesia or any other specialist not listed above

ii) Medical officer (MBBS) (any non-specialist doctor, including assistant surgeon, emergency medical officer (EMO), indoor medical officer (IMO), maternal and child health/family planning medical officer (MCH/FP), residential medical officer (RMO), regardless of designation or title) or medical officer—anesthetist or dental surgeon.

Longstanding Problems of Healthcare: Poor Budget Allocation for Health

- Total allocation of the budget for health sector in FY20 was Tk.25733 crore which has increased by 15.2% over that of RBFY19
    - **Allocation for health as share of total budget has fallen** (from 5.1% in BFY19 to 4.9% in BFY20)
    - Since 2017, share of health budget as% of GDP remain at 0.9% level
- **Government budget for health (as a share of GDP) is considerably lower than the targets stipulated in the 7FYP and WHO benchmark**
    - 7FYP target: 1.12% of GDP: WHO target: 5% of GDP
- ❑ Per capita allocation for health sector (in nominal terms) has slightly increased (from Tk.1349 in RBFY19 to Tk.1537 in FY20) but the rise is much lower in real terms (less than Tk.100).





Longstanding Problems of Healthcare: High Out-of-pocket Healthcare Expenditure

- The health system of Bangladesh relies heavily on the government for financing and setting overall policies and service delivery mechanisms.
- Although the health system is faced with many intractable challenges, it seems to receive little priority in terms of national resource allocation.
- The health system faces multifaceted challenges
  - Lack of public health facilities, scarcity of skilled workforce, inadequate financial resource allocation and political instability
- Government expenditure on health is only about 34% of the total health expenditure, the rest (66%) being out-of-pocket expenses.
- **Out-of-pocket expenditure on healthcare in Bangladesh is the highest in South Asia.**

Table 11.2: Out-of-pocket health expenditure in South Asia

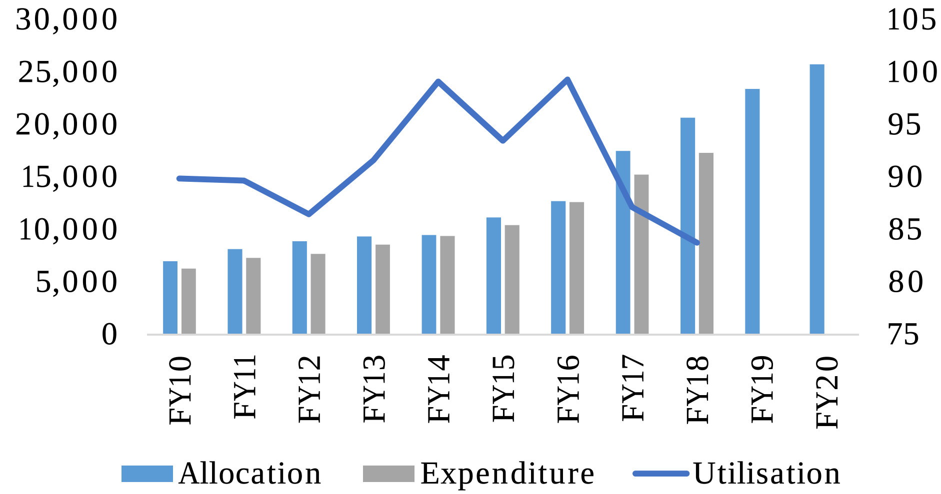
Indicator	**2008**	**2009**	**2015**	**2015**				
	Bangladesh			**India**	**Pakistan**	**Sri Lanka**	**Nepal**	**Bhutan**
Out-of-pocket expenditure (% of current health expenditure)	67.2	67.2	71.8	65.1	66.5	38.4	60.4	19.8
Out-of-pocket expenditure, per capita PPP (current international $)	36.2	39.0	63.2	143.4	88.9	226.9	91.1	56.9

Source: World Health Organization Global Health Expenditure database. (http://apps.who.int/nha/database). Accessed on 25 November 2018.
Note: Out-of-pocket expenditure per capita, PPP (current international $) is defined as Health expenditure through out-of-pocket payments per capita in international dollars at purchasing power parity (PPP).

Longstanding Problems of Healthcare: Poor Utilisation of Health Budget

- Utilisation of the overall health budget has been decelerating in recent years and it was lowest in FY2018 (83.7%) during the last ten fiscal years.
- A detailed description on different activities of the health sector has been mentioned in the budget document
    - Most of those are either ongoing or completed projects
    - New projects include: Three nursing colleges and five nursing hostels for boys will be established in FY2019-20; Institutes of Nuclear Medicine and Allied Sciences (INMAS) will be established at the campuses of 8 medical college hospitals.
- From ADP projects, 14 projects are selected on the basis of Tk.100 crore and projects to be finished by FY19-21 .
- **Most of the projects are behind schedule in terms of level of implementation.**

Level of Budget Utilisation



Status of Completion of ADP Projects

Name of the Project	Tenure	ADP Allocation for 2019-2020 (In Crore Tk.)	Maximum possible completion by FY20 (%)
3rd EDCL Industrial branch establishment at Gopalganj	12/31/2020	173	93.7
Establishment of Sheikh Sayera Khatun Medical College & Nursing Institute (1st Revised)	6/30/2020	137	100.0
Establishment of patuakhali Medical College & Hospital	6/30/2020	150	43.9
Urban Public & Environmental Health Sector Development Project (Revised)	6/30/2020	104	31.1
Expansion of National Institute of Neurosciences & hospital	12/31/2020	115	34.8

Section 4.4:

Public Finance

Public Finance

- Inability to deliver on the planned budgetary targets in an efficient way has continued in FY2020 – weakening state of macroeconomic management
- As per MoF data, during the first six months (Jul-Dec) of FY20, **majority of the fiscal parameters apart from ADP will fall well short of their respective targets**

Table: Fiscal framework

Component	Growth (%)				
	Target FY19	Actual FY19	Target FY20	Jul-Dec FY20	Required Jan-Jun FY20
a. Total revenue	**56.7**	**16.3**	**50.0**	**5.6**	**87.5**
a.1 Tax revenue	57.4	16.3	50.5	5.6	86.9
a.1.1 NBR tax	58.3	16.8	48.9	5.9	83.5
a.1.2 Non-NBR tax	34.7	1.6	97.5	-1.5	198.8
a.2 Non-tax revenue	50.0	16.6	45.5	5.4	94.4
b. Total expenditure	**44.3**	**21.7**	**33.6**	**16.5**	**41.7**
b.1 ADP expenditure	44.7	23.3	37.5	32.4	38.8
b.2 Non-ADP expenditure	44.1	20.8	31.2	11.6	44.0
c. Overall deficit (excl. grants)	**19.0**	**32.8**	**4.0**	**128.3**	**-7.0**

Independent Review of IRBD Bangladesh's Development

Revenue mobilisation

- CPD, in its previous IRBD exercise, identified revenue mobilisation as *one of the four major stress points* which require immediate policy attention
- Total revenue-GDP ratio in FY2019 was merely 9.9%; while the tax-GDP ratio was only 8.9%
  - Marginal improvement from FY18 but still considerably **lower than the level achieved in FY2012** (Total revenue-GDP ratio of 10.9%)
- **Revenue shortfall in FY2019 was Tk. 87,402 crore**
  - Regrettably, it surpassed CPD's projection of Tk. 85,000 crore
- As per MoF data, during **Jul-Dec of FY2020**, total revenue collection growth was **only 5.6%** over the corresponding period of FY19
  - Relevant growth target for the full FY2020 was 50.0%; **total revenue collection would have to increase by an unprecedented 87.5% during Jan-Jun of FY2020**

- If the ongoing trend continues, **total revenue shortfall in FY20** is may reach BDT 100,000 crore (based on projection using MoF data)
- Uncertainty in the global economy and consequent repercussions for Bangladesh economy may create added pressure on revenue mobilisation during the remainder of FY20 and beyond:
  - Downturn in trade, particularly that of import values (both price and quantity effect), may result in considerably lower collection of revenue from customs duty, VAT and SD at the import stage
  - In view of the added uncertainty and increased medical expenditure in case of a massive outbreak and job loss and lower income, particularly in the informal sector, household may also spend less → a prolonged epidemic may result in a slump in business activities which in turn could trigger lower collection of VAT, SD and income (both corporate and personal) tax at the local stage

Public Expenditure

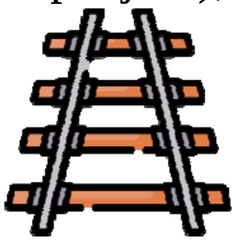
- Non-development expenditure during Jul-Dec of FY20 was characterised by a moderate growth in subsidies (45.8%), pension and gratuities (37.5%), and foreign interest payments (27.4%)
- Subsidies and incentives started skyrocketing from October 2019 (365% growth in October FY20 over October FY19)
  - Introduction of 1% cash incentive for the RMGs export and 2% cash incentive for remittance senders contributed to this strong growth in subsidies (both were effective from October 2019)
  - Bangladesh Bank in a recent circular (FE circular 08, 11 Mar 2020) further extended 2% cash incentive on remittance to Bangladeshis working at the United Nations, other global agencies abroad, and shipping and airline companies owned by Bangladeshi or foreigners (but not the Bangladesh government) – will raise subsidy burden further!

Public Finance

- After eight months of FY2020, government should have at least about Tk. 1,900 crore at hand from its subsidy amount even if it had exhausted all of it's promised allocation of Tk. 2,825 crore and Tk. 3,060 crore for export and remittance cash incentives
    - Following the declining trend of RMG export growth and speculative decline of remittances in the coming months due to COVID-19, GoB may have some fiscal cushion from the subsidy allocation for these sectors during the next four months of FY20 compared to the programmed amount
- Falling oil prices in the international market in the aftermath of COVID-19 and oil-war between Saudi Arabia and Russia has provided opportunity to BPC to make hefty profits and may provide some fiscal cushion to GoB
    - BPC made a profit of Tk. 10,741 crore during FY2016 and FY2017 oil price slump which allowed it to pay Tk 2,200 (21% of total profit) to the government exchequer as dividend
    - BPC is currently making a profit of around Tk. 23 crore per day since late Feb 2020

Public Finance

- According to IMED, during Jul-Feb ministries and divisions could spend 38.5% of the originally planned allocation of Tk. 202,721 crore for ADP FY2020 – lower than the corresponding figures of FY19 (38.8%)
- Lower utilisation (35.5%) of foreign aid (lower than both FY18 and FY19 for the corresponding period) is a worrying sign in this regard
  - Slow project aid utilisation by
    - Roads and Highways Division (e.g. Dhaka Metro Rail project),
    - Ministry of Railway (e.g. Padma Rail Link Bridge),
    - MoST (e.g. Rooppur Project)



  - As per proposed RADP for FY2020, it was slashed by Tk. 9,800 crore (or 4.8%) to bring the size down to Tk. 192,921 crore. Project aid component was reduced by Tk. 9,800 crore (or 13.6%) while local resources (Taka) component remained the same

- China is currently co-financing or implementing about 13 projects in transport and power sectors
  - The surge of COVID-19 has already slowed down the pace of some of these key projects such PMPB project, Padma Bridge Rail Link, Construction work of Dhaka-Ashulia elevated expressway, Construction of Joydebpur-Ishwardi Dual-Gauge Railway Line, Construction of Multilane Road Tunnel under River Karnaphuli
  - This coupled with slow pace in other foreign aided projects may affect the implementation of the overall ADP in FY2020

Budget Deficit and Financing

- As CPD had suspected earlier, deficit crossed the threshold of 5% (5.5% of GDP) for the first time in FY19
- A significant revenue shortfall coupled with relatively higher public expenditure growth in the early months may result in even higher overall deficit financing by the end of FY20 compared to FY19
  - As per MoF, the overall deficit recorded a 128% growth during Jul-Dec of FY20 which is already 17.7% of annual target
  - Lower subsidy demand in some cash incentives and lower utilisation of project aid in mega projects may lower the overall expenditure at the end of FY20.
  - **However, as per the current trends in revenue collection and public expenditure, deficit may increase to 5.5% of GDP in FY20**
  - **Depending on the extent of COVID-19 and associated costs and policy measures, this may rise further**

Public Finance

- Deficit financing was characterised by low net intake from foreign financing sources as against a heavy reliance on domestic financing sources
- Within domestic financing structure, high bank borrowing was the key contributor in FY20 unlike previous fiscal years; the role of non-bank borrowing was rather limited
  - Net borrowings from banking sources during Jul-Dec of FY2020 is already about 66.0% of the annual target for FY2020 according to MoF data (94.9% according to Bangladesh Bank data)
- Deterioration in the utilisation of foreign resources in FY19 was a worrying sign which also continued in FY2020 and may further exacerbate due to COVID-19
  - Net foreign borrowing registered 22.1% growth in FY2019 (119.8% in FY2018)
  - It recorded (-)47.8% growth during Jul-Dec of FY2020

Section: 4.5

Monetary Policy

What is the Standard Monetary Policy During Such Crisis?

- During such crisis ***when private consumption demand is depressed*** and the ***risk of unemployment and income instability is high*** the objective of monetary policy is to increase liquidity situation in the economy
- *Quantitative easing* at the time of COVID-19 pandemic is a major option to do so
  - This means injecting liquidity into financial institutions to give space for functioning through purchase of treasury bonds and bills, and cutting interest rates
  - Several countries have already taken a number of targeted measures

Source: IMF Blog (11 March, 2020). Monetary and Financial Stability during the Coronavirus Outbreak. https://blogs.imf.org/2020/03/11/monetary-and-financial-stability-during-the-coronavirus-outbreak/

Global Monetary Response to COVID-19

Central Banks	Measures
The People's Bank of China	100 billion Yuan injected into the market through medium term lending facility & 550 billion Yuan long-term funds will be injected through the cut in reserve ratio
Reserve Bank of India	6-month dollar/rupee swap & Long-Term Repo Operations (LTRO) of up to Rs 10 billion for liquidity boost
The Federal Reserve System (USA)	Interest rate cut to near 0% from 1.25% and injecting liquidity by purchasing $700 billion bond
Bank of Canada	Injection of $10 billion for businesses & interest rate cut to 0.75% from 1.25%
Bank of England	Interest rate cut to 0.75% t0.25%
European Central Bank	Bond purchase of 120 billion Euro; interest rate -0.5%
The Bank of Japan	80 trillion yen set as upper limit for purchasing government bond. Banks would purchase exchange-traded funds of 12 trillion yen & investment funds tied to Japanese real estate of 180 billion yen

Bangladesh Bank's Recent Measures: Business-as-usual?

- On the premise that borrowers may find it difficult to repay loans during a time when the world economies including Bangladesh economy are anticipated to be adversely affected by COVID-19, Bangladesh Bank issued a circular and a circular letter on *19 March 2020* announcing that:
  - **Loans that were classified on 1 January 2020 cannot be moved to a lower category of classification until 30 June 2020**
  - Loans that have benefitted from special rescheduling and one time exit policy have to be categorized under special mention accounts (SMA)
- **Are these measures simply a continuation of the benefits** that are being offered to loan defaulters since May 2019?
- Or, are these genuine measures taken to support the genuine victims due to the threat of COVID-19?
- Bangladesh Bank needs to ensure transparency in offering of such benefits to the truly the affected ones.

Source: BRPD Circular No. 04: Loan Classification; BRPD Circular Letter No. 07: Special Policy on Loan Rescheduling and One Time Exit

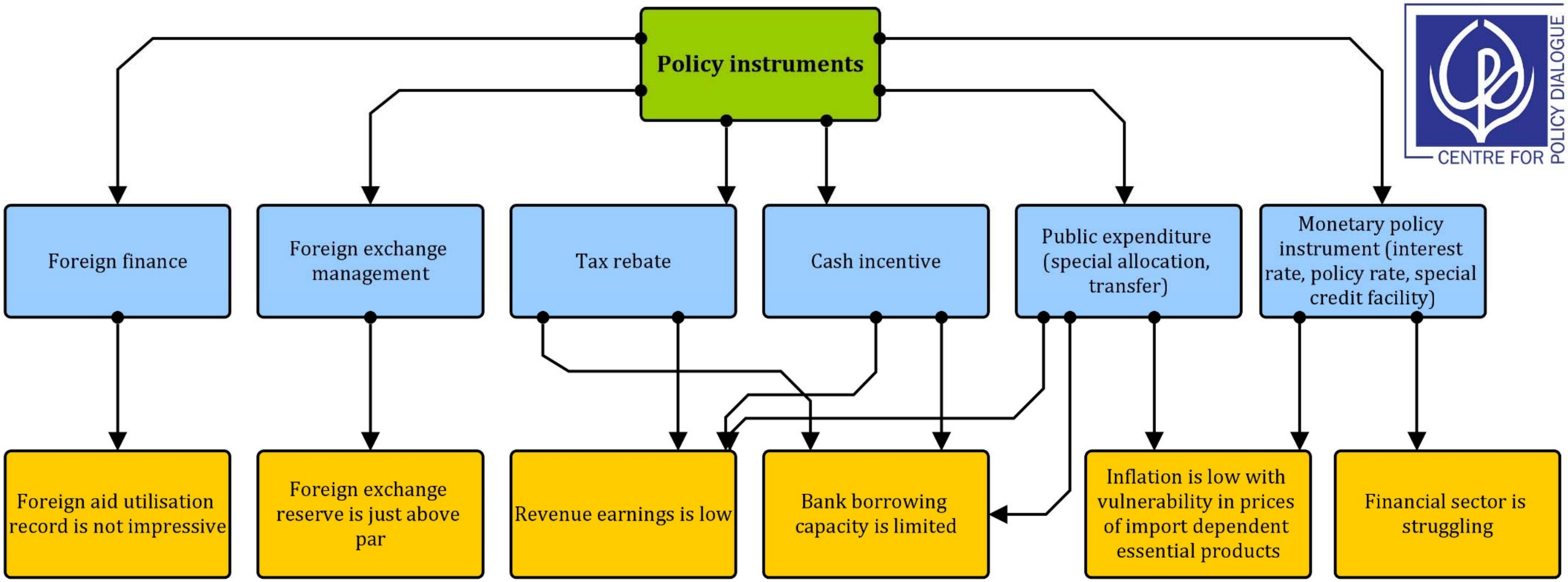
Banking Sector Vulnerabilities on the eve of COVID-19

- Because even before COVID-19 came, the banking sector of Bangladesh was facing various challenges including:
  - ***High volume of non-performing loans***
  - ***Scams, irregularities and heists***
  - ***Regulatory capture by crony capitalists***
  - ***Repeated recapitalization by the government to bail out poorly performing banks***
- Moreover, the government itself relied on the banking sector heavily in recent months
  - *The total allocation for bank borrowing in FY 2019-20 has already been exhausted*
- If banks face a liquidity crunch then the general public will lose confidence and in the period of uncertainty, excessive fund withdrawal can create a snowball effect and increase the risk of bank runs

Section: 5

Policy Recommendations

Policy Recommendations



Policy Recommendations

Broad Macroeconomic Stance

- Notwithstanding the shrinking fiscal space and the weakened financial sector, in view of the emerging situation an expansionary but targeted public expenditure and monetary policy should be pursued
- While the fiscal deficit is likely to reach 5.5% of GDP in FY2020, the likely rise in the budget deficit will need to be managed through prudent reallocation and prioritisation of public expenditure, and, renewed efforts at domestic resource mobilisation (by curbing tax evasion and illicit financial flow)
- The above should involve the followings:

Fiscal Interventions

- Use the fiscal space efficiently and with inclusivity
- Review how poor people living in informal economy can be supported including safety net transfers to people working in informal sector in both rural and urban areas
- Higher demand for cash incentives in the wake of COVID-19 may put additional pressure; however, cautious approach should be adopted while designing any fiscal stimulus
- To help address snags in supply chain taxes at import stages may be reduced selectively
- Keep flexibility in the next budget (for FY2021) to cope with the potential impact of COVID-19

Broad Macroeconomic Stance

Monetary Policy

- Lower policy rates to inject additional money in the economy
- L/C margins on imports and L/Cs against export development fund may be extended from 3 months to 6 months
- Government may buy T-bills etc. from the commercial banks to inject money into the system
- Rescheduling facilities for outstanding loans should be extended on case by case basis
- With COVID-19 affecting the SMEs, lending rate to them may be reduced to 5% for a limited period

Sectoral Support for Export Stimulating and, Domestic Supply and Demand

- Government needs to make an early assessment of the immediate, short and medium term impact on different economic activities. The key areas should include:
  - Nature and extent of adverse impact in production, import, export and employment in different sectors
  - Capacity of enterprises (partially or fully) to address the adversity
  - Scope to share the losses of business enterprises (partially/fully) with buyers/brands/retailers
  - Level of losses in different sectors: immediate, short and medium term
- A major areas of focus of government initiatives should be easing the disruptions in the supply chains and ensuring their smooth operation both within and outside Bangladesh in the coming days

Sectoral Support for Export Stimulating and, Domestic Supply and Demand

- Put dedicated efforts to keep supply-chain going
  - Review stock of essential products and key raw materials for domestic production
  - Seek alternative import sources
- Some of the service-oriented sectors need immediate support which include travel and tourism related activities
  - Minimum support to maintain day-to day expenses; support for retaining the staffs and workers and rationing support facilities for contractual workers
  - Workers working in informal sector needs support in the form of rationing facility and training facility

Sectoral Support for Export Stimulating and, Domestic Supply and Demand

- Export-oriented sector such as RMG sector needs cash flow support to retain workers, deferment of LC payment, deferment of import LC receipt, interest payment support to banks, low cost credit support from development partners.
  - Reschedule loans on case by case basis for exporters: Bangladesh Bank can provide guidelines to commercial banks in view of this to address loan repayment difficulties
  - Creation of a window from existing or new sources for a mitigation fund: Bangladesh Bank can make this fund available for onlending by commercial banks to affected enterprises at reduced interest rate (e.g. at 5%)

Sectoral Support for Export Stimulating and, Domestic Supply and Demand

- SMEs which are suffering from working capital shortage because of supply disruption may be supported from the onlending facility, particularly keeping in view support for wage payment.
- Banks can take an initiative to defer settlement of L/Cs in view of supply disruption
- Selective fiscal measures (at import stage) to help export-oriented industries
- Ensuring smooth supply of raw materials, intermediate products and capital machineries by importing from China and other countries.
- Suppliers should discuss with their brands/retailers about possible cooperation in order to share revenue losses incurred for cancellation/deferment/withdrawal of orders

Sectoral Support for Export Stimulating and, Domestic Supply and Demand

- Agriculture sector needs to address upcoming pressure in higher demand of food products
  - MoC should regularly update the supply situation with information on production, import, stock and export etc.
  - Private sector should encourage import food, raw materials, intermediate, machineries from different sources (China plus) in case risks of shortages increase within next 3-4 months
- To smoothen domestic supply, government may consider reviewing short term partial export restrictions on essential food, drugs and other products (e.g. India)
- Government may consider introducing programmes for workers including protection of workers (OSH programme, adapting working time, access to health); supporting employment and income (extending social protection, employment retention, tax relief for MSMEs)
  - OMS operation may need to be introduced in major industrial clusters

Policy Recommendations

Addressing the Health Emergency

- Increase budget allocation for COVID-19 related areas in a focused and targeted way: production, supply and distribution of medicine; improvement of health services; availability of medical instruments and support to health professionals
- Open new financial channels to support health related actions with flexible procurement system using domestic and available foreign finances
- Exempt the taxes on all medical supply (e.g. medicine, equipment, protective gear) required for confronting the coronavirus challenge

Policy Recommendations

Addressing the health emergency

- Bangladesh should apply for an international healthcare relief package
- World Bank had pledged to grant up to $12 billion
  - The government has already asked for an emergency fund of $100 million to tackle the situation
- IMF is prepared to grant a sum of $50 billion
  - Out of which $10 billion will be allocated for low income countries that will have zero interest rate
- ADB has offered a package to the tune of 6.5 billion
- Islamic Development Bank (IsDB) has dedicated $730 million for a special 'Strategic Preparedness and Response Facility' for member countries

Policy Recommendations

Immediate measures to tackle the health emergency

- In case the situation demands, the government should be prepared to take urgent and drastic steps such as wider lockdowns with appropriate preparatory measures
- Necessary make-shift healthcare facilities should be arranged at district and upzila levels
- All medical colleges, nursing institutions, other health establishments and voluntary organisations should be mobilised towards addressing the COVID-19 emergency
- Health professionals should be adequately provided with personal protective equipment (PPE) support
- Public health awareness messages must be communicated more clearly and frequently
- COVID-19 emergency once again reminds us about the importance of providing adequate policy support to health sector – budget for FY2021 should make this a priority

Independent Review of Bangladesh's Development

Stay Well, Stay Safe

CPD (2020): Health and Economic Risks of Corona Pandemic and Recommendations