

# Economy is under threat due to COVID-19: ICCB

STAR BUSINESS DESK

The International Chamber of Commerce Bangladesh (ICCB) yesterday urged policy-makers to take the lead in bringing both public and private sector leadership together to tackle the spreading coronavirus.

The ICC Bangladesh said it believes that the country is in danger of not responding promptly and robustly enough to the impending challenges.

"Therefore, there is a pressing need for our government and businesses to agree on an overarching policy framework in the face of growing uncertainty and volatility," said Mahbubur Rahman, president of the ICCB, in a statement.

"Bangladesh in the past has demonstrated its ability and resilience in combating the aftermath of a natural calamity and we hope, we shall be able to overcome this impending danger together with courage and fortitude."

It is still too early to properly assess what damage the virus will have on the economy since the situation is evolving every day. Economic estimates can only provide a magnitude of the impact, the statement added.

The actual ramification will depend on the extent of the spread and length of the duration of the outbreak and how quickly policymakers can take action to mitigate the health and economic damage.

"We are resolute in our belief that only coordinated action will be effective in tackling a threat that, by its very nature,

knows no borders," Rahman said, adding that economists are grappling and trying to predict the aftermath of this massive disaster.

"No one knows exactly what will come tomorrow and thereafter and how the society, government, healthcare and the economy will change."

It is obvious that the marginal and growing economies will be severely affected. Therefore, it is of great concern for Bangladesh as more than 70 per cent of its total export destinations are the US, The UK, Canada and EU countries.

Bangladesh's export earnings fell by 4.8 per cent in the first eight months of the current fiscal year to \$26.24 billion from \$27.56 billion in the same period of the prior fiscal year. This downward trend might exacerbate in the coming months in the face of wholesale cancellation of export orders.

The virus originated in China in December last year but has since spread to 167 countries.

China is Bangladesh's largest trading partner and the highest contributor to its supply chain, which feeds into both export and import production.

Thus, Bangladesh's economic activities may be hindered because of direct impact on production, supply chain and market disruption as well as impact on firms and financial markets. The financial sector, specifically the banking sector in Bangladesh, can be the most affected sector and remittance flow to the country is likely to slow down.



Mahbubur Rahman

# Garment order cancellations coming thick and fast

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On the bright side, a few BGMEA member factories are making personal protective equipment (PPE), such as surgical masks and gowns, for doctors and nurses who are struggling to treat coronavirus patients in the country.

On the decision whether factories should be shut down amid the pandemic, Huq said the BGMEA has advised member factories to make the decision at their own discretion.

"We don't have the authority to order any closures. That right is reserved for the government," the BGMEA president said.

In light of the country's grim situation, Huq yesterday sent a letter to Gerd Muller, federal minister for economic cooperation and development of Germany, a major apparel export destination of Bangladesh.

In the letter, the BGMEA chief urged Muller to ask German retailers who source their apparel products from Bangladesh to not cancel or hold up their work orders.

"At our end, we are facing uncertainties of an unimaginable extent," the letter read.

The number of garment factories that have had their work orders cancelled is increasing day by day.

Some of the brands and retailers who have cancelled their orders are leading names in the apparel market.

Huq in her LinkedIn account has shared a list of buyers who have cancelled their work orders from Bangladesh.

"While businesses in Germany receive government support to address their losses, we here have an existential crisis as we still have to pay the workers' wages," the letter continued.

The BGMEA even assured several brands that they can delay payment for their orders up to 90 days after delivery, encouraging retailers to confirm their orders.

"In the face of cancellation, it is only evident that we will fail to pay our workers which will create a serious social unrest and I am certain that no German brands would like to see that happen on their account," it said.

This unfortunate turn of events is a global disaster that neither humanity nor commerce can afford, Huq added.

"Bangladesh has a different manufacturing reality. We would be deeply grateful if you could kindly urge the German brands to take in all their goods, and allow shipments and production to continue till July

at least. Without this support, we will have a disastrous impact on our labour force and our businesses," she said in the letter.

## Visa cardholders can now load up bKash wallets

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The relationship of banks, cards and mobile financial service will bring in more opportunities of digital transactions across the country, which would be hassle-free, secure and reliable, said Kamal Quadir, chief executive officer of bKash.

"We have always been committed to growing the digital ecosystem with our strong partnerships in Bangladesh. After partnering with bKash to enable credit card bill payments, we are excited to launch the Add Money service for all Visa cardholders on bKash," said TR Ramachandran, group country manager of Visa for India and South Asia.

With the large number of Visa and bKash users, this service will make digital payments simple and seamless for people across the country, he added.

Eastern Bank is providing technological support for this integration between Visa and bKash.

## BB is doing its part. But is it enough?

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Had the central bank cut the SLR rate, banks would have been forced to sell their securities, which could have helped the private sector.

"In addition, the financial health of banks will weaken due to the CRR cut," said Mansur, also the chairman of Brac Bank.

The central bank should have also reduced the reference rate, which is using to provide fund from the

refinance schemes of the central bank.

The reference rate should have been slashed by at least 250 basis points. At present, it is 5 per cent.

"The central bank has been rather mum about this," he added.

The Federal Reserve, the central bank of the United States, recently said it would inject \$700 billion in the market. But now it is saying it will inject as much funds the market

needs, he said.

"In contrast, our central bank has yet to articulate how much funds it would supply to the market," Mansur added.

Salehuddin Ahmed, a former governor of the central bank, also echoed the same as Mansur.

"The SLR should have been cut. These measures will not have a major impact given the gravity of the financial crisis," he added.

## Bring on fiscal policy

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Fiscal provisions will have to ensure that public services can continue to operate. For example, some additional funding might be needed so that temporary staff can be engaged during periods when employees are not able to work.

Obvious settings where this could help ensure service delivery will include the use of outsourced nurses and paramedics in hospitals. Partnership with health care providers outside the public sector will be a key. The scale and impact of the virus remains hugely uncertain. So policymaking is difficult.

Policies need to be robust to different eventualities and flexible in the face of change. Longer-term policy adjustment may also be needed. This could come from lessons learned from the experience of this year.

These issues can be left to future budgets, when the actual scale and duration of the coronavirus outbreak will be more

predictable.

For now, the finance minister should be focusing on ensuring the continued delivery of public services and measures to minimise the economic damage.

Interventions to protect the vulnerable and steer the economy out of a prolonged recession are needed whether or not the Bangladesh Bureau of Statistics recognises it.

The required additional financing will have to be mobilised through tapping external financing windows, domestic borrowing and monetisation of deficits.

We are constrained in what can be done on the policy response side, much like the capacity of the health system.

The still relatively low, though rising, public debt to GDP ratio allows space for more domestic and foreign debt.

If now is not a good time to borrow more to rescue the economy, then when? When the present is at risk, you borrow from future because there is no future without the present.

Implementation of the fiscal policy response will be challenged by information asymmetries and elite capture.

However, since this is a covariate shock -- one that is all encompassing whose effects are observable -- the risk of not knowing and reaching the affected is relatively low.

There will still be adverse selections with some not hurt and/or able to cope benefiting from the support.

Targeting efficiency will be important, but we cannot let the best be the enemy of the good under such dire circumstances.

With a stronger commitment to transparency and accountability mechanisms, we hope the corruption virus will not terminally infect the effort to reach out to those genuinely hurt and financially incapable of bearing the costs of the flattening of the COVID19 spread curve globally and nationally.

*The author is an economist*

## Small victory for BB as NY court dismisses appeal challenging case

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The hackers generated 35 SWIFT messages and instructed the NY Fed to release the fund to four beneficiaries through intermediary banks. While the NY Fed's security system flagged the payment orders, five of them fell through, and \$101 million against them was released.

Of the amount, \$81 million was wired to RCBC branch in Manila and \$20 million to Sri Lanka's Shalika Foundation.

The funds that went to the Philippines were quickly withdrawn and sucked in by the huge casino industry in the Southeast Asian country. But the Sri Lankan bank that received that payment order -- the Pan Asia Banking Corporation -- flagged it because it misspelled the word "Foundation" as "Fundation".

Since 1973, the BB has held its international reserves in a custodial account in New York City with the New York Fed. This account enables the central bank to participate in the international financial system.

The BB conducts approximately 85 per cent of its international transactions in the US dollars, and it does so through its custodial account at the New York Fed.

## BB takes more steps

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Executive, audit and risk management committees of the respective bank boards will have to follow the instruction.

Every director who attends board meetings through video conference will get their required honorarium.

Moreover, the footages of video conferences will have to be preserved.

In the last notice, the central banks asked banks to suspend any training programmes in which the number of participating officials is more than 10.

Banks will be allowed to organise only those training programmes in which the number of attendees is a maximum of 10.

Even so, in such instances the banks will have to follow the associated rules that the World Health Organisation has regarding the arrangement of seats.

## Unprecedented bailout package on the way

FROM PAGE B1

The official death toll from coronavirus in the country is now three and the number of total infected stands at 33, according to the Institute of Epidemiology, Disease Control and Research (IEDCR).

The coronavirus pandemic could trigger a global economic crisis, destroying up to 25 million jobs around the world if governments do not act fast to shield workers from the impact, said the International Labour Organization (ILO) in a report recently.

Regardless of size, all firms are facing serious complications from the coronavirus fallout such as immense decline in revenue, insolvencies and job cuts, said Tuomo Poutiainen, country director of the ILO Bangladesh.

"Sustaining their day-to-day operations will be particularly difficult for small and medium enterprises," he said, in a statement to The Daily Star, on Thursday.

The economic pain for the low-income groups and those working in the informal sector would exacerbate further if the situation worsens.

Business and employment would confront adverse impact if economic activities need to shut down in case of the coronavirus outbreak, said the Centre for Policy Dialogue (CPD) in a briefing on Saturday.

Workers usually work under temporary contractual arrangement particularly those work in small-scale and informal enterprises would be affected most. Those who work in labour-intensive formal and export-oriented industries would be adversely affected, the think-tank said.

The government is seeking funds from development partners to help the health ministry combat the spread of the novel coronavirus as well as to keep its operation smooth.

Bangladesh is looking to avail \$750 million in budgetary support from the International Monetary Fund (IMF), which has made available about \$50 billion through its rapid-disbursing emergency financing facilities for

low-income and emerging market countries that could potentially seek support.

The amount would account for 50 per cent of the quota Bangladesh is entitled to.

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.

The World Bank has also received a request from the finance ministry for \$100 million financing, said Mercy Tembon, the WB's country director for Bangladesh and Bhutan, last week, adding that it would work with the government to process the request.

The government would seek another \$100 million from the WB in budget support, the finance ministry official said.

The Asian Development Bank (ADB) has announced a \$6.5 billion initial package to help developing countries in Asia with their immediate responses to the spread of coronavirus.

The Manila-based lender may provide \$500 million to Bangladesh initially as budget support in order to help the country improve its health system and assist the vulnerable groups.

The amount may go up, said a number of finance ministry officials earlier.

The ADB has recently announced \$6.5 billion initial package to address the immediate needs of its developing member countries as they respond to the COVID-19 pandemic.

The lender's response to date also includes \$2 million announced on 26 February to support response in all of its developing members.

Bangladesh may receive another \$3.5 million in grant from the ADB and \$50 million in grant from Jeddah-based Islamic Development Bank.

The government is looking to secure support from the development partners as its finances may come under strain due to falling revenue collection by the National Board of Revenue (NBR) and rising public borrowing from the banking sector.

The NBR could log in Tk 124,500 crore in the first seven months of the fiscal year, missing the periodic target by Tk 39,500 crore, provisional data showed.

In the first half of fiscal 2019-20, the government borrowed Tk 49,000 crore, which is 63 per cent of the year's target. Of the sum, Tk 43,600 crore came from banks, which is eight times more than a year earlier.

"The top policy priority at this stage is safety of public health. There can be no compromise on that front," said Zahid Hussain, a former lead economist of the World Bank Dhaka office yesterday.

On the economic front, what is most urgent is protecting the vulnerable in the informal and formal sectors, he said.

"They are mostly urban and rural low-income households who depend on wage and self-employment for their livelihoods. They need social assistance to survive the economic disruptions caused by social distancing."

Unconditional cash transfers using mobile financial services and in partnership with para-state and non-government institutions can save these households from slipping into poverty, the economist said.

"We all need to keep one reality in mind: if the pandemic is protracted, what will save livelihoods at the end of the day is not the printing machines or credit entries. What will save livelihoods is our willingness to share the accumulated real wealth with those who do not have the capacity to cope with the cracks in livelihood systems resulting from cautionary steps taken to save lives."

Businesses are also at risk, particularly the micro, cottage and small enterprises.

"They need assistance in paying bills to stay afloat."

Temporary payroll support, tax concessions and even financial bailouts are options that deserve serious consideration keeping the resource constraints in mind, Hussain added.



## National Housing Finance gets new independent director

STAR BUSINESS REPORT

Abdul Mueyed Chowdhury, a former caretaker government adviser, has been appointed independent director of the National Housing Finance and Investments.

Chowdhury is the CEO of Tiger Tours, a member of the board of Advanced Chemical Industries (ACI) and a director of ACI Formulations, MJL Bangladesh, Omera Petroleum, Omera Fuels, Omera Cylinders, Omera Chemicals, Summit Alliance Port and PEB Steel Alliance.

He is also a member of the governing body of Brac University, Sajida Foundation and the Bangladesh Youth Enterprise Advice and Help Center, says a press release.

He has served as executive director of Brac from 2000 to 2006 and as secretary to different ministries from 1994 to 2000.

Chowdhury obtained his Bachelor of Arts degree with honours in history and Master of Arts degree from the University of Dhaka.



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## e-Tender Notice

e-Tenders are invited in e-GP System Portal (<http://www.eprocure.gov.bd>) by Executive Engineer, PWD Division, Sirajganj for the procurement of:

Tender ID No.	Reference No.	Description of works	Type, method	Publishing date & time	Last selling date & time	Closing date & time	Opening date & time
Tender ID-449766	egp-11(U)/OT M/sirajganj/19-20	Construction of 07 RAB Complex Project one at Sirajganj RAB-12. (Subhead: Construction of Sentry Box 04 Nos.)	NCT OTM	23/03/2020 17:00	15/04/2020 11:00	15/04/2020 13:00	15/04/2020 13:00

This is an online tender where only e-Tenders will be accepted in National e-GP Portal and no offline/hard copies will be accepted.

To submit e-Tender registration in the National e-GP System Portal (<http://www.eprocure.gov.bd>) is required. The fees for downloading the e-Tender documents from the National e-GP System Portal have to be deposited online through any schedule bank.

Further information and guidelines are available in the National e-GP System Portal and from e-GP help desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd)).

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