

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX			MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.1%	▲ 0.11%	Gold ▲	Oil ▼	▲ 0.71%	▼ 0.58%	▲ 0.69%	▼ 0.24%	BUY TK	83.95	95.99	105.82
4,080.93	7,044.64	\$1,868.60	\$44.10	38,140.47	22,751.61	2,612.35	3,325.11	SELL TK	84.95	99.79	109.62
		(per ounce)						STANDARD CHARTERED BANK			



# BUSINESS

DHAKA FRIDAY JULY 24, 2020, SRABAN 9, 1427 BS ● starbusiness@thedailystar.net

## Budget deficit to go through the roof

REJAUL KARIM BYRON

Bangladesh's budget deficit may shoot to as high as 10 per cent of the GDP in the current fiscal year as the government would have to keep spending more to tackle the brunt of the coronavirus pandemic amid a drastic fall in revenue generation, the World Bank said.

The Washington-based multilateral lender has projected the fiscal deficit to increase to 7.9 per cent of the country's gross domestic product in fiscal 2019-20 and 10 per cent in fiscal 2020-21 for pandemic-related expenditure.

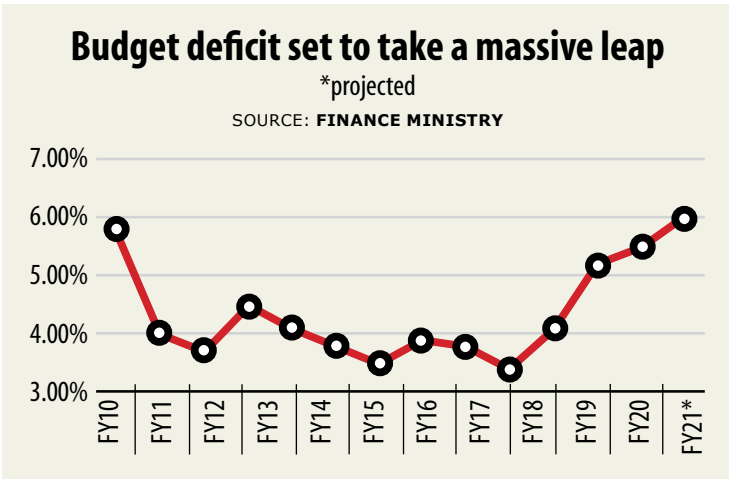
The government, however, says the budget deficit would be 5.5

per cent in fiscal 2018-19 and 6 per cent in fiscal 2019-20, from the historically comfortable level of 5 per cent maintained by the government.

The overall budget deficit will be Tk 190,000 crore in fiscal 2020-21, up from Tk 153,508 crore in fiscal 2019-20, according to official documents.

Recurrent expenditure is projected to rise sharply, as the government seeks to mitigate the fallout of coronavirus through interest rate subsidies, social protection and food aid schemes and fertiliser subsidies.

Low revenue mobilisation and higher spending on the coronavirus response is creating



the budgetary pressure for the country.

The government has unveiled various stimulus packages amounting to Tk 103,117 crore, which is 3.7 per cent of the country's GDP, to help people, businesses, entrepreneurs, farmers, industrialists and exporters counter the impact of the pandemic.

The stimulus packages are the second-highest among the peer

countries in Asia and the highest in South Asia.

Revenue collection dropped 2.26 per cent to Tk 218,406 crore in the just-concluded fiscal year against the revised target of Tk 300,500 crore.

This was the first-ever negative growth in Bangladesh's history.

Revenues underperformed owing to lower import tax collections, complex new VAT legislation and stagnating tax

administration reforms.

Bangladesh's revenue-to-GDP ratio is one of the lowest among comparator countries.

Efforts to increase low tax revenue collection, including the launch of the modernised VAT in fiscal 2019-20, have so far not been successful with lower preferential rates of the indirect tax applied to many items.

In fiscal 2019-20, the situation became more challenging even before the outbreak of coronavirus. Between July last year and January this year, revenue increased only about 2 per cent.

Expenditure dropped along with earnings, helping the government keep the deficit at 5.5 per cent.

For example, the government managed to spend Tk 161,000 crore of the annual development programme against the revised target of Tk 192,921 crore in fiscal 2019-20.

The figure may even go down further when the Office of Comptroller and Auditor General releases the final calculations.

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## BATBC stands tall when most make steep fall

AHSAN HABIB

British American Tobacco's profit grew a whopping 69 per cent in the second quarter of 2020 on the back of lower operating costs whereas most companies bled because of the coronavirus pandemic.

Operating expenses were Tk 35.8 crore in the April-June quarter, down 84.2 per cent from a year earlier.

Subsequently, earnings per share of the multinational company rose to Tk 16.48 from Tk 9.73 during the same three-month period a year earlier.

In the first half, the EPS had risen to Tk 33.35 from Tk 21.17 during the same period of in 2019.

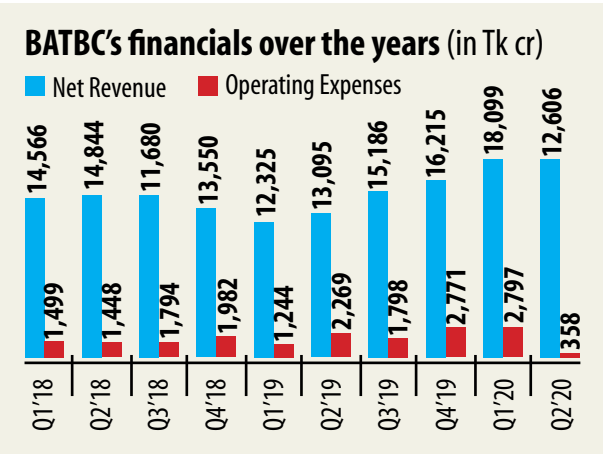
"Many of our operations were shut in the second quarter due to the pandemic, which brought down the operating costs," Md Azizur Rahman, company secretary of BATBC, told The Daily Star yesterday.

"But we will have to spend money in the next quarters, so our operating costs will not be too low come the end of the year."

The company's profit rose sharply at a time when most of the companies in Bangladesh had been in the red because of the pandemic.

For example, most banks' operating profits declined 20 to 30 per cent in the first half because of the depressed economy.

The cigarette maker's operating expenses came in at Tk 279.7 crore in the first quarter. So, the total half-yearly operating expenses were supposed to be Tk 315.5 crore. However, the half-yearly report showed it to be Tk 260.5 crore.



In the first quarter, some costs had been mistakenly shown under the operating cost head, which should have been shown under the cost of goods sold segment, Rahman said.

"It has been adjusted in the second quarter. However, it did not affect the profits," he said, adding that the adjustment is legal under accounting standards.

Despite the higher profit, stock investors were not excited about the shares of British American Tobacco yesterday. Its stocks were unchanged at Tk 907.6 on the Dhaka Stock Exchange (DSE).

The higher EPS was driven by higher sales volume and deferral of major initiatives to the second half due to the pandemic along with lower interest expenses, the company said in a posting on the DSE.

The company's net interest expense more than halved to Tk 8.10 crore in the first half from a year earlier.

The EPS, however, slid in the last two years as it provided stock dividends, which squeezed its capacity to pay reward the investors, said a top official of an asset management company.

In 2017, it was Tk 130, according to the DSE. It announced a 200 per cent stock dividend for 2018. The EPS dropped to Tk 51.37 in 2019 because of the increase in the number of shares.

It announced a 400 per cent cash dividend in 2019, 500 per cent in 2018 and 600 per cent in 2017.

Still, the stock has fallen more than 80 per cent in the last two years. This is because the government imposed a higher tax on the lower segments of cigarettes in fiscal 2019-20 that hit its profits, the asset manager said.

The sales growth was as usual in the first quarter that contributed to the higher revenue in the first half. Sales in the second quarter were lower because of the interruption caused by the pandemic to the supply chain, said an official of the company.

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## Exporters get yet another shot in the arm from govt

### BB sanctions low-cost fund for paying July's wages

AKM ZAMIR UDDIN and REFAJET ULLAH MIRDHA

The government yesterday gave yet another stimulus package worth Tk 3,000 crore for the export-oriented industries to help them provide wages and salaries to their workers for July.

This is the third stimulus package for the export-oriented industries, which are now actively running their units, since March.

The development comes after the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), whose members generate most of the export receipts, jointly wrote to Finance Minister AHM Mustafa Kamal on June 22 seeking

continuation of low-cost loans for three more months to September.

Garment factory owners are in deep worry about carrying out various activities, the future of the industry and how to pay wages to the workers, said the joint letter, which was also sent to the prime minister's principal secretary.

"As a result, it would not be possible for most garment factory owners to pay wages to workers for July, August and September," the letter said, adding that the initial stimulus package had helped the garment sector withstand the crisis brought on by the global coronavirus pandemic.

Garment factories in Bangladesh faced order cancellations or suspensions worth more than \$3 billion since the pandemic

took form. Subsequently, earnings from apparel shipments in the immediate past fiscal year fell to its lowest in a decade of \$27.83 billion. The amount is 18.45 per cent lower than in fiscal 2018-19.

It may take up to eight months to get the payment for the shipments already made. But the workers have to be paid to keep factories up and running to execute the current shipments and make the delivery for the orders coming in, the two trade bodies said.

Subsequently, the finance ministry on Wednesday asked the central bank to provide the additional fund to the export-oriented industries, which are dominated by garment factories.

Accordingly, the central bank yesterday

sent a letter to 47 banks to release the fund from the stimulus package for the large borrowers in the industrial and service sectors. The package's allocation was raised to Tk 33,000 crore from Tk 30,000 crore for this end.

Borrowers will have to pay 4.50 per cent interest rate to avail the fund while banks will get 9 per cent interest as the government will give the rest as subsidy.

Banks will be permitted to take up 50 per cent fund from the central bank's refinace scheme to provide the credit to the export-oriented industries smoothly.

Borrowers will have to pay the loans within two years including a grace period of six months.

READ MORE ON B2

## BB announces credit guarantee scheme for small enterprises

### Gives vital lifeline to micro, small entrepreneurs struggling to get financing amid banks' reluctance

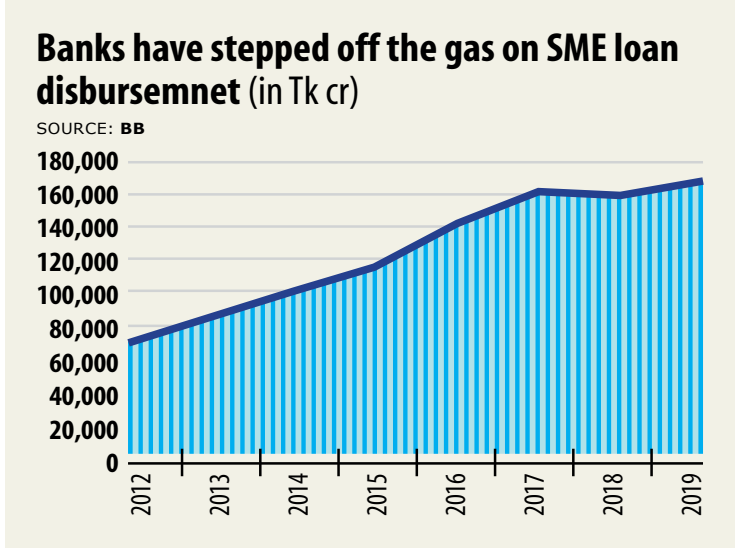
AKM ZAMIR UDDIN

The central bank yesterday decided to introduce a credit guarantee scheme for the micro and small enterprises, the first of its kind in the country, giving a much-needed lifeline to the SME sector struggling to stay afloat.

The board of the Bangladesh Bank approved the scheme worth Tk 2,000 crore for the entrepreneurs in the cottage, micro and small (CMS) sector to help them tackle the ongoing crisis brought on by the coronavirus pandemic.

The scheme will initially give coverage to the fund, which is being disbursed from the stimulus package of Tk 20,000 crore for the SME sector.

"The credit guarantee will certainly give a boost to the overall



SME sector," said Abu Farah Md Naser, an executive director of the central bank.

A credit guarantee scheme provides a third-party credit risk mitigation to lenders through

the absorption of a portion of the lender's losses on the loans made to SMEs in case of default, typically in return for a fee.

Banks will get 80 per cent coverage of a credit given to an individual or a company. This means banks will avail the fund from the scheme if loans go sour.

The scheme will help make the stimulus package for the SME sector vibrant, said a central bank official said.

Under the package, funds will be given at 9 per cent interest rate to borrowers. Of the interest rate, 4 per cent will be borne by the borrowers and 5 per cent by the government in subsidies.

Also, the central bank will provide half of the Tk 20,000 crore stimulus package to cash-strapped banks so that they could give out the loans smoothly.

READ MORE ON B3

## Eid-ul-Azha primed to flood the country with rawhide

REFAJET ULLAH MIRDHA

Risk looms large of a recurrence of last year's discarding of rawhides en masse during Eid-ul-Azha in Bangladesh this year for a low injection of funds in the sector and a lack of preparedness of both the government and traders.

In a countermeasure, the government plans to allow export of wet blue or leather that is halfway through processing.

Last year, nearly one crore pieces of rawhide worth Tk 100 crore were thrown away by citizens who sacrificed animals alongside small seasonal traders as they deemed the prices to be too low.

The other factors such as hot and humid weather conditions and the ongoing pandemic will also affect rawhide business during this Eid, scheduled to be celebrated on August 1.

Of the rawhide annually produced in Bangladesh, half comes during Eid-ul-Azha.

Moreover, old stocks of unsold leather, a fall in demand from international retailers and a yet-to-function central effluent treatment plant (CETP) in Savar Tannery Industrial Estate (STIE) will cause severe detrimental effects, said exporters, experts, traders and tanners.

Bangladeshi tanners and exporters have to make do with prices 40 per cent below the international rate as the country's tanneries do not have a much-needed international certification of Leather Working Group (LWG).

As a result, most of the non-compliant tanneries at the STIE have had to make China their major export destination.

Demand from China also fell drastically because of its trade war with the US, the effects of which also fell on Bangladeshi leather businesses.

Usually, Chinese companies import Bangladeshi leather to process it in their factories and then export to European and American markets.

Experts suggested that the government allow the export of wet blue to create demand at the field level so that citizens can get proper prices.

Usually, seasonal middlemen collect the rawhide at very low prices from ordinary citizens who sacrifice animals and sell those to merchants, who then sell to tanners.

The traditional and seasonal rawhide businesses in Bangladesh are highly monopolised by syndicates of seasonal traders, merchants and tanners. As a result, citizens

who sacrifice the animals have been deprived of proper prices for over decades.

"This year, we are fearing more trouble than last year as we did not get any fund from the



MD QUAMRUL ISLAM RUBAIYAT

**Only a week is left for the upcoming Eid-ul-Azha, but cattle traders in Thakurgaon and Panchagarh are still struggling to get customers for the animals they put up for sale. The photo was taken in Thakurgaon on Wednesday.**

The century-old platform of rawhide traders is based in Dhaka's Posta, Bangladesh's biggest trading hub of rawhide that has been treated with salt. The other large hubs are situated in Chattogram, Natore, Palashbari, Tangail, Mymensingh and Jashore.

The merchants have traditionally supplied rawhide to tanners on credit. The tanners pay a significant amount of the arrears ahead of Eid.

The merchants lend money to regionally functioning traders, who provide the same to seasonal traders for the collection of rawhide from citizens around the country.

So the fund has a trickle-down effect, meaning if tanners do not have funds in their hands, the whole business does not take place, which was evidenced last Eid, said Ali Hossain.

Since 1990, merchants are owed as much as Tk 500 crore by the tanners.

Over the years, many small and medium merchants passed away and their businesses collapsed due to mismanagement in this business.

"Many merchants became bank defaulters as the tanners did not pay the arrears," the third-generation rawhide trader of Posta told The Daily Star.

READ MORE ON B3



# Jobless and desperate: the post-lockdown reality for many

AFP, Paris

Many workers' lives have been abruptly upended by the coronavirus pandemic, as job losses in tourism, air travel, food and drink or other industries hit those both on fixed contracts and in the informal sector.

From employees making a comfortable living, to others just scraping by, people around the world are confronting anxiety over how to feed their families and shame at being forced to seek handouts amid growing poverty.

The IMF says that world GDP is set to plunge 4.9 percent this year from the crisis sparked by the global pandemic, and warns that low-income households and unskilled workers are most affected.

AFP met people in France, Mexico, Ukraine, Spain, Colombia and the United States, who already are, or fear they soon will be, without work and spoke of their despair, sacrifices, dashed hopes and fears for the future.

Plunged into precariousness - "I've slipped into a state of insecurity," says Frenchman Xavier Chergui, 44, who for 10 years has been a temp maitre d', filling in at Paris restaurants when they were short staffed.

The married, father of two made a monthly 1,800-2,600 euros (\$2,062-2,978), and in a really good month could sometimes earn 4,000 euros.

But as soon as France locked down, the work stopped and the family is surviving on state aid of 875 euros.

He hasn't been able to meet his monthly rent of 950 euros since

March, nor the electricity bill for three months.

Although he's managed to keep up his 250-euro car loan repayments, the family's holiday in the south west is now off the cards, he said.

"We've lost everything... Psychologically you have to cope with it," he told AFP. But his wife is suffering from depression and he is just holding out for September when he hopes business will resume -- virus permitting.

With dreams of becoming a pilot, 26-year-old Colombian Roger Ordonez had been working as a flight attendant for Avianca since 2017 but studying to get his wings. "You get used to a certain lifestyle because you have a good salary and you can travel," he said.

# Govt will go to great lengths for more Japanese investment

FROM PAGE B4

"Our economic zones give you the infrastructural support you need, both on and off-site, at very competitive land prices compared to neighbouring countries," said Bangladesh Economic Zones Authority's (BEZA) Executive Chairman Paban Chowdhury.

A 1,000-acre economic zone to be exclusively used by Japanese firms is being developed in Araihasar upazila of Narayanganj, which is Bangladesh's first ever economic zone under the government-to-government initiative.

Chowdhury also mentioned the fiscal and non-fiscal incentives on offer and highlighted other proactive measures such as the establishment of skills development centres at economic zones.

The total value of money expected to be invested in just three of the economic zones amounts to nearly \$17 billion, of which \$8 billion will come from foreign investment in manufacturing, he said while quoting UNCTAD.

"But beyond incentives, what is also very important is our non-stop commitment, service delivery mechanism and the speed with which we respond to issues raised by investors," Chowdhury added.

"The Bangladesh market is a strategic priority for Honda," said

Yuichiro Ishii, CEO and managing director of Honda Bangladesh, which established its first factory in the country back in 2018.

"Despite the Covid-19 pandemic, the demand for motorcycles has gone up and so have our sales and shares. Beyond export, the potential of the Bangladeshi domestic market is too big to miss," he added.

An official of the Marubeni Corporation, operating in Bangladesh since 1950s, discussed the company's profitable ventures in textile, infrastructure and fertilizer.

Marubeni's General Manager Hikari Kawai highlighted the effectiveness of joint platforms such as the Japan-Bangladesh Joint Public Private Economic Dialogue, Japan Bangladesh Society and the Japan Bangladesh Chamber of Commerce and Industry (JBCCI).

"The careful attention provided to Japanese investors and quick disposal of issues cannot be expressed in numbers," said Kenta Ono, assistant general manager of Sumitomo Corporation, which is developing the Japanese economic zone at Araihasar.

The macroeconomic stability and diligence of Bangladeshi people cannot be understated, he added.

Ono advised prospective investors to utilise the services of BIDA and

BEZA as their entry points.

The views shared through this initiative are evidence of Bangladesh's readiness as a market, said Zuena Aziz, principal coordinator (SDG affairs) of the Prime Minister's Office, in her concluding remarks.

"It was a pleasure to learn more about the experiences of Japanese businesses operating in Bangladesh. We have taken detailed notes of all your suggestions and we will speedily respond and resolve all issues," Aziz said.

There is a special appreciation for Japanese innovation and tech-driven solutions in Bangladesh, said Wendy Werner, country manager of IFC (Bangladesh, Bhutan and Nepal).

The ground for investment is also paved well with strong ties based on diplomacy and economic cooperation and IFC will continue to support private sector development in Bangladesh, as it is one of the world's most promising emerging markets, she said.

Bangladesh is not only a gateway to South Asia, but also to Southeast Asia, said Hayakawa Yuho, chief representative of JICA Bangladesh.

"It is the fastest growing economy in the Asia-Pacific region. We have witnessed Bangladesh's commitment and it will be the new frontier for Japanese investment," Yuho added.

# Some thoughts on Bangladesh Bank's next monetary policy statement

FROM PAGE B4

**WHAT IS THE OUTLOOK FOR RESERVE BUILD UP AND WHAT IS ITS IMPLICATIONS FOR LIQUIDITY MANAGEMENT AND DOMESTIC INFLATION?**

In my view, Bangladesh has an opportunity to build up reserves, if possible, up to \$0.5-\$1.0 billion per month for the next six months.

This process of accumulation will inject an additional Tk 30,000-50,000 crore liquidity to the economy.

That would be a large amount and together with the planned refinancing facility will go a long way towards alleviating the liquidity problem and deposit growth of the banking system.

My personal feeling is that inflows of remittance will nose dive after a few months once the transfer of savings by the returning workers is completed.

Many workers in Saudi Arabia and other Gulf countries are without jobs and are sending their savings.

Nobody has gone outside Bangladesh as workers after February and the outlook for the coming months is quite grim.

So we have to protect our reserves for the days when domestic demand will pick up and imports will get back to its normal growth path.

Remittances may not be available in abundant quantities at that time.

I do not believe that liquidity expansion through reserve build-up will fuel inflation under current circumstances.

There will be no need for mopping up operations through the issuance of BB bills.

prudential conditions like credit reserve ratio, loans-deposit ratio and so on any further.

The central bank should prepare a contingency plan for merger, acquisition and liquidation of weak banks. It should have a strategy for dealing with massive delinquency of banks and non-bank financial institutions.

I do not support the public sector asset management company in a country like Bangladesh with serious governance problems.

This will simply allow private and public sector banks and financial institutions to dump their bad assets to this institution at inflated recoverable asset values and the government and citizens will be carrying the liabilities of the bad assets forever.

Instead, the BB should urge the finance ministry to create a regulatory framework for establishing private sector asset management companies and the financial institutions should deal with the private asset management companies without any risk/liability to the public sector.

The BB should look into the problems seriously if it wants the credit to be disbursed to the CME sector expeditiously.

**STIMULUS PACKAGE AND ITS CLOSE MONITORING**

I welcome the initiative by the BB to put pressure on the banks to disburse most of the stimulus package related loans to affected companies within August.

While this timeframe is indicative, the BB should put in place a monitoring cell with representatives from the finance ministry, banks and the relevant sectors.

The committee should meet with sector representatives and banks every week to monitor the flow of loans based on daily reporting by banks in prescribed formats.

A progress report should be prepared by the monitoring cell and disseminate that to the stakeholders along with media every two weeks.

The progress report should review the performance of each bank by sector (SME, agriculture, large industries etc.) and also identify the impediments, if any, based on stakeholders' consultations or inputs.

The monitoring cell should also help identify whether the allocated funds are adequate for the demands of the sectors and make recommendations in this regard.

The sectoral allocations announced should be seen as starting points and the endpoints should be determined based on sectoral demands and the state of recovery of the economy and the sector.

**WHAT NEEDS TO BE DONE BY THE REGULATOR REGARDING SME LENDING?**

SME sector needs special attention in every country. In Bangladesh, we made SME lending virtually impossible due to the 9 per cent cap on the lending rate, with a de facto 6 per cent cost of fund.

The 3 per cent spread is not at all attractive enough for banks to lend to the SME sector, give the risks associated with such lending and the high cost of administration in managing such portfolios.

The BB has finally agreed to reduce the partial risk guarantee for SME loans at a fee of 0.5 per cent (from the originally proposed 2 per cent). This is welcome.

I believe, in this moment of crisis, more should be done to promote SME lending.

Either the BB can allow the lending cap for SMEs to be increased to 12-13 per cent or provide subsidy to the financial institutions for SME sector lending in the amount of 3-4 per cent per annum. The subsidy could come from the finance ministry or the BB itself.

Similar issues exist with regards to cottage and micro enterprise (CME) lending through microcredit institutions.

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**AUTOMATION OF BB AND THE BANKING SECTOR**

Finally, I would request the BB to take the opportunity of the pandemic to move fast towards paperless banking transactions and operations.

All submissions to the BB should be mandated to be done electronically and the authorities should prepare the BB infrastructure and staff accordingly.

There is no reason for banks to submit bundles of papers to the BB regularly.

The BB should set a target for making all banking-related transactions in the paperless form within three years and force all banks and the central bank staff to undertake necessary preparations in that regard.

# Exporters get yet another shot in the arm from govt

FROM PAGE B1

Things are looking up for the apparel sector though.

In June, the final month of the immediate past fiscal year, the earnings were \$2.12 billion, according to data from the Export Promotion Bureau. June's earnings were 11.43 per cent lower than a year earlier but up 72.4 per cent from the previous month as economies in the Western world gradually opened up.

This could be why the finance ministry has held back from ceding the apparel exporters' latest demand for another round of financing in its entirety.

On the eve of Bangladesh embarking on a countrywide shutdown on March 26, the government announced a Tk 5,000-crore special package to pay the wages and allowances of export-oriented industries' workers for three months starting from April.

As the fund was later found to be inadequate, the government released another Tk 2,500 crore from the bailout package rolled out for the large industries affected by the pandemic.

Banks disbursed the amount directly to the workers' bank accounts or mobile financial service accounts.

The interest-free loan carried a 2 per cent service charge.

Two managing directors of banks preferring anonymity said they had already taken the required measures to implement the central bank's instruction.

Banks will release the funds in the quickest possible time, they said.

"We are hopeful that the commercial banks will start disbursing the salary to the workers' accounts soon as the government has set July 30 as the deadline for payment of salary to workers," said Khan Monirul Alam Shuvo, chairman of PR Standing Committee of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

If the workers get the salary from the banks timely, it is expected that the factory owners will also pay the workers' Eid festival allowance from their own funds timely.

The government asked the factory owners of 42 sectors including garment sector to pay the festival allowance by July 27.

Mohammad Hatem, vice-president of BKMEA, is also hopeful that the workers will get the salary timely as the government gave another stimulus package.

# FTA with Bhutan within a month: Munshi

FROM PAGE B4

Referring to Japan's decision to move a number of its companies away from China, Munshi said that now is as good a time as any for Bangladesh to expand its reach in the international market.

A taskforce led by the incumbent commerce secretary has been formed to ensure the quick implementation of the government's decisions amid the ongoing pandemic, he added.

Although he hopes that the Covid-19 crisis will abate by the end of the year, the pandemic could provide Bangladesh with great opportunities in domestic and international trade, according to Munshi.

Meanwhile, Shams Mahmud, president of the Dhaka Chamber of Commerce and Industry (DCCI), urged the government to update policies related to foreign direct investment (FDI) in a bid to attract more financing in the post Covid-19 era.

Diversifying the country's exports is not possible without the government's support in the light engineering sector, Mahmud added. Former DCCI president Abul Kashem Khan stressed the need to conduct research on how to remove the weaknesses of FDI generation and export diversification.

He also said world trade will witness massive changes after the end of the Covid-19 pandemic.

"We need to stop over-relying on China for raw materials for the export sector," he said.

Mohammad Abdur Razzaque, chairman of RAPID Bangladesh, in a presentation said the actual impact of the pandemic on Bangladesh's GDP is not clear yet while economic disruptions have led to various socio-economic consequences.

According to him, though exports were badly hit, June's export earnings were much higher than anticipated.

Fiscal 2019-20 was particularly a usual year for Bangladesh's exports, he added.

As of total economic losses in terms of value-addition, Razzaque said \$9 billion to \$21 billion could be lost by June 2020.

The Covid-19 fallouts have cost the world economy \$3.8 trillion, or 4.3 per cent of total global GDP of \$88 trillion.

ERF President Saif Islam Dilal presided over workshop while M Abu Eusuf, executive director RAPID, and Kazi Faisal Bin Seraj, country representative of Asia Foundation, among others, spoke at the event conducted by ERF General Secretary SM Rashidul Islam.



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[www.epb.gov.bd](http://www.epb.gov.bd)



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**Notice**  
**CIP (Export)-2021 and National Export Trophy 2019-2020.**  
Export Promotion Bureau invites applications from Bangladeshi exporters and exporting companies for selection of CIP (Export)-2021 and awarding National Export Trophy for the year 2019-2020 respectively.  
02. CIP (Export) and National Export Trophy will be product and service-specific. According to the concerned policy guideline all products and services have been categorized into 22 sectors for CIP (Export) and 32 sectors for National Export Trophy:  
**CIP (Export)-2021(Product & Service sectors including sectaries required minimum export earnings in2019-2020 for application):**  
(1) Raw Jute (US\$ 1.5 Mn), (2) Jute goods (Jute Yarn & Twine, Jute Carpet, Jute Manufacturing) (US\$ 1.5 Mn), (3) Leather (Crust/Finished) (US\$ 1.5 Mn), (4) Leather Goods (Lather Footwear, Bag, Wallet, Belt, Jacket etc.) (US\$ 1.5 Mn), (5) Frozen Foods (US\$ 1.5 Mn), (6) Tea (US\$ 1.5 Mn), (7) Woven Garments (US\$ 1.5 Mn), (8) Agriculture Products (Vegetable, Fruits, Betel Leaf, Potato & Others) (US\$ 0.15 Mn), (9) Agro-processing (Processed Jam, Jelly, Pickle, Spices, Chips, Beaten Rice, Puffed Rice etc.) (US\$ 0.15 Mn), (10) Light Engineering Products (US\$ 0.15 Mn), (11) Pharmaceutical Products (US\$ 1.5 Mn), (12) Handicrafts (US\$ 0.15 Mn), (13) Specialized Textiles/ Home Textile (All kinds of Towels, Bath-robe, Door Curtain, Cushion Cover, Bed Sheet, Bed Cover, Pillow Cover etc.) (US\$ 1.5 Mn), (14) Knit Garments (US\$ 1.5 Mn), (15) Ceramic Tableware/Other Ceramic Product (US\$ 1.5 Mn), (16) Plastic Product (US\$ 0.15 Mn), (17) Melamine Product (US\$ 0.15 Mn), (18) Textile Fabrics (US\$ 1.5 Mn), (19) Computer Software, Computer Services, Data Processing etc (US\$ 0.15 Mn), (20) Ship (US\$ 1.5 Mn), (21) Furniture (US\$ 1.5 Mn) and (22) Miscellaneous (Electrical Appliances, Jewelry, Cotton Yarn, Hat & Cap, Toiletries, Artificial & Natural Flower & Others) (US\$ 0.15 Mn).  
Exporting company will be an eligible applicant for CIP (Export) which has an export earnings (Million US Dollar) mentioned against the product.  
**National Export Trophy 2019-2020 (Product & Service sectors including sectaries required minimum export earnings in2019-2020 for application):**  
(1) Readymade Garments (Woven) (US\$ 28 Mn), (2) Readymade Garments (Knitwear) (US\$ 24 Mn), (3) All Categories of Yarn (US\$ 10 Mn), (4) Textile Fabrics (US\$ 10 Mn), (5) Home and Specialized Textiles (US\$ 20 Mn), (6) Terry towel (US\$ 05 Mn), (7) Frozen Foods (US\$ 10 Mn), (8) Raw Jute (US\$ 05 Mn), (9) Jute goods (US\$ 10 Mn), (10) Leather (Crust/Finished) (US\$ 10 Mn), (11) Leather Goods (US\$ 02 Mn), (12) Footwear (all kinds) (US\$ 04 Mn), (13) Tea (US\$ 02 ml Mn), (14) Agricultural Products (except tobacco) (US\$ 01 Mn), (15) Agro Processing Products (except tobacco product) (US\$ 01 Mn), (16) Flower & Foliage (US\$ 01 Mn), (17) Handicrafts (US\$ 0.25 Mn), (18) Melamine (US\$ 02 Mn), (19) Plastic Products (US\$ 02 Mn), (20) Ceramic ware (US\$ 03 Mn), (21) Light Engineering Products (US\$ 1.50 Mn), (22) Electric & Electronic Products (US\$ 1.50 Mn), (23) Ship (US\$ 30 Mn), (24) Other Industrial Products (US\$ 02 Mn), (25) Pharmaceutical Products (US\$ 02 Mn), (26) Computer Software (US\$ 02 Mn), (27) 100% Bangladeshi Ownership (C' category) Readymade Garments (Woven & Knitwear) Industry of Bangladesh Export Processing Zone (US\$ 30 Mn), (28) 100% Bangladeshi Ownership (C' category) other products & Service Sectors of Bangladesh Export Processing Zone (US\$ 10 Mn), (29) Packaging and Accessories Product (US\$ 04 Mn), (30) Other Primary Product (US\$ 0.50 Mn), (31) Other Service Sector (US\$ 02 Mn) And (32) Reserved for Women Entrepreneurs/ Exporters involved in products & services manufacturing and trading (US\$ 0.50 Mn).  
Exporting company will be an eligible applicant for National Export Trophy which has an export earnings (Million US Dollar) mentioned against the product.  
03. The prescribed pro-forma are available at Export Promotion Bureau's Website ([www.epb.gov.bd](http://www.epb.gov.bd)). Bureau's Head Office at Commodities Division in Dhaka, Regional Offices at Chittagong, Khulna, Rajshahi and Branch Offices at Cumilla, Sylhet and Narayanganj as well as offices of The Federation of Bangladesh Chambers of Commerce and Industry, Bangladesh Chamber of Industries, Metropolitan Chamber of Commerce and Industry, Dhaka Chamber of Commerce and Industry and Divisional Chamber of Commerce and Industry Chittagong, Khulna, Rajshahi, Barisal, Sylhet and Rangpur. Prescribed Pro-forma may also be obtained from Export related Product Associations of Bangladesh. Exporters of 'C' category of all Export Processing Zones may apply in the prescribed pro-forma available at Bangladesh Export Processing Zone Authority (BEPZA), Dhaka including the mentioned offices of EPB, Chambers and Product Associations. Application Form will be available and to be submitted from 1<sup>st</sup> August, 2020 to 31<sup>st</sup> August, 2020 during office hour.  
04. The intending applicant should submit certified copies in support of payment of their taxes from concerned tax offices and also certified copy(s) issued by the concerned Commercial Banks) in favor of the applicant who had not been declared as defaulter up to last year.  
05. The exporting company under group may apply citing export income, name of the product and other related information of individual units of the group along with incorporation certificate.  
06. Application has to be submitted product wise, if any unit deals with more than one product.  
07. To treat the Export earning figures as authentic and final as provided by the True Single Source in the Online Export Monitoring System of Bangladesh Bank.  
08. Application for CIP (Export)-2021 and National Export Trophy 2019-2020 to be submitted separately as per prescribed pro-forma. Application in prescribed pro-forma duly filled in and signed and must reach in Export Promotion Bureau to the undersigned on or before 31<sup>st</sup> August, 2020. No application will be accepted after 31<sup>st</sup> August, 2020. For more information, please contact with the Export Promotion Bureau.  

**Md. Faizul Hoque**  
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**ABA Shahid Ud Daula, executive director of Eon Foods Ltd; Monir Hossain, head of business, and Deen Mohammad, chairman of Gulshan 1 DNCC Raw and Super Market Traders Cooperative Society Ltd, attend the launch of the supply of dried chicken (broiler), at the broiler chicken shop at Gulshan 1 DNCC market in Dhaka.**

EON FOODS

## BB announces credit guarantee scheme for small enterprises

FROM PAGE B1

Lenders will have to bear a 1 per cent charge as registration fee to the credit guarantee scheme. The central bank has also fixed an annual charge for lenders.

Banks, whose default loans are more than 10 per cent, will not be allowed to enjoy the support from the scheme. The provision will not be applicable for the eight state-run banks.

Banks, whose default loans are below 5 per cent, will have to give 0.50 per cent commission to the central bank.

Lenders with bad loans ranging from 5 per cent to 10 per cent would have to pay 0.75 per cent.

Banks will not keep any provisioning against their loans covered by the scheme titled Credit Guarantee Scheme for CMS.

They can consider a client to be under the cottage category when they borrow less than Tk 10 lakh, as micro when they take Tk 10 lakh to less than Tk 75 lakh and as small businesses in

case of borrowing of Tk 75 lakh to Tk 15 crore.

The scheme would gradually be widened and bring all types of SME loans under the scheme in phases, Naser said.

He went on to express hope that the initiative would help revive the SME sector from the ongoing pandemic.

"This is a time-befitting initiative beyond doubt," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

"The credit guarantee scheme will give a tempo to the entire SME sector. And banks will show their interest in giving out loans," he added.

Public credit guarantee schemes are a common form of government intervention to unlock finance for SMEs, according to a World Bank report. More than half of the countries in the world have CGS for SMEs and the number is growing, it said.

For instance, the Indian government provided a credit guarantee of Rs 3 lakh crore for the SME sector in May to fight the ongoing economic fallout.

It introduced the scheme in 2000.

Small businesses have been hit particularly hard by the pandemic, which has threatened the existence of 2.5 million SMEs in Bangladesh.

The SMEs employ 40 per cent of the labour force with a GDP contribution of 25 per cent, according to the International Labour Organisation.

This prompted economists to advocate for a credit guarantee scheme for SMEs since the pandemic hit the country in March.

One of them is Atiur Rahman, a former central bank governor. Last month, he said banks are worried about risk management, so they may not like to lend to new borrowers and would rather remain focused on existing borrowers.

The central bank should implement a credit guarantee scheme to help banks lend to the vulnerable CMSME sector, he said. The MSMEs should be given support because if they remain inactive for a long time because of the lockdown, 60 per cent would be out of business.

## Eid-ul-Azha primed to flood the country with rawhide

FROM PAGE B1

The number of merchants across the country has also halved over the years as people have been losing interest in this business.

Many lost their capital on failing to efficiently run their business. Only in Posta just 200 merchants remain active from nearly 600 five years ago, Hossain said.

Last year, the tanners agreed to pay a significant amount of arrears to the merchants, but nothing was done really, he said.

Previously, nearly 95 per cent of rawhides were sold through merchants across the country but now the figure has declined to 65 per cent as the tanners have started making purchases through appointed seasonal dealers.

He suggested that citizens apply salt on rawhides within five hours of the sacrifice to prevent the quality from deteriorating. The rawhide can be preserved for even up to one month if the salt is timely applied, he said.

"We are also in fund crisis now as the sales declined by 50 per cent due to lower export orders from China, the main export destination for Bangladeshi tanned leather," said Md Shaheen Ahmed, president of Bangladesh Tanners Association (BTA).

Last month, the tanners demanded that the government provide a Tk 500 crore emergency fund for purchasing the rawhides during upcoming Eid-ul-Azha but the government did not give it.

Bangladesh Bank only allowed the tanners to reschedule their previous loans worth Tk 2,600 crore with a 2 per cent down payment.

This is inadequate for increasing inflow of money in the sector in such a short time, Ahmed said.

Nearly 95 per cent of the Tk 2,600 crore loan has been classified since 1990.

Since the tanners are not capable of paying the merchants this year, the rawhide business will face the same fate as that of last year as the seasonal rural traders will not have adequate money to buy the hides from citizens, Ahmed said.

He does not support allowing the export of rawhide or wet blue, arguing that the government placed a ban on it in 1990 to enable more value addition and job creation in the local leather

and leathers goods industries.

Ahmed instead suggested that citizens preserve the rawhide with salt and have the patience for better prices to arise.

The tanners are overburdened with unsold stocks of tanned leather due to a slump in exports to Chinese buyers. Leather worth Tk 2,500 crore remained unsold in the factories, he said.

The ongoing pandemic and US-China trade war severely affected the sector, he said. Chinese customers reduced the import of leather as the US government increased tariffs on their goods to the American market.

Export of leather to South Korea, Spain and other destinations also declined for the pandemic. Moreover, compliant companies are not interested in buying leather from non-compliant factories, Ahmed added.

The government shifted the tanneries from the city's Hazaribagh to Savar in 2017 aiming to give a formal outlook to the leather sector which has already invested Tk 7,000 crore so far and employed nearly 50,000 workers.

But the newly established STIE could bring no good news for the leather business. The CETP is yet to be fully functional.

The same goes for three dumping yards designed under the STIE's solid waste management system although the projects had been taken up a lot earlier.

"I am hopeful that the construction of two solid waste stores will be completed by mid-August," said Jitendra Nath Paul, project director of the STIE.

Their construction was supposed to be completed a lot earlier but the deadline was extended due to delays in the release of funds and the pandemic.

"We are trying to improve the conditions of the STIE so that we can obtain the much required LWG certification at least in the silver category," said Paul, adding that an audit was ongoing for the submission of documents for obtaining the certification.

Currently, 130 out of 155 tanneries are in operation at the STIE, Paul also said.

Bangladesh needs to obtain 65 per cent of the total marks used in the LWG certification for obtaining that in the silver category.

Of a total of 1,365 marks, some 200 should

be obtained through compliance to standards by the government including ensuring the presence of a dedicated site for tanneries and the remaining 1,165 marks should be obtained by the tanners, Paul said.

However, most of the tanners are not yet ready to comply with the LWG standards.

Only two tanners at the STIE are nearly of LWG certification standards.

"We have been putting a lot of pressure on them but they have been giving excuses for not improving their standards," Paul said.

The tanners use a lot of water when washing the rawhide alongside a lot of gas and electricity and these are among some other issues that need to be improved soon for obtaining the LWG certification.

Until Bangladesh can obtain the LWG certification, the local exporters will not be able to avail premium prices on the export of leather, he said.

Regarding the excess use of water, Md Delwar Hossain, team leader of ETP Consultants, said they have been providing suggestions on reducing the consumption but the tanners do not pay heed.

The international standard for washing a tonne of rawhide is to use 15 to 30 tonnes of water. But in the absence of the technical know-how, Bangladeshi tanners end up using nearly 60 tonnes, one of the highest rates in the world.

This led to an overflow of wastewater at the CETP during the peak processing season in Eid, leading to polluting of a nearby river and the environment, said Hossain, who also teaches at the Bangladesh University of Engineering and Technology.

He suggested that the tanners reduce the water usage rate to 36 tonnes during Eid to prevent an overflow of wastewater in the CETP.

"We are working to complete the construction of two dumping yards for storage of solid waste," he said. He also blamed the pandemic and late fund transfers for the delay in construction.

He claimed that trials in June this year found the quality of the water treated at the CETP to be of an acceptable standard. So the pollution this time will be less if the tanners use less, he added.

The outlook for leather goods in the international market is also bleak because of

the pandemic, said Saiful Islam, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh.

Factories of the local exporters of leather and leather goods are currently running at 50 per cent capacity.

He, however, said the government this year set a target of exporting leather and leather goods worth \$920 million and leather footwear worth \$540 million.

Achieving it depends on the government's policy support and revival of the Western economy, he said.

Last fiscal year, the shipment of leather and leather goods and leather footwear were severely affected due to the pandemic.

Bangladesh exported leather and leather goods worth \$797 million in fiscal 2019-20, which was a 21.79 per cent decline year-on-year.

Meanwhile, leather footwear exports amounted to \$478 million, registering 21.24 per cent year-on-year fall, according to data from the Export Promotion Bureau.

Leather, leather goods and leather footwear are the second-largest export items after garments.

More than one lakh workers are employed in some 1,200 micro, small and medium leather and leather goods factories that have made investments of more than \$1 billion, Islam said. Of those, 200 are export-oriented ones.

"Leather goods are luxury items. The pandemic-hit consumers are buying basic items and less of luxury items. So our sales also dropped significantly," he told The Daily Star over the phone.

However, the markets of Bangladeshi leather and leather goods have increased over the years. Now, Bangladesh exports to the US, Japan, Australia and New Zealand. Previously, the main concentration was on European markets.

If Bangladesh can obtain the LWG certification, demand for those goods worldwide will soar, he said.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, suggested allowing the export of rawhide or wet blue so that the resources of the country are not wasted.

Otherwise, the government can also allow the

export of live animals like cows and buffaloes or facilitate the export of meat so that the farmers are benefited and the country can earn foreign currency, Moazzem said.

If the government allows rawhide export, there will be no discarding like last year, the CPD research director said.

Ahsan H Mansur, executive director of Policy Research Institute, echoed the same.

He also sees the solution to averting a disaster in the leather industry in allowing the export of rawhide or wet blue to reduce the supply glut during the Eid season.

"There should be a specific place where all the animals of a particular area will be slaughtered and the traders will collect the rawhide from one spot instead of millions of places by seasonal traders," he said.

The rawhide market is a defaulted one in Bangladesh as most of the businesspeople in this sector have classified loans with banks. As a result, banks are not eager to lend them more money, Mansur said.

Many destitute people, madrasas and orphanages were deprived due to last year's disaster in rawhide business, he said.

"We do not want a recurrence of last year's disaster in rawhide business. We can establish discipline in this sector -- we can get a lot of benefit from this sector," he said.

Talking to The Daily Star, Commerce Minister Tipu Munshi said the government would allow the export of rawhide or wet blue this year to prevent anyone from destabilising the market.

Banks are not interested in lending funds to the tanners as 95 per cent of tanners are bank defaulters with classified loans.

Only 20 tanners have no classified loan, Munshi said, adding that the government might either allow them to export wet blue or arrange bank financing for them.

The minister is set to fix the minimum price of rawhide this year on July 26. He predicted that this year the sacrifice of animals will decline by 40 per cent due to the pandemic.

Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce, did not respond to requests for comment. He is acting as the coordinator on the issue of tanners' payment of arrears to merchants.

## Over half of US companies plan virus contact tracing for employees

REUTERS, New York

More than half of U.S. companies surveyed by benefits company Mercer are starting COVID-19 contact tracing programs in their workplace with employees venturing back to offices even as new cases soar nationally.

Countries such as South Korea have managed to contain the disease

in part by tracking down and isolating everyone who has been in contact with an infected person.

But the premature reopening of many states' economies that led to huge spikes in COVID-19 cases, testing delays, and a shortage of trained contact tracers have stymied tracking efforts in the United States.

The lack of a coordinated federal

effort that has left U.S. states to manage all aspects of contact tracing has also contributed to the need for large companies to take matters into their own hands.

Of the more than 300 companies that took part in the survey, 54 per cent are planning to implement a contact tracing program or had already started one, Mercer said.

## Budget deficit to go through the roof

FROM PAGE B1

Similarly, another Tk 20,000 crore to Tk 25,000 crore might have remained unspent in the revenue budget segment.

Because of the low demand caused by the pandemic, the government did not have to spend its subsidies set aside for electricity generation and import of liquefied natural gas.

The recent decline in oil prices will reduce expenditure on energy subsidies, including liquefied natural gas and petroleum products.

Bank borrowing gave another indication about the lower spending. It was Tk 72,246 crore at the end of the fiscal year against the revised target of Tk 82,421 crore.

The fiscal year has just begun and it would take at least six months to give an idea about the budget deficit, said a finance ministry official.

Government debt is likely to increase in the medium term and financing options need to be assessed prudently, the WB document said.

Public debt is likely to increase to 39.3 per cent of GDP in fiscal 2019-20 and continue rising over the next three years reaching 58.4 per cent of GDP in fiscal 2022-23.

Because of the stimulus packages, the total outstanding debt expanded by 1.7 percentage points of GDP in the revised budget for fiscal 2019-20 from the original one.

The debt level would go up by another 1.2 percentage points to Tk 117,000 crore in fiscal 2020-21 when most of the stimulus packages would be implemented, according to a paper of the International Monetary Fund.

The relatively high level of the total public debt service to revenue ratio underscores the need to boost revenues over the longer term.

International support on concessional terms will continue to be essential, even more so in the context of the Covid-19 pandemic, the WB said.

With increased financing needs, the government will need to maximise external concessional borrowing so that the coronavirus response package can be implemented through domestic banks.

A temporary increase in the fiscal deficit is necessary, and it will be important to ensure transparency and accountability in the use of all emergency spending, the IMF said in June. The risk of debt distress remains low.

The joint World Bank-IMF Debt Sustainability Analysis completed in August 2019 reaffirmed the previous assessment that the risk of both external and overall debt distress continues to be low.

External and domestic debt indicators are below their respective thresholds under the baseline and stress test scenarios.

A gradual fiscal consolidation, which is defined as concrete policies aimed at reducing government deficits and debt accumulation, is expected over the medium-term, starting in fiscal 2021-22, although deficits are projected to continue to exceed 9 per cent of GDP.

Specifically, expenditure on interest rate subsidies, food aid, and fertiliser subsidies are projected to moderate, the WB document said.

Revenue mobilisation is expected to strengthen through reforms to expand the tax base and improve tax administration.

## BATBC stands tall when most make steep fall

FROM PAGE B1

In Bangladesh, sales rose 10.38 per cent year-on-year to Tk 14,765 crore in the first half. It sold 2,860.9 crore sticks from January to July, up 9.33 per cent from a year earlier.

The export of cigarette and tobacco leaf surged 19.88 per cent to Tk 57.70 crore during the same time. Revenue dropped 10.74 per cent to Tk 6,184.92 crore in the second quarter.

BATBC sells cigarettes under the brands Benson & Hedges, John Player Gold Leaf, Capstan, Star, Royal, Derby, Pilot and Hollywood.

**Government of the People's Republic of Bangladesh**  
**Local Government Engineering Department**  
**Emergency Multi-Sector Rohingya Crisis Response Project**  
**Workshop Bhaban (Level-3), Agargaon,**  
**Sher-e-Bangla Nagar, Dhaka-1207.**  
**www.lged.gov.bd**

শেখ হাসিনার মূলনীতি  
গ্রাম শহরের উন্নতি

Memo No.: 46.02.0000.954.07.029.2019.502

Date: 22/07/2020.

**e-Tender Notice (3r Call)**  
**Tender Notice No. 13/2019-2020**

e-Tender is invited in the National e-GP Portal System (<http://eprocure.gov.bd>) for the procurement of following works details are given below:

Sl. No.	Tender ID & Name of the Project	Description of works	Tender Last Selling (Time & Date)	Tender Closing (Time & Date)	Tender Opening (Time & Date)
1	2	3	4	5	6
1.	479007 EMCRP	Construction of 11 nos. New School cum Disaster Shelter Building (Steel Frame) under Ukhia & Teknaf Upazila, District: Cox's Bazar, Package No.: EMCRP/W-11	11.00 AM 10-Aug-20	03.00 PM 10-Aug-20	03.00 PM 10-Aug-20

This is in online Tender, where only e-Tenders will be accepted in the 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 the e-GP downloading e-Tender Documents from National e-GP System portal have to be deposit online through any registered Banks Branches up to 10 August, 2020 upto 11.00 AM.

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

(Javed Ranim)  
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GD-1184



# Some thoughts on Bangladesh Bank's next monetary policy statement



AHSAN H MANSUR

The next monetary policy statement (MPS) of the Bangladesh Bank (BB) will be announced at a time when the economy is in a deep recession, unemployment is high, millions of people and households have become poor overnight, and the infection level is still on the rise.

Economic activity has resumed but seriously handicapped by very low domestic and foreign demand and there is no end in sight for the flattening of the infection curve.

People (jobless workers) and entrepreneurs look to the government for help in pulling them out of the gut.

Various countries have undertaken massive fiscal and monetary interventions to pull their economies out of this devastating situation.

We also must acknowledge that as long as the elephant is in the room, i.e., coronavirus caseload is on the rise, private sector investment will not come back.

Businesses will not be able to operate with full capacity and economic activities will be limited to a sub-optimal level -- well below the 2019 level in real terms (except for agriculture).

Fundamentally, what I would like to underscore is that the BB should not expect that the economy will be rebounding strongly, like after pushing a reset button beginning on July 1.

The central bank should not lose its credibility by projecting that economy will be growing at 8.2 per cent in real terms.

No country in the world can achieve this lofty goal in 2020 amid a pandemic.

At the same time, the MPS must clearly state that the BB would be following an expansionary monetary policy (MP) -- by expanding its balance sheet -- and accommodate the genuine credit needs of the economy in support of economic recovery.

**HOW THE MONETARY POLICY SHOULD RESPOND TO THE CURRENT PANDEMIC SITUATION**

The huge logjam created by any crisis of

this proportion must be cleared with enough injection of liquidity for the wheels of the economy to start turning again.

How much liquidity will be needed will be extremely difficult to predict.

However, the BB should err on the side of injecting a little too much instead of injecting too little under current circumstances.

Close monitoring of the liquidity situation of banks, large enterprises and SMEs will be important in this regard.

In particular, the BB should look at how much credit has been extended to enterprises, including and excluding the unrealised interest accrual that has been capitalised into the outstanding loans by the banks.

The capitalisation of accrued interest will continue to grow fast as borrowers would not be able to service their debt properly and will continue to be protected by the BB regulations without impairment of their loan quality.

How much additional financing has gone to the enterprises of different types should be looked at continuously.

**WHAT SHOULD BE THE APPROPRIATE MIX BETWEEN MONETARY AND FISCAL POLICIES IN THE CURRENT BANGLADESH CONTEXT**

The policy response to the pandemic has been asymmetric in terms of the mix between fiscal and monetary policies.

While the BB is going to inject liquidity to the tune of Tk 74,000 crore, budget support for creating domestic demand and support for workers' jobs and livelihood have remained modest.

Total budget subsidy embedded within the economic stimulus package was estimated to be only about Tk 3,000 crore and possibly another Tk 2,000 crore out of the interest held in the suspense account.

Unfortunately, the budget does not have domestic resources to provide a significant amount of income or livelihood support without making the already announced deficit even larger.

In my view, this is not a normal year and there was no reason for the fiscal deficit to be limited to 6 per cent of GDP.

It could certainly go up to 8-9 per cent for one year to boost up domestic demand and provide employment and livelihood support.

**SHOULD WE BE CONCERNED ABOUT INFLATIONARY PRESSURE UNDER CURRENT CIRCUMSTANCES?**

Generally, we would not expect significant inflationary pressure under the current deflationary situation.

Thus, non-food inflation is expected to

decelerate in the coming months as house rent, wage costs and THE cost of many services are expected to decline or at best remain unchanged.

In contrast, food inflation as always will continue to be supply-driven and the government has to remain vigilant about accurate production and supply situation.

Rice price has increased in recent months contributing to the spike in food inflation last month.

fruits and vegetables, the issue is an efficient transport system and restoration of marketing chains amid the expanding coronavirus caseload.

The bottom line is that, if the government can keep rice price stable and lower than what it is now and help improve domestic transportation and marketing bottlenecks, there should be no upsurge in inflationary pressure.

**WHAT SHOULD BE THE STANCE ON**



There is no reason for the current boro paddy price to be at or above Tk 1,100 per maund in various districts even before the flood.

This is an indication of a potentially tight supply situation that may also get aggravated by the loss of entire Aus crop due to the ongoing flood.

The high paddy price, like in 2017/18, may give us a nasty surprise.

The government should go easy on domestic procurement and encourage the private sector to import 1-2 million tonnes of rice from India in the next 1-2 months through reduction of customs duty.

We want farmers to get fair prices, which should be about Tk 900-1,000 per maund of paddy.

On other supplies like fish, poultry, beef,

**THE EXCHANGE RATE AND RESERVE MANAGEMENT?**

On the exchange rate, the government has for long been following the policy of maintaining the nominal exchange rate virtually unchanged against the dollar. This did not help the export sectors including garment.

The government had to provide various budgetary incentives to partially compensate for this loss of competitiveness. The sooner we get out of this convoluted arrangement, the better it is for the budget and the export sector.

Recently, with the influx of remittance and a sharp decline in imports due to collapsed domestic economic activity, there has been an excess supply of dollar in the interbank market. This is not an unusual phenomenon. India is also experiencing a surge in reserve

*My personal feeling is that inflows of remittance will nosedive after a few months once the transfer of savings by the returning workers is completed*

build-up due to a collapse in domestic demand and negative growth (-5 per cent to -9 per cent).

I fear that the Bangladesh economy is also going through a contraction (negative growth) though official data is not reflecting that.

India has massively built up foreign exchange reserves as their trade deficit has declined to a historic low. We are seeing a similar picture in Bangladesh.

The BB should take this opportunity to build up reserves at a fast pace -- perhaps and if possible -- by one billion dollars per month until the economy comes out of the guts.

India is accumulating at the rate of \$12-15 billion a month. The consequent injection of liquidity would help increase deposit growth in the banking system and help expand credit to both the private and public sectors.

As regards the prime minister's desire to use dollars for financing development budget, as you know very well, the budget does not need dollar -- it needs taka to finance its projects and other operations.

The government can borrow from the banking system, including also from the BB (which will amount to the creation of high-powered money) in taka to finance its development programme.

If it needs to import anything it can open letters of credit in taka and the BB and banks can provide the necessary foreign exchange.

The government budget does not have any use for foreign currency -- what it needs is taka. The government must make efforts to increase the National Board of Revenue's collection by undertaking forceful and correct reforms -- not bad reforms by listening to the vested groups.

The BB can, however, propose to establish a Sovereign Infrastructure Fund by diverting \$5 billion or so to promote public-private partnership investment in major infrastructure projects.

The finance ministry and the BB worked out such a scheme in 2017, but for some unknown reasons, despite cabinet approval, it did not see the light of the day.

That proposal may be presented to the PM for reconsideration to promote \$40-\$50 billion worth of PPP infrastructure investment in the country.

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*The central bank should not lose its credibility by projecting that economy will be growing at 8.2 per cent in real terms. No country in the world can achieve this lofty goal in 2020 amid a pandemic.*

## FTA with Bhutan within a month: Munshi

STAR BUSINESS REPORT

Bangladesh will sign a free trade agreement (FTA) with Bhutan within the next one month in a bid to increase bilateral trade with the landlocked country in the Eastern Himalayas, Commerce Minister Tipu Munshi said yesterday.

"After that, FTAs will be signed with several other countries in phases. Already, negotiations with those countries, including Indonesia, have come a long

2012-13 reached \$57.90 million in fiscal 2018-19, according to data from the commerce ministry of Bangladesh.

Global trade and commerce have suffered greatly due to the ongoing coronavirus pandemic and Bangladesh is no exception even though the country's economy has moved forward based on its strong foundations, he said.

However, once the Covid-19 crisis comes to an end, Bangladesh's economy will recover in time, the minister added.



way," said Munshi.

The commerce minister made these comments while addressing a virtual workshop styled, 'Covid-19 and international trade issue: policy options for promoting Bangladesh's exports', organised by the Economic Reporters Forum (ERF) in association with RAPID Bangladesh and Asia Foundation.

Trade between Bangladesh and Bhutan that amounted to \$26.52 million in fiscal

"Therefore, better days wait for us ahead," Munshi said, adding that the time has come to take advantage of new global trade opportunities brought about by the coronavirus fallouts.

"We have to work together to take advantage of this opportunity. Soon there will be a lot of changes and competition in the international market," the commerce minister said.

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## Govt will go to great lengths for more Japanese investment

*Says PM's adviser as over 200 participants join webinar to drive up investment from the Asian economic giant*

STAR BUSINESS REPORT

The government has assured that potential investors from Japan will be given full cooperation in a bid to drive up the number of investments made in Bangladesh from businesses of the island nation.

"The strength and stability of our economy and our strong political leadership is undoubted. We are very grateful to be considered as a possible destination for further Japanese investments," said Salman F Rahman, the prime minister's private industry and investment affairs adviser.

Rahman made these remarks while addressing a virtual discussion styled, 'Dialogue to drive Japanese investments in Bangladesh' jointly organised by the Prime Minister's Office, the International Finance Corporation (IFC) and Japan International Cooperation Agency (JICA) on Wednesday.

Over 200 participants from Japan's private sector joined the webinar, aimed at attracting investments from the island nation.

During the event, Rahman urged Japanese businesses to take advantage of Bangladesh's high corporate profitability, business-friendly policies, massive domestic market and strategic access to key markets across the world.

While addressing the event, Ito Naoki, the Japanese ambassador to Bangladesh, asked investors from his country to explore the diverse investment opportunities available here.

Bangladesh's economic landscape will transform in a few years with adequate support from the Japanese government, Naoki said.

The ambassador also mentioned Japan's cooperation in the Bay of Bengal Industrial Growth Belt initiative, the Mass Rapid Transit project and the expansion of Dhaka's Hazrat Shahjalal International Airport.

"The Moheshkhali-Matarbari Integrated



### OBSERVATIONS

- » Japanese businesses can take advantage of Bangladesh's massive domestic market
- » Diverse investment opportunities available in Bangladesh
- » Bangladesh should update policies for foreign investors
- » Govt to simplify dividend and profit repatriation
- » Bangladesh will be new frontier for Japanese investment
- » Bangladesh is a gateway to South Asia due to strategic location

Infrastructure Development Initiative (MIDI), an energy hub, will be a game changer for Bangladesh," he added.

Naoki also reiterated Japan's commitment towards Bangladesh's development in select sectors such as agriculture, healthcare and human resource development.

"The Japanese government has a menu for

cooperation. We will leverage that as much as possible," he said.

Bangladesh Investment Development Authority's (BIDA) Executive Chairman Md Sirazul Islam highlighted the profitability of the country's domestic market as found by JETRO's survey on Asian and Oceania for two years in a row.

"Bangladesh currently has over 300 Japanese companies. In a 2019 survey, it was found that 70.3 per cent of Japanese companies are willing to expand their operations in Bangladesh, which remains the highest proportion in Asia and Oceania," he said.

The BIDA chief discussed the various initiatives being taken to improve the country's business climate through Ease of Doing Business reforms and the expansion of an online One Stop Service.

"BIDA's online and interoperable One Stop Service already provides 18 e-payment enabled services of three agencies and will provide 34 more services of 15 government agencies within the year.

"With the PMO's guidance, we are preparing an attractive package for investors," Islam added.

The BIDA executive chairman also mentioned various measures taken by the government to simplify dividend and profit repatriation.

Foreign companies can now access working capital loans from parent companies.

"And at present, we are working to further liberalise the investment regime for foreign businesses," Islam said.

On Tuesday, Bangladesh Bank announced that all banks and non-banking institutions can now extend financial support to foreign companies against their overseas guarantees. Likewise, the bill-of-entry process was also simplified through automation.

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