

ADB announces \$6.5b package to help members fight COVID-19

STAR BUSINESS REPORT

The Asian Development Bank (ADB) yesterday announced an initial package of \$6.5 billion to help address the immediate needs of its member countries in response to the fallout of the coronavirus pandemic.

"This pandemic has become a major crisis worldwide. It requires forceful action at the national, regional and global levels," ADB President Masatsugu Asakawa said in a statement.

The ADB is working with its developing member countries to formulate an aggressive plan of action to tackle the pandemic, protect the poor and vulnerable and also ensure that the economies bounce back as soon as possible.

Based on dialogues with member countries and peer institutions, the ADB has deployed this \$6.5 billion rescue package to help its members recover from the coronavirus outbreak.

"On top of the \$6.5 billion package, the ADB stands ready to provide further financial assistance and policy advice whenever warranted by the situation," Asakawa said.

The initial package includes about \$3.6 billion for sovereign operations, ranging from healthcare to the economic impact left by the pandemic.

Some \$1.6 billion is allocated for non-sovereign operations for micro, small, and medium-sized enterprises, domestic and regional trade and firms that were directly

affected by the virus.

The ADB will also mobilise about \$1 billion in concessional resources through reallocations from ongoing projects while also assessing the possible need for contingencies. A further \$40 million will be available for technical assistance and quickly-disbursed grants.

The ADB will adjust its financing instruments and business processes to support the member countries as quickly as possible while maintaining flexibility.

Subject to approval from the ADB's board of directors, the package will include fast access to emergency budget support for economies facing severe fiscal constraints. It will also feature streamlined procedures for policy-based lending, and universal procurement.

The ongoing COVID-19 pandemic demands a coordinated response from all countries and organisations.

Therefore, the ADB will further strengthen its ties with the International Monetary Fund, World Bank, regional development banks, World Health Organization and major bilateral funding agencies, including the Japan International Cooperation Agency as well as the US Centre for Disease Control and private sector organisations, to that end.

Since first responding to the outbreak on February 7 this year, the ADB has already provided more than \$225 million to help numerous governments and businesses of developing member countries meet their needs, according to the statement.

ICC, WHO to give coronavirus updates for businesses

STAR BUSINESS DESK

The International Chamber of Commerce (ICC) and World Health Organization (WHO) have agreed to work closely to ensure that the latest and reliable information and tailored guidance reach the global business community in a coordinated effort to combat the coronavirus (COVID-19) pandemic.

"The COVID-19 pandemic is a global health and societal emergency that requires effective immediate action by governments, individuals and businesses," a joint ICC-WHO statement said.

"All businesses have a key role to play in minimising the likelihood of transmission and impact on society. Early, bold and effective action will reduce short-term risks to employees and long-term costs to businesses and the economy," it added.

To aid this collective effort, ICC will regularly send updated advice to its network of over 45 million businesses, so that businesses everywhere can take informed and effective action to protect their workers, customers and local communities and contribute to the production and distribution of essential supplies.

ICC will also contribute to enhancing information flows on the coronavirus outbreak by surveying its global private sector network to map the global response of businesses.

This will both encourage firms to adopt appropriate precautionary approaches and generate new data and insight to support national and international government efforts. As an immediate priority, businesses should be developing or updating, readying or implementing business continuity plans, the statement added.

"Business continuity plans should aim to reduce transmission, including: promoting understanding of the disease, its symptoms and appropriate behavior among employees; setting up a reporting system for any cases and contacts; preparing essentials; limiting travel and physical connectivity; and planning for measures such as teleworking when necessary," it said.

Oil crash piles pressure on virus-hit Saudi economy

AFP, Riyadh

From empty hotels to shuttered beauty salons, oil-dependent Saudi Arabia is bracing for a coronavirus-led economic slump on top of possible austerity measures as crude prices go into free fall.

Huge losses are expected after the Arab world's biggest economy shut down cinemas, malls and restaurants, halted flights, suspended the year-round umrah pilgrimage and locked down eastern Qatif region -- home to around 500,000 -- in a bid to contain the deadly virus.

The top crude exporter also faces plummeting oil prices, which slipped below \$30 a barrel this week for the first time in four years, on the back of sagging demand and a price war with Russia.

The shock of this liquidity sapping cocktail of events has necessitated austerity measures which are likely to imperil grandiose diversification projects.

Adding to the chain of events are the recent arrests of King Salman's brother and nephew, which triggered speculation of political instability amid the government's public silence on the royal purge.

"It's crisis time," said a Saudi government employee, explaining why he had begun converting part of his salary into US dollars and gold coins.

"Everything is unpredictable and we should be ready for the worst." The central bank has shrugged off fears that plunging oil prices were straining the kingdom's currency, pegged for decades to the US dollar.

A jeweller in Riyadh told AFP he had fielded a number of enquiries to convert

"substantial amounts of cash" into gold bars and coins.

Many government workers fear cuts to state allowances are coming despite rising living costs.

Some Saudis also worry that recruitment in the public and private sectors will freeze, just as unemployment was already high.

Meanwhile, Saudi students are worried that government scholarships for overseas education will take a hit.

The finance ministry has instructed government bodies to submit proposals to slash this year's spending by 20 to 30 percent, the economic consultancy Nasser Saidi and Associates said in a research note.

"This will likely take the shape of postponed projects and delays in awarding contracts" among other economising measures, the note said.

The kingdom is now preparing budget scenarios in which crude prices could drop as low as \$12-\$20 per barrel, according to the Energy Intelligence Group.

"Public confidence depends on government spending and oil sentiment -- both are down," said a consultant advising a Saudi ministry on a major project.

"We don't know if we will have our jobs tomorrow." The once free-spending OPEC kingpin has instructed Saudi ministries that they need to account for "every penny" they spend, the consultant added.

Saudi authorities did not respond to requests for comment.

Several Riyadh hotels -- many of them empty amid falling tourist numbers -- have been forced to send their staff on unpaid leave.

BB caught napping as Bangladesh grapples with coronavirus

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The central bank should take up a plan to inject liquidity into the market based on the situation.

The CBPR should even be cut like in other nations to protect the economy from losses if the coronavirus spreads massively, he said.

The central bank will have to start preparations to purchase treasury bills and bonds vastly from lenders in order to supply the required cash to the market, said Mansur, also a former official of the International Monetary Fund. The industrial plants and the service sector can be protected from the demand compression by injecting cash.

In some cases, banks will have to provide loans at a low interest rate to businesses so that they can provide wages to their staff during the crisis.

Inflation will not fuel if the CBPR is cut as the demand of products nosedive during any calamity, said Mansur, also the chairman of Brac Bank.

The central bank should start preparations for injection of liquidity

into the economy to control the situation, said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

Fresh refinance schemes could be introduced for enterprises if the virus spreads, he said, adding that the government should withdraw the excise duty on savings to give people a respite from the crisis, Hussain added.

But banks are being more proactive than the central bank as they have already started taking preparations, ignoring the BB's inertia.

The top management of Mutual Trust Bank has already sat on how to tackle the coronavirus outbreak, said its Managing Director Syed Mahbubur Rahman.

The bank has taken a plan for its employees to work in shifts if the virus spreads widely.

The CBPR could be cut if businesses are tottering from the coronavirus outbreak, said Rahman, also the immediate past chairman of the Association of Bankers, Bangladesh, a forum of banks managing directors.

Bank Asia has also commenced preparations to face the crisis, said its MD Md Arfan Ali.

"Our staff will work from home and some portion of our operations will have to be closed if situation gets worse."

Avoid panic buying: Munshi

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Rather, the ministry is busy taming the price of onion, which had skyrocketed across the country in the last few months.

Deputy commissioners of various districts have also been asked to monitor the markets under their jurisdiction.

The minister hopes that the supply chain for household goods will remain unscathed since the export, import or transportation of these products are yet to be hampered by the coronavirus outbreak.

Stocks' freefall continues as maiden coronavirus-related death confirmed

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"It would be wise to have money at hand instead of stocks during any pandemic," said Shamsuddin Plabon, a stock investor, adding that if the virus shuts the country it will impact the earnings of listed companies heavily.

In 2010, when the stock market crashed, DGEN, the main index of the bourse then, had plunged 926 points, or 10.79 per cent, in just five days. The fall continued for months and saw erosion of half of the index value.

But the broader index has been falling steeply because the panic is deeper this time. The market has been bearish for the last six months before the coronavirus-induced fall.

"The decline is eroding the value of our stocks badly because we had not seen much profits before the crash," said a merchant banker.

"Besides, we had earned money before the crash of 2010. But this year, we are waiting for a havoc," the merchant banker said.

Yesterday, a rumour was going round that the trading at the stock

market would be suspended, spreading panic among investors and prompting them to dump shares.

However, the DSE has denied the rumour. But, it decided to cut the trading hours by an hour in line with a government's decision that shut educational institutions.

The bourse took the decision in an emergency board meeting at the DSE's head office in Nikunja.

From today, the trading will start at 10.30am and continue until 1.30pm, said the DSE in a press release. Previously, trading was allowed until 2:30pm. The new trading hour will continue until further notice.

The same trading hour will also be applicable at the Chittagong Stock Exchange as well.

The premier bourse also encouraged investors to enhance trading using mobile phones or digital systems.

"We have no plan to shut trading because such a decision will create more panic among investors," said a director of the DSE.

Globally, no countries except Jordan and the Philippines suspended

trading owing to the coronavirus pandemic. According to New York Stock Exchange President Stacy Cunningham, a shutdown is not likely.

"Closing the markets would not change the underlying causes of the market decline, would remove transparency into investor sentiment and reduce investors' access to their money," she said in a statement.

This would only further compound the current market anxiety, she added.

That market anxiety has come in the form of massive equity declines over the last few weeks that have triggered four circuit breakers. The S&P 500 and the Dow Jones Industrial Average are down roughly 30 per cent from their previous record highs.

Turnover, another important indicator of the DSE, rose 5.5 per cent to Tk 429 crore.

Among the large-cap stocks, Brac Bank dropped 9.9 per cent, United Power 8.6 per cent and BATBC 5.2 per cent. Square Pharmaceuticals was the top traded stock with a turnover of Tk 18.6 crore.

World markets slump as recession fears eclipse stimulus

AFP, London

Global stock and oil markets plunged Wednesday, as vast stimulus measures failed to offset heightened concerns that the worsening coronavirus outbreak will tip the world into a deep downturn, dealers said.

In European stock market trading, Frankfurt, London and Paris tanked around five per cent in morning deals, after similar dizzying losses across Asia.

Before the market open in Paris, French regulators banned for one month short-selling, or the betting that markets will fall -- extending an initial one-day halt, in an effort to curb steep losses.

World oil prices spiralled lower on energy demand woes, with New York's WTI crude touching a 17-year low at \$25.08 per barrel, hurt also by a bitter price war between producers Saudi Arabia and Russia.

The dollar meanwhile rose across the board, including versus the Japanese yen which is seen as a haven investment in times of economic turbulence. The United States and Britain are spearheading a multi-billion-dollar international fightback against economic havoc.

BTCL boss sorry for poor services

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The BTCL has fibre optic cable connectivity in 1,216 unions and the plan was to establish eight Wi-Fi hotspots in each of them, initially offering online connectivity for free.

Another ongoing initiative was for launching Internet Protocol television (IPTV) by the end of this year, he said.

The IPTV is the delivery of television content over Internet Protocol networks. This is in contrast to delivery through traditional terrestrial, satellite, and cable television formats.

There were some demands for landline and broadband connections which respective officers were tending to, he said. "We will contact you. It is our responsibility to serve you."

One customer complained that 90 per cent of telephones in their area were either disconnected or had gone dead. Matin responded that the BTCL officials would provide a solution in

24 hours.

Matin said the BTCL was now receiving complaints though its mobile application BTCL Telesheba and had started a process to accept online applications for services.

"So, customers can get our connections sitting in their home or at office and they will not have to come to our office. Already we have ensured online billings and got a huge response from our Telesheba mobile application."

In efforts to improve service quality, the application-based complaint management system was launched.

He also assured that he would continue meeting customers frequently through Facebook for feedbacks.

Matin received some complaints during the online interaction and asked officials concerned to solve those.

Officials said this initiative of a government entity contacting customers on Facebook Live was the first of its kind.

There was one instance in the telecom industry a few years back when the chief executive officer of Grameenphone connected to customers on Facebook.

Besides providing telephone services, the BTCL is trying to popularise some other connectivity businesses.

The company came into being through the transformation of a government wing in 2008 and made profits in the early stages. In fiscal 2008-09, its revenue was Tk 1,689.36 crore and net profit was Tk 106.15 crore.

Ten years later, it incurred a loss of Tk 389.39 crore. Its revenue slumped 22.23 per cent to Tk 886.81 crore last fiscal year.

Garment exporters voice concerns

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So far, work orders worth \$93.06 million in 69 garment factories have been cancelled and put on hold by international retailers and brands, according to Huq.

"We (H&M) have already sent letters to the affiliated manufacturers for reducing the work orders due to the coronavirus," said Ziaur Rahman, country manager of H&M after the meeting.

"We are not cancelling the work orders that have been already placed. But we are not placing new orders fully, which were planned to be placed," he said.

"We are exploring different options to minimise the risks," he said.

The suppliers will need a lot of cash to pay workers during Eid festival and considering this, H&M did not cancel work orders that have already been placed, Rahman said.

"It is really a tough time for all as people can't go outside to buy even the goods in some of the worst-affected countries, especially in Europe. So, the fashion business in Europe is facing a tough time," he said.

Another manager of a European retailer, who attended the meeting, said his company plans to cancel work orders as the sale is declining every day.

Govt seeks funds from development partners to fight coronavirus

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"Even if the health ministry needs to set up any purpose-built hospital in a short period of time like China did, I think the honourable prime minister would not say no to finance them."

The health ministry has sought Tk 200 crore from the finance ministry. Yesterday, Kamal and Health Minister Zahid Maleque sat in a meeting at the secretariat. The government earlier gave Tk 50 crore to the health ministry.

The health ministry is now trying to import test kits on its own, said an official.

The government yesterday confirmed a Bangladeshi who had tested positive for coronavirus infection died in the country's first fatal case. The current number of coronavirus-affected people in the country is 14, said Meerjady Sabrina Flora, the director of Institute of Epidemiology, Disease Control and Research, at a media briefing.

A total of 16 people have been kept in isolation, while 42 are kept in institutionalised quarantine, she added.

Bangladesh relies on imports and donation for testing kits. The World Health Organisation has already donated kits to Bangladesh and is working to donate more.

China and Singapore are also donating kits and procuring kits is also part of the government plan, Flora said.

The ADB has announced a \$6.5 billion initial package to help developing countries in Asia with their immediate responses to the spread of

coronavirus.

According to the finance ministry official, the ADB has presence in many countries and assured Bangladesh of using its reach to help the country source testing kits, protective gears for health professionals and equipment for hospitals.

The ADB also wants to know how many hospitals will be dedicated to treating coronavirus-affected patients, Kamal said, adding that the government will inform the Manila-based development lender on Thursday about its needs.

"The whole world is in a danger because of the virus. We are part of the world. It has already arrived in the country. Even if the number [of affected persons is low], we have to admit it. Now, we have to try to keep the number in check because we have had some experience."

When the virus originated in China in December last year, the world's second-largest economy had no experience about it, so it suffered hugely, the minister said.

"Bangladesh would be able to prevent the virus and keep the whole nation safe if everybody does their part. We all have to carry out our responsibilities. It is not the responsibility of the health ministry or the finance minister alone," Kamal added.

Of the IMF fund, \$10 billion is available at zero interest for the poorest members through the Rapid Credit Facility, according to the IMF website.

"I am particularly concerned about our low-

income and more vulnerable members," said IMF Managing Director Kristalina Georgieva on its website. These countries may see financing needs rise rapidly as the economic and human cost of the virus escalates.

"Our staff are currently working on identifying vulnerable countries and estimating potential financing needs should the situation deteriorate further," she added.

The IMF has asked the government of Bangladesh to identify areas to avail funds from the package in case there is a lockdown, said an official of the finance ministry.

Globally, the World Bank Group is making available an initial package of up to \$12 billion in immediate support to assist countries coping with the health and economic impacts of the global outbreak.

It is expected to provide \$100 million to Bangladesh to help the country take preventive measures in the face of global coronavirus pandemic.

The ERD sent the proposal to the WB on Monday and the bank informally assured the government of the fund, Md Shahabuddin Patwary, additional secretary of the ERD, told The Daily Star.

"In Bangladesh, the World Bank has received a request from the ministry of finance for \$100 million financing and we will work with the government to process the request," said Mercy Tembon, the WB's country director for Bangladesh and Bhutan.

Tiding the Bangladesh economy over in the time of coronavirus

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This oversupply of dollars is likely to continue in the coming months as domestic demand pressures intensify.

On fiscal sustainability, I would simply say that Bangladesh's fiscal sustainability will be threatened by the government's inability to undertake reforms at the National Board of Revenue and the secular deterioration of the tax/GDP ratio over the years.

The tax/GDP must at least double from its unacceptably low current level of 8.6 per cent in fiscal 2018-19, but that is a medium-term challenge.

For fiscal 2019-20, an increase in the overall deficit by an additional 1-1.5 percentage point of GDP in itself will not be of any significant concern when Bangladesh's debt-to-GDP ratio is still one of the lowest in the world.

As regards the threat of inflationary pressure, I would simply say that monetary easing/stimulus in a deflationary environment is precisely aimed at preventing price deflation.

In this environment there should not be any threat of inflation and that has been the case in almost all countries.

In the event inflationary pressures

emerge, the authorities should consider as indication for withdrawal of the monetary stimulus and a success for their monetary interventions.

The proposals outlined above are unorthodox and should only be applied under conditions of extreme payments difficulties and demand compression.

The Bangladesh authorities must not allow a deflation of the economy, because the cost of deflation will be wholesale bankruptcy or loan defaults, closure of production units and massive job losses.

In spirit, what I am suggesting is a form of social contract such that all workers would be protected so that their collective demand is met and the economy avoids a collapse in domestic demand.

If domestic demand is protected close to the recent normal levels, the country would avoid massive economic meltdown.

The author is the executive director of Policy Research Institute, a private, non-profit, non-partisan research organisation dedicated to promoting a greater understanding of the Bangladesh economy, its key policy challenges, domestically and in a rapidly integrating global marketplace.