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TAMING CORONAVIRUS RAMPAGE

A V-shaped economic recovery is still within reach. But the general public must play its part.

Says ADB's country director in an interview

ZINA TASREEN

Optimism is a disease, the polemical British-Indian novelist Salman Rushdie once said, and talking with Manmohan Parkash, the country director of the Asian Development Bank, one can't help but catch that disease.

He is sanguine about Bangladesh's longterm growth; he feels the country is now where South Korea was about 30 years ago. And he is holding out for a V-shaped economic recovery from the coronavirusinduced slowdown.

"The Bangladesh growth story is very interesting. In 1971, when Bangladesh was born, not many predicted a very bright future," he told The Daily Star in an interview recently.

But those naysayers were proven wrong with what Bangladesh has achieved in the last 10 years, whether it is in terms of human development indicators or in terms of economic growth.

"We can always debate about percentages here and there. And I am not a person who goes too much into percentages, but I look at the progress made on the ground when I go to rural areas, when I talk to people, when I go to some of these far-flung areas."

There is enough for people to eat, they have electricity, people have access to mobile telephones and people are generally happy, he said.

So I think that's what I take as an index of development. I think it's a good story. And we must contribute to the story," said the Indian national while sat in his home in Chandigarh.

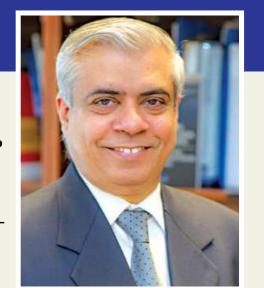
Which is why, ADB has rallied around Bangladesh as soon as the country announced its first confirmed cases of COVID-19 in the first week of March, hoping to save both lives and livelihoods.

The Manila-based multilateral lender

THE LENDER PROVIDED...

\$100m for the healthcare sector

\$500m as budget support



has provided \$601.3 million in loans and \$1.58 million in grants since the pandemic began, all to quickly send Bangladesh back to its high growth path.

"It is a work in progress. This is just our immediate response. But, I think, as time progresses, and there is a need for more, we will certainly work with the government to make sure we can help them in this difficult time.'

On the economic recovery front, two scenarios are possible: a V-shaped recovery and a U-shaped recovery.

In a V-shaped recession, the economy suffers a sharp but brief period of economic decline with a clearly defined trough, followed by a strong recovery.

A U-shaped recession is longer than a V-shaped recession and has a less-clearly defined trough. GDP may shrink for several

quarters, and only slowly return to trend growth.

oeen in Bangladesh for former.

"If you look at it Bangladesh happens to be a country with moderate fiscal deficit, moderate government debt, moderate current account deficit, inflation in control. Before the pandemic, things were going quite well.

But the pandemic has brought an end to this purple patch.

Parkash is hopeful that the disruptions from the export market and remittances and others can be offset through an increase in domestic consumption. And that can be done through more proactive actions on the fiscal and monetary sides.

"So what we are hoping is that the V-shaped recovery could take place," he said, adding that the difference between a U-shape and V-shape recovery is how quickly the health crisis can be brought under control.

And the onus of flattening the curve on coronavirus does not lie squarely on the government's shoulders; cooperation from But Parkash, who has the people is going to be very critical.

wnetner you will wear a mask, wnetner the past two-and-a-half you will do social distancing, whether you and-a-half-month-long pause of economic years and in Manila in will follow the lockdown rules, this is all the previous 15 years, is about behaviour change. It is less on the leaning more towards the government and more on the people to maintain those things."

And getting people to modify their before the pandemic, behaviour to suit the pestilential time we are in has not been easy. But behaviour

change is fundamental to managing the health crisis and staging a quick economic

"I think one of the big challenges for us in this part of the world also is how do we get people to really obey what is good for them?" But it is not that the government does not have a part to play.

Health should take centre stage in the budget for fiscal 2020-21 that Finance Minister AHM Mustafa Kamal is set to unveil tomorrow.

"Countries that invested more in health, they have been able to manage this pandemic much more easily, they have lost fewer lives," he said, citing Germany, Japan and South Korea as cases in point.

The health budget should not just go towards increasing the number of hospital beds but also towards prevention, health management and the surveillance side of it. After health, social protection should get

"Bangladesh has achieved good progress in poverty reduction in the last few years but this pandemic has put that progress in

peril. So suddenly more attention will be

needed for social protection support." The budget could look at making the social safety net more sustainable and it could also look at how to get the benefits directly into the hands of the beneficiaries more quickly, more transparently, with no leakages, said Parkash, who holds a postgraduate degree in Management of Public Enterprises from the University of Punjab and a bachelor's degree in Mechanical Engineering from the Indian Railway Institute of Mechanical and Electrical Engineering.

Agriculture and food security should get the third priority in the upcoming fiscal year's budget.

Modernisation agriculture, mechanisation in harvesting, and storage and warehousing should get emphasis.

The budget should also have an oversize employment generation programme given the hordes of returning migrants and the numbers that have lost jobs for the two-

This brings us to the topic of lives versus livelihood debate. Was the government right in lifting the movement control order from June 1, at a time when the caseload and death toll was escalating?

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Form taskforce to monitor delivery of stimulus packages

CPD, expert say

STAR BUSINESS REPORT

A multi-stakeholder taskforce should be formed to monitor the delivery of the Tk 101,117 crore stimulus packages in order to avoid misuse and leakage, a think-tank and an expert said yesterday.

The taskforce should have representatives from the ministries, the central bank, commercial banks, trade bodies, civil society, non-government organisations and academia, the Centre for Policy Dialogue (CPD) said.

The idea of the think-tank was backed by Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

CPD's ASSESSMENT OF STIMULUS PACKAGES

BY THE NUMBERS

- **30** lakh workers opened MFS accounts as of May 2
- Most loans were disbursed by May 15
- **37** banks claimed Tk **2,566.2**cr under stimulus packages as of May 2
- **2,132** garment factories applied for Tk **3,343** cr as
- **95**pc workers interviewed received wages digitally

"A monitoring committee has to be set up to look at who is getting how much. It has to be ensured that excessive loans are not given to anybody or any group that will undermine the recovery effort," Mansur said.

Bangladesh Bank has separate teams to monitor the implementation of the stimulus packages, said Lila Rashid, a general manager of the central bank.

They spoke at a virtual dialogue on "Responding to COVID-19: A Rapid Assessment of Stimulus Packages and Relief Measures organised by the CPD.

The CPD carried out a rapid assessment of various government initiatives that have been announced to stimulate the economic activities and provide relief for the marginalised sections of the society.

In a paper, it said lack of fiscal space has compelled the government to offer mostly liquidity support instead of fiscal stimulus to mitigate the adverse impacts of Covid-19.

In general, the nature and design of the liquidity support packages have three main characteristics. Firstly the greatest amount of liquidity support is offered to the least vulnerable and secondly the most stringent

requirements and regulations are applicable to the most

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Fresh orders for apparel plunge 45pc

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REFAYET ULLAH MIRDHA

The inflow of new work orders to Bangladesh's garment sector from international retailers and brands for June is 45 per cent lower than that a year ago as demand is yet to pick up in the western markets because of the coronavirus pandemic.

"New orders are being issued but they are at least 40 per cent to 45 per cent lower compared to last year's," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

So far, after intense negotiation with the buyers, a portion of the \$3.15 billion worth work orders that were cancelled due to the Covid-19 pandemic have been reinstated.

"Finally, the local garment industry will have to face damages amounting to \$5 billion," said Huq. "So, we will continue to try and push the buyers for payments.

At the factory level, suppliers are getting muted assurance from buyers on the payment even though retailers are reopening stores in the EU and the US, the two biggest destinations for Bangladeshi garments.

Suppliers are facing two main challenges from the buyers on payment: unusual deferred payment and discount.

The buyers are demanding even 180 to 220 days deferred payment although they primarily agreed to pay the money within 90 days. So, the reinstatement of the payment of the remaining work orders would be delayed.

"My buyers demanded 5 per cent to 10 per cent discount and a long-deferred payment. I am hopeful that I can settle the payment with my buyers," said Vidiya Amrit Khan, deputy managing director of Desh Garments.

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Garment workers make protective suits at a factory in Dhaka amid concerns over the spread of the coronavirus.

Seven new sectors may get tax holiday

STAR BUSINESS REPORT

The government may extend tax holiday benefit to seven new sectors from the next fiscal year to encourage expansion of manufacturing activities, said an official of the finance ministry.

Transformers and nanotechnology-based manufacturing are likely to be two of the new sectors.

"The tax benefit may be given for a period of 10 years and the rate of tax to be reduced gradually to be fully phased out on the 11th year," said the official on condition

Currently, the government offers tax exemptions for periods of five to 10 years, depending on the location of the factories to be set up by entrepreneurs.

Some 26 industrial sectors such as manufacturing of active pharmaceutical ingredients, agriculture machinery, automobile, computer hardware, tyre and textile machinery get the privilege.

Investors will be able to reap the advantage of establishing such industries between July 1, 2019 and June From this fiscal year, the National Board of Revenue

(NBR) extended tax break to six sectors to encourage manufacturing of goods namely mobile phone, home appliances, LED television, toys and recycling of plastics. Other sectors that will become eligible for tax

exemptions are likely to be announced by Finance Minister

AHM Mustafa Kamal during the placement of the fiscal plans for the year 2020-21 tomorrow. He may also seek to extend reduced corporate tax benefits for garments and knitwear sectors for two years to 2022 as the existing benefit will expire on June 30 this year,

according to the NBR. Apparel makers, who account for more than 80 per cent of the country's export earnings, currently enjoy 12 per cent corporate tax on incomes, nearly three times less than the current corporate tax of 35 per cent for non-listed

The rate of corporate tax is 10 per cent for holders of green building certificates.

Exporters may also face 0.5pc tax at source of their export earnings from the next fiscal year as the existing 0.25pc tax benefit is set to end this fiscal year, said the official.

Income tax law stipulates that exporters pay 1 per cent source tax on proceeds of their exports. But the NBR cut the rate through notifications on several occasions during the past two years in the face of demands from exporters. **READ MORE ON B3**

