



NEWVISION

# How Government of Bangladesh is Tackling Coronavirus with Financial Assistance Packages

22<sup>nd</sup> April, 2020



**STAY HOME  
STAY SAFE**

LET'S STOP  
**CORONAVIRUS**



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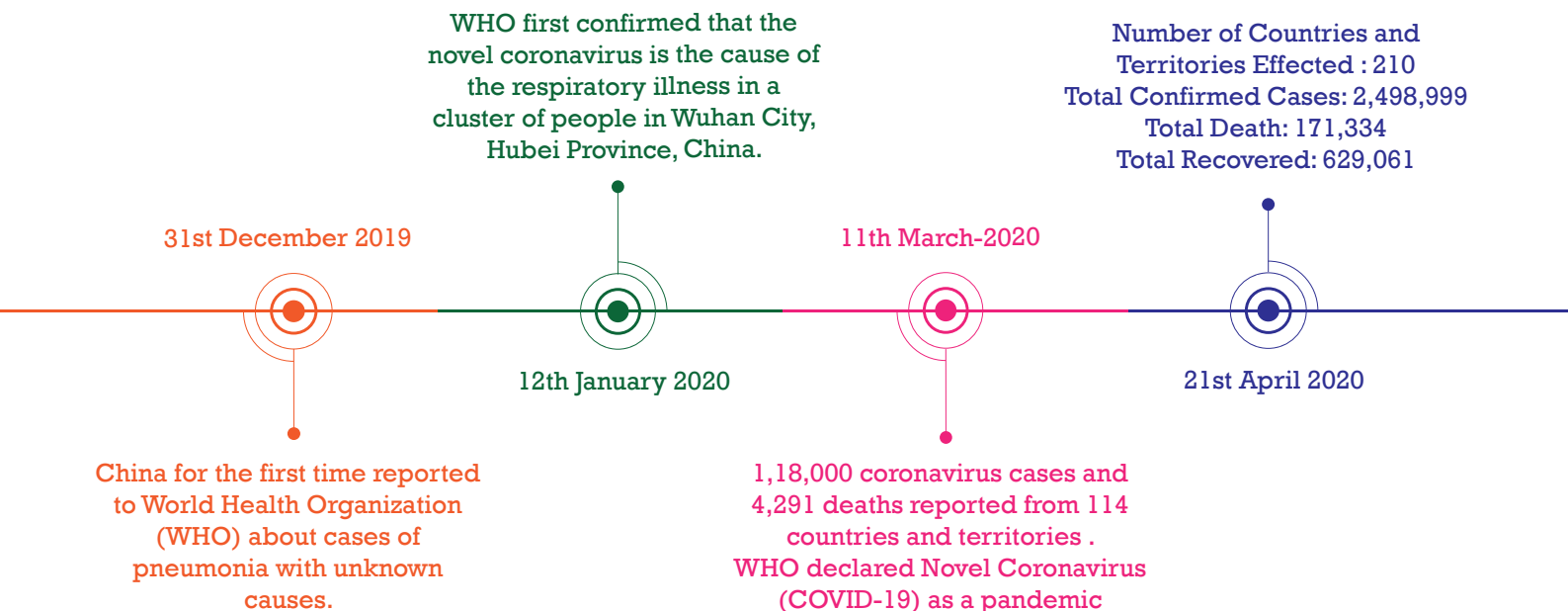


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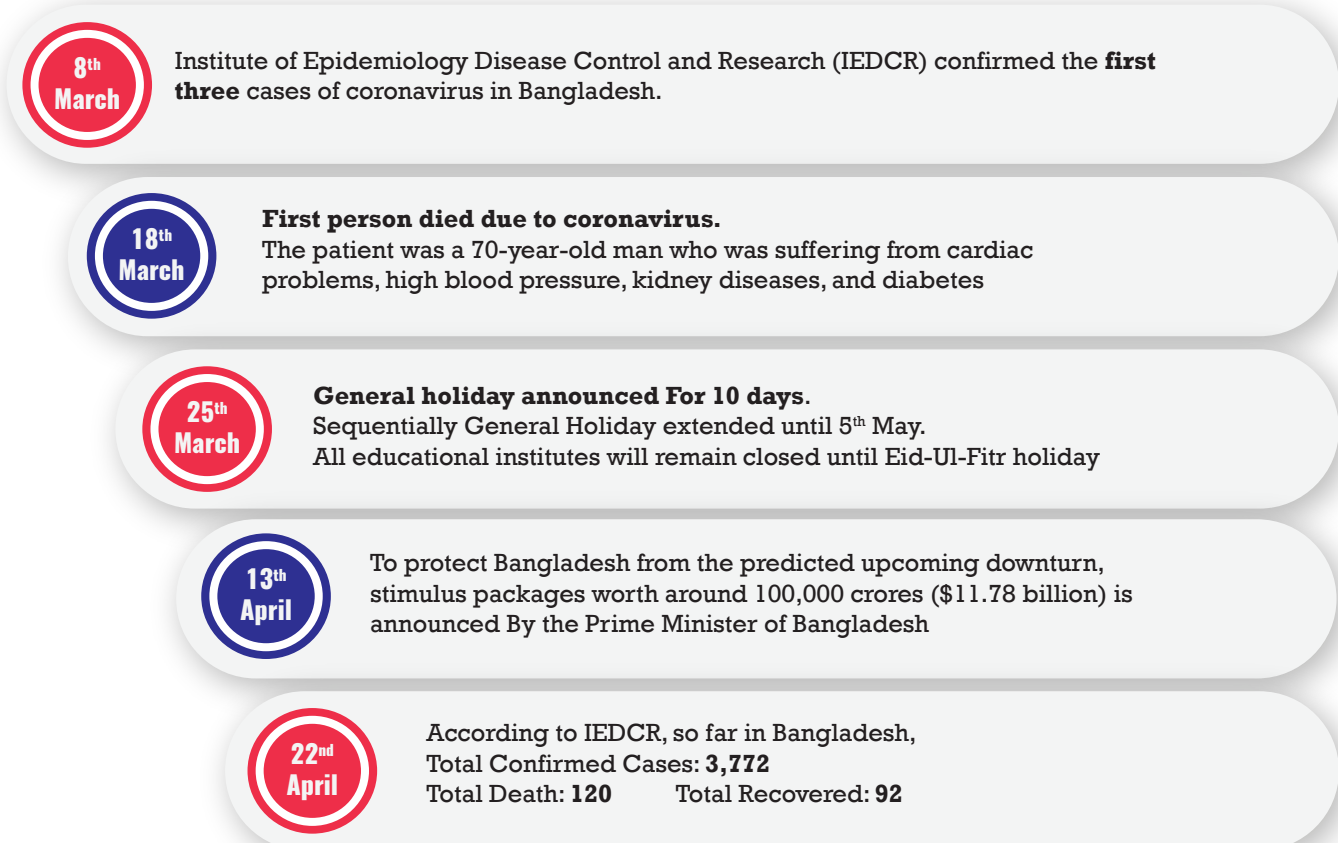
# CORONAVIRUS

Not one of the most but the only topic on which the world is now talking is the Novel Coronavirus (COVID-19). According to the World Health Organization (WHO), “Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus.” (WHO website, 2020). People infected with the COVID-19 virus are likely to experience mild to high respiratory illness and can be life-threatening. Older people and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness.

## Sequence of Global COVID-19 Events

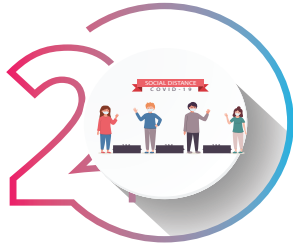


## Corona Situation in Bangladesh:



## Measures and Initiatives taken by the Government of Bangladesh:

The government of Bangladesh has taken a number of initiatives and measures to contain this highly transmissible virus. These measures are divided into the following three major categories:



Containing the virus and mass spreading not to spread too widely



Carrying out more tests per day and increasing more testing facilities



Fiscal Measures to Mitigate Economic Downturn Due to Coronavirus impact.

This report will only focus on the fiscal measures taken by Bangladesh Government.

## Fiscal Measures to Mitigate Economic Downturn Due to Coronavirus

The government has taken a series of fiscal measures to contain and mitigate the impact of coronavirus on its economy. World Bank and IMF have already expressed concerns and predicted a sluggish growth of our economy.

To protect Bangladesh from the predicted upcoming downturn, stimulus packages worth around 100,000 crores (\$11.78 billion) is already announced. These incentive packages are designed in such a way, that businesses may keep the wheels turning and retain the economic pace.



**Package-1**  
Volume: BDT 5,000 Crore  
Targeted Sector: Ready Made  
Garnets (RMG)  
Package type: Working Capital Loan  
Interest rate: 2%

On March 25th, the first stimulus package was introduced by the Prime Minister Sheikh Hasina. A package worth of BDT 5,000 crore (\$600 million) was introduced for the export-oriented industries, especially for the garments sector to pay wages and allowances to the workers and employees.

According to the finance ministry, the affected industry can avail funds from the packages at a 2% interest rate to pay their workers and employee's salary for up to three months.

For more information please visit this link: <https://www.bb.org.bd/mediaroom/circulars/brpd/apr022020brpd07.pdf>



**Package-2**  
**Volume: BDT 30,000 Crore**  
**Targeted Sector: Big industries and Service sector**  
**Package type: Working Capital Loan**  
**Interest rate: 4.5%**



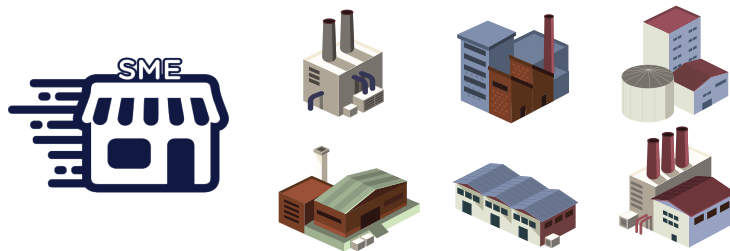
On 5th April 2020, the government of Bangladesh declared four new stimulus packages, total value around BDT 67,750 crore (\$7.9 billion).

Among these four packages, the largest one was allocated for the big industries and the service sector – the total value of the package is BDT 30,000 crore (\$3.5 billion). Under this package, loan will be granted for working capital at a 9 per cent interest rate of which 4.5% will be subsidized by the government, and the other 4.5% will be paid by the borrowers.

Industries running the business with their capital will get loan facility but they have to obtain at least a marginal credit rating in line with the guidelines on Internal Credit Risk Rating System for Banks (ICRRS), according to the central bank circular.

With the borrowed money under this package, borrowers cannot settle their previous debt or bank loan as the working capital can only be used for running regular business activities. The tenure of the loan is one year.

For more information please visit this link: <https://www.bb.org.bd/mediaroom/circulars/brpd/apr122020brpd8.pdf>



**Package-3**  
**Volume: BDT 20,000 Crore**  
**Targeted Sector: Cottage, micro, small and medium enterprises (CMSME)**  
**Package type: Working Capital Loan**  
**Interest rate: 4%**

Another BDT 20,000 crore (\$2.3 billion) package was introduced as a loan for the cottage, micro, small and medium enterprises (CMSME) to increase production and to overcome the COVID-19 impact. The loan will be provided at a 9 percent interest rate of which 5% will be subsidized by the government.

Enterprises under this category can avail of this loan as working capital from commercial banks and financial institutions depending on bank-client relationships. According to Bangladesh Bank circular, commercial banks and financial institutions will provide this loan from their fund.

For more information please visit this link: <https://www.bb.org.bd/mediaroom/circulars/smespd/apr132020smespd01.pdf>

**Package-4**  
**Volume: BDT 12,750 Crore**  
**Targeted Sector: Export Oriented Industry.**  
**Package type: Export Development Fund**  
**Interest rate: 2%**



Export Development Fund (EDF) has also been increased from \$3.5 billion to \$5.0 billion. Under this package, BDT 12,750 crore (\$1.5bn) has been provided to the EDF. This fund was provided to facilitate raw material imports under back to back letter of credit (LC). Interest has been brought down from 2.73% to 2%.

Members of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), and other exporter associations are eligible to take loans from the EDF. An exporter of woven and knit garments can borrow a maximum of \$25 million from the fund. Bangladesh Bank has not published the circular on its website yet.



**Package-5**  
**Volume: BDT 5,000 Crore**  
**Targeted Sector: Export Oriented Industry.**  
**Package type: Pre-shipment credit**  
**Interest rate: Up to 6%**

BDT 5,000 (\$600 million) refinancing scheme has been created by Bangladesh Bank for export-oriented industries in the pre-shipment credit sector to fight the COVID-19 impact.

The tenure of the scheme is three years and within these timeframe, the same borrower can avail of this fund multiple times but the tenure of each loan will be one year only. The scheduled banks will pay 3 percent interest to the central bank for the loan, but they can take a maximum of 6 percent interest from their clients.

For more information please visit this link: <https://www.bb.org.bd/mediaroom/circulars/brpd/apr132020brpd09.pdf>

**Package-6**  
**Volume: BDT 5,000 Crore**  
**Targeted Sector: Agriculture.**  
**Package type: Loan- Small and Medium Farmers, Poultry and Dairy sector.**  
**Interest rate: 4%**



Along with other stimulus packages Prime Minister also announced a new stimulus package worth BDT 5,000 (\$600 million) for the agriculture sector on 13th April 2020.

Money from the fund will be disbursed among small and medium-scale farmers, including those in the poultry and dairy sector, in rural areas, at a 4% interest rate, said Sheikh Hasina.

For more information please visit this link: <https://www.bb.org.bd/mediaroom/circulars/brpd/apr132020brpd09.pdf>

## Other Major Incentive and Subsidy Packages



1. Agriculture Subsidy-৳9,500 cr. (\$1.1 bn)
2. Buying Rice from Farmers- ৳860cr. (\$0.1bn)
3. Agriculture Machinery-৳200cr. (\$0.02bn)



৳100 cr. (\$0.01 bn) allocation as special rewards for the health workers



Building houses for poor and houseless people under the Mujib Borsho initiatives - ৳2,130cr. (\$0.25bn) allocation.



৳750 cr. (\$0.08 bn) allocation as health and life insurance for doctors and health workers



৳815cr. (\$0.095bn) allocation for Old-age-allowance and Widow-allowances.



৳251 cr. (\$0.03 bn) allocation for open market sale (OMS). Where rice will be sold at 10Tk per KG.



৳760cr. (\$0.09bn) allowances for people who lost the job due to lockdowns, like day labors, rickshaw pullers, drivers, construction workers, waiters, hawkers, and others.



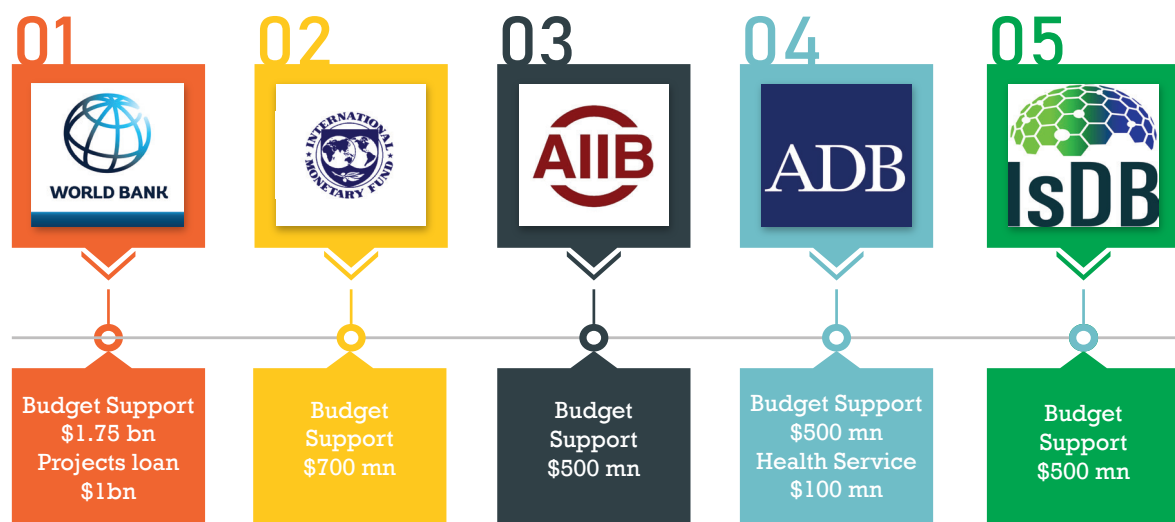
৳2,503 cr. (\$0.3 bn) allocation for distributing rice and wheat for free among the low-income people.

Source: Prime Ministers ' Speech



## Government of Bangladesh Seek Budget Support:

Finance Minister AHM Mustafa Kamal wrote to all the multilateral development and bilateral partners for additional budget support. Among them largest support was sought from World Bank and IMF. World Bank has already allocated \$100 million to Bangladesh for health services and is set to provide another \$250 million by June this year. Asian Development Bank (ADB) has also committed to support Bangladesh with \$600 million emergency assistance .



Source: Finance Ministry, Bangladesh.

## Concluding Remarks:

The government's announcement regarding the stimulus packages is praiseworthy and raised hope among the people of Bangladesh. Initiatives are getting appreciation as well as scrutiny regarding mechanism, adequacy, and agility by the experts especially the stimulus packages. The following discussions are based on the expert opinion:

The first challenge these packages would face is the banking sector challenges. Private Commercial banks have a liquidity crisis and providing a BDT30,000 crore loan would be a great difficulty for them. Also, they will face a challenge regarding choosing the right client, and these packages do not mention anything about what will happen if the borrower fails to repay the money.

Secondly, these packages lack support for employers to sustain their employees. The World Bank estimates that for each \$1 million in the foregone domestic demand service sector, Bangladesh will lose 125 jobs. According to experts, these packages should focus on how and why employers will retain their employees.

Thirdly, the policymakers should contemplate to develop suitable monitoring mechanism to regularly evaluating the process and if required then change or update the mechanism guidelines of the stimulus packages. To do the adjustments government should consider non-government and private sector thinktanks.

Finally, the authority must ensure less political influence and proper allocation of the packages. They have to identify the person/business who need the incentive, otherwise, the vested interest groups can misuse the support. Incentives have to be distributed all the way to deep rural areas and the government has to ensure that through local representatives otherwise only urban/administration centric families will be benefited.

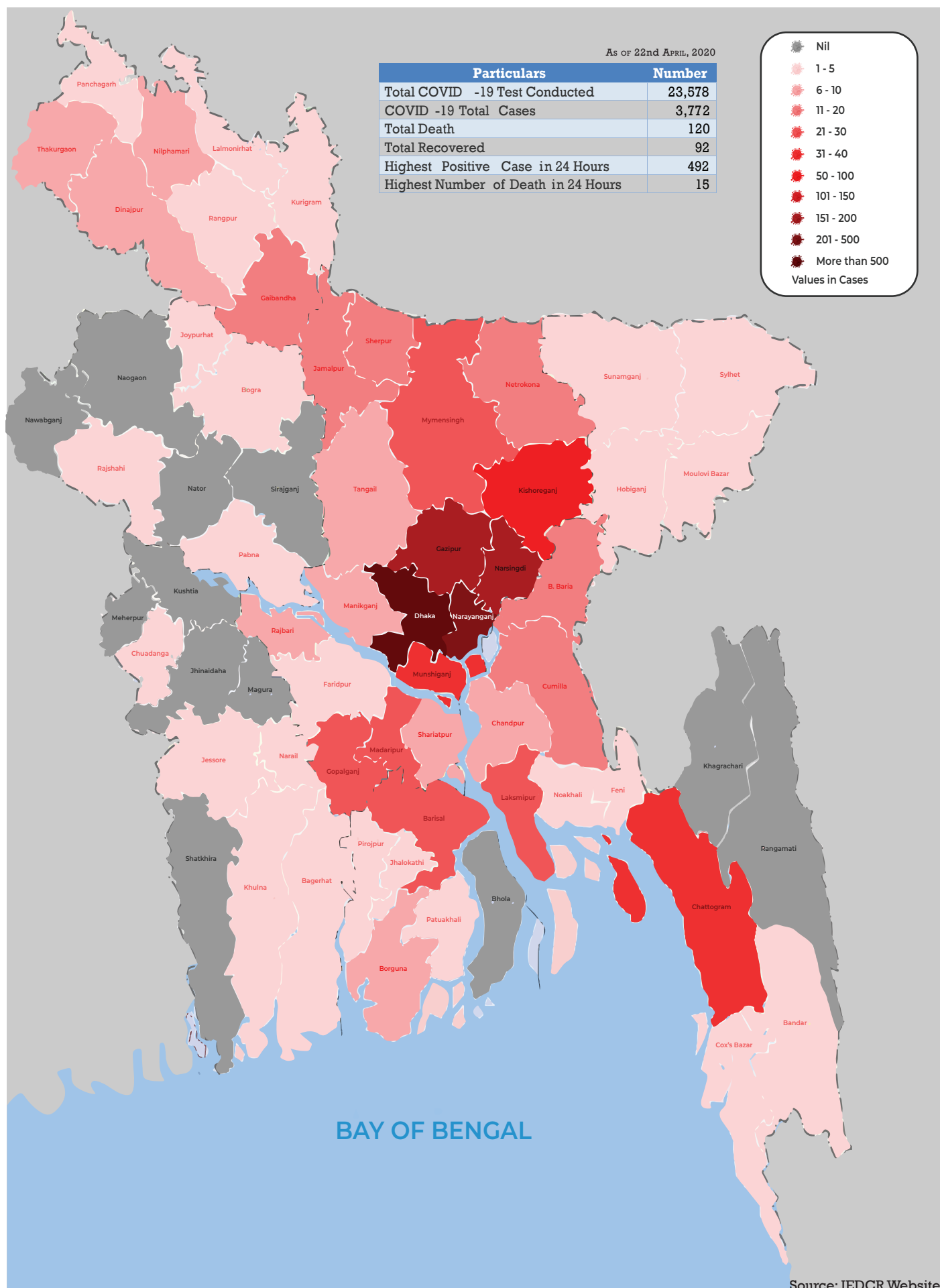
As a civil society representative, we welcome the initiatives of our government and also hope these packages will keep the pace of our economy persistent. Stay Home Stay Safe.

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Market Research team, NewVision Solutions Limited



Source: IEDCR Website





Institute of Epidemiology Disease Control and Research (IEDCR) confirmed the **first three** cases of coronavirus in Bangladesh.



**First person died due to coronavirus.**

The patient was a 70-year-old man who was suffering from cardiac problems, high blood pressure, kidney diseases, and diabetes



**General holiday announced For 10 days.**

Sequentially General Holiday extended until 5<sup>th</sup> May.

All educational institutes will remain closed until Eid-UI-Fitr holiday



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According to IEDCR, so far in Bangladesh,

Total Confirmed Cases: **3,772**

Total Death: **120**

Total Recovered: **92**



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