

TAMING CORONAVIRUS RAMPAGE

Prioritisation, selection and distribution of the stimulus package



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On 5 April, the honourable prime minister has announced the second stimulus package in view of addressing the adversity of coronavirus on our economy.

This financial package along with the first one amount to be Tk 72,500 crore (\$8.54 billion), which is equivalent to 2.52 per cent of Bangladesh's gross domestic product.

The head of the government has rightly acknowledged the multidimensional challenges on the economy such as the slowing down of exports and imports, slow progress of major development works and particularly the mega projects, adverse impact on service sectors including travel and tourism and small- and medium-sized enterprises, wide gap in revenue mobilisation, fall in inward flow of remittance, weak domestic demand and weak macroeconomic stability and so on.

Taking those into account, the package has targeted four-pronged activities: a) increase public expenditure (for employment generation); b) introduce fiscal packages; c) expand social safety net programmes; and d) increase money supply.

Given the different levels of adversity to different sectors as well as their different levels of risk coping capacities, it is important to undertake important activities before disbursement of the stimulus package.

These activities include: a) setting priorities in terms of demand for different target groups; b) selecting target groups by maintaining transparency, efficiency and inclusivity; and c) distributing the support to the target groups by ensuring accountability at all levels.

The package-related activities will be implemented in three phases: immediate, short and long terms.

Hence, it is important to identify which activities should be carried out at which periods and under which mechanism priority groups will be identified, target groups will be selected and the package support will be distributed.

IMMEDIATE ACTIONS

The immediate actions under the package must be to ensure food security of the marginalised and low-income people.

As per plan, this would be done through expanding the safety net programmes by including people who live below the poverty line, day labourers and workers involved in the informal sector.

Ensuring maximum coverage of these target groups without leaving anyone behind is highly important.

Hence, the selection process of target people under the safety net programmes should be transparent and free from political influence.

There is a list already available under the safety programmes. But that needs to be made more comprehensive now.

This list should be prepared immediately and should be made public at all levels, particularly through social welfare offices, so that people who are eligible will get assistance.

A major mode of support will be providing subsidised food such as rice at Tk 10 per kilogram and other essentials such as lentil, soybean oil, potato and onion and so on at fair price.

In view of rising demand for rice and other essential food items for open market sales, vulnerable group development and vulnerable group feeding of the safety net programmes, it is important to increase the domestic food



SK ENAMUL HAQ

stock for the next four months.

If required, the stock could be increased by importing a part of essential food products from other countries immediately.

There is another important target group who might be missed out from the current approach of identification and selection of needy people: those who do not earn less than the poverty line (\$1.9 per day) but live by a daily earning of \$1.9 to \$3.8.

These fixed income earners need to be identified as a sub-group under the social safety net programmes and could be partially supported in cash payment from there.

A large section of workers who work in formal and informal sectors need immediate support.

However, these workers often work with or without formal contracts -- usually on a daily or contractual basis.

These workers are in trouble without any wage or payment since shutting down of factories or businesses.

There is little chance for these workers to get back to their work until factories or businesses commence operations.

A part of the package for working capital financing for SMEs, cottage and other industries and services could be used for providing workers' wages.

Since workers' wage is an element of working capital, particularly for domestic industries, the finance ministry may consider

allocating a part of the working capital for meeting wage related costs.

The rate of interest of such working capital would be 2 per cent, like that in export-oriented enterprises, while the remaining part of the working capital could be credited at the rate of 4-4.5 per cent.

The selected employers should apply through their respective associations with necessary documents, such as workers' employment record, salary sheet, bank account or mobile financial service account of workers and mobile number of workers and so on to the finance ministry.

After getting the approval from the ministry, the banks may disburse working capital to be used for workers' wages on an immediate basis.

SHORT-TERM ACTIONS

In this rapidly dynamic situation of outbreak of coronavirus, the short-term period is assumed to be for next three months, that is until June.

A major prioritisation in this period should be identification of priority groups in businesses and industries and process of selecting them.

Given the nature of quick outbreak so far and possible rise in the future, it would be difficult for most of the businesses to start their operation in near future beyond limited scale.

Hence, both demand for credit from the

businesses/industries/SMEs and possible supply of credit in the form of working capital by the commercial banks would not be even at 'sub-optimal' level.

In case of identification of enterprises, the broader distinction made between large scale and service-oriented enterprises in one group and SMEs, cottage and other small-scale enterprises in another group is appropriate.

However, further categorisation of the two groups of enterprises will be required in order to ensure transparency in the selection process.

The Federation of Bangladesh Chambers of Commerce and Industry, the country's apex trade body, should go for detailed consultation (online) with each of the business bodies (big and small) seeking lists of affected enterprises and the amount of working capital support required for each.

Since small, medium and sub-contracting enterprises have limited contingency plan to cope up with the risks, these enterprises should get priority in getting the support.

Often, the big groups of companies and influential trade bodies try to take the major portion of such benefits -- depriving the neediest ones.

It is expected that after primary selection, the FBCCI should disclose information of the selected enterprises through their website. The lists would be vetted and approved by the finance ministry.

Afterwards, the commercial banks would be

allowed to disburse credit under the package support programme.

It is important to ensure that no commercial bank is allowed to disburse loan under the stimulus package other than the approved list of enterprises.

Despite the announcement of such broad-based stimulus package, a section of entrepreneurs would find it difficult to get access to low-cost credit facility.

These are enterprises that are not mostly unbanked and operate informally without having formal legal documents, such as retail traders, street vendors, fruit sellers, fish traders, small tea shops, small restaurants, petty traders and so on.

These enterprises comprise a large section of economic establishments that have no formal trade licences. They need to be prioritised for supporting under working capital financing.

However, it would be difficult to cover them under the stimulus package that are mainly targeted to formal sector enterprises.

Hence, a special package needs to be developed for these informal small-scale enterprises.

These enterprises could be supported through the non-governmental enterprises and other specialised financing institutions who have information and data about them.

The selection of these enterprises could be done by using various information available to different public and private agencies such as membership records of various associations, cooperatives, welfare associations, personal business records at union, thana and district level administrations, database of micro-enterprises of different NGOs, census data for different target groups available to Bangladesh Bureau of Statistics (BBS), database of different specialised commercial banks working with SMEs.

MEDIUM TO LONG TERM ACTIONS

The medium to long term period indicates between the months of June and December and beyond.

During this period, the major actions will focus on disbursement of working capital for the most-affected enterprises of different sectors.

It is expected that enterprises will be able to repay their loan in a short grace period (three months) and complete their dues in nine months.

An early repayment of loans will help enterprises to get loans again from this refinancing scheme.

Given the weak state of loanable fund in a large section of commercial banks, it is expected that the government or the central bank will facilitate injecting fund from other sources.

Since the government is negotiating with multilateral agencies and bilateral development partners about possible future support, a part of the funds would be made available by June, which could be used for providing working capital to the affected enterprises.

As the national budget for the next fiscal year is approaching, it is expected that the government will announce some fiscal stimulus package targeting both individuals, private sector and agriculture sectors in the forms of value-added tax waiver, deferred payment of advance income tax, payment of corporate tax by instalments, raising the tax-free income for low-income people and raising tax-free limit for SMEs.

Overall, it is expected that a transparent, efficient and inclusive mechanism in the process of identification and selection of target groups and distribution of support from the stimulus package would address the demands of the most affected and most needy sections of the society during this severe economic crisis.

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Govt to buy 50pc more paddy to feed the poor

SOHEL PARVEZ

The government will purchase 50 per cent more paddy from farmers in the Boro harvesting season that begins from the latter half of this month with the view to encouraging farmers and for distribution to those who saw their livelihoods evaporate for the outbreak of coronavirus in Bangladesh.

Some six lakh tonnes of paddy would be purchased as well as 10 lakh tonnes of parboiled rice and 1.50 lakh tonnes of un-boiled grain from millers in the ensuing season, which yields more than half of the total annual rice output.

The government, however, has kept purchase prices unchanged: Tk 26 for each kilogram of paddy and Tk 36 for a kg of rice, according to an announcement by food ministry on its website.

The procurement price of un-boiled rice has been fixed at Tk 35 per kg.

The disclosure comes at a time when the government has ramped up distribution and sales of the cereal to cut the risk of hunger among the poor and low-income people, whose income has dried up for the countrywide shutdown enforced on March 26 with the hope of flattening the curve on the deadly pathogen.

At the time of writing, the lethal, pneumonia-like virus has infected 164 and claimed the lives of 17. Bangladesh appears to be just ascending the epidemiological curve, so the movement control order is likely to be extended beyond April 14.

Since March 26, the disaster management ministry distributed 56,500 tonnes of rice for distribution among the poor and the vulnerable; it sought allocation of an additional three lakh tonnes of the staple grain from the finance ministry.

Until Monday, the disaster management ministry got consent for one lakh tonnes of

rice, said an official. Besides, the Directorate General of Food has started selling rice at Tk 10 a kg under a special open market sale scheme designed to help the urban poor get the staple at one-fourth the market price.

The government had 16.95 lakh tonnes of food grains, including 13.87 lakh tonnes of rice, in its stock until March 24, according to data from the food ministry.

"We have decided to purchase increased quantity of rice to build a good food stock to enhance overall food security," said Food Secretary Mosammat Nazmanara Khanum.

The purchase decision and prices, which have been fixed based on discussions with the food and agriculture ministers as well as the cabinet secretary, come amid the higher production target of rice.

"Coronavirus is also a factor," Khanum said.

Preliminary data from the Department

of Agricultural Extension showed that farmers planted rice on 47.54 lakh hectares during the current boro season, which is marginally lower than last year's actual acreage, according to the Bangladesh Bureau of Statistics.

Matindra Sarker, a farmer in the northeastern district of Netrakona, praised the government's decision to buy good increased amount of paddy and called for a fair and transparent procurement system.

"The crop looks good so far. Now the question remains whether we will get profitable prices," he said over phone.

In addition to buying rice, the food ministry also plans to buy 70 per cent higher wheat than last season at 75,000 tonnes this year.

The government would buy the grain at Tk 28 a kg. Wheat procurement will begin from next week, according to the food ministry notice.



Mostafa Kamal, chairman of Meghna Group of Industries, hands over a cheque of Tk 5 crore to Ahmad Kaikaus, principal secretary, as donation to the Prime Minister's Relief Fund on Sunday to fight coronavirus. MEGHNA GROUP



Wan Yanchao, project manager of China Harbour Engineering Company, hands over food items, soap and surgical masks to the officials of Mirsharai upazila in Chittagong on Sunday to combat coronavirus. CHEC