Pandemic has created the groundwork to usher in much-needed reforms

M Masrur Reaz *and* Josh Chipman

The global community is currently undergoing twin crises: the public health crisis brought on by coronavirus and the economic shock stemming from the unprecedented public health measures governments have been forced to adopt to douse the rogue pathogen.

All economies are impacted, culminating in lower growth, higher unemployment, rising poverty, and a deteriorating fiscal position as governments are forced to fund significant public interventions, at a time when government revenue will fall.

A significant economic slowdown is expected with the International Monetary Fund projecting global growth to fall to -4.9 per cent in 2020, while Asia's growth is likely to be zero for the first time in 60 years.

Although different countries' experiences of coronavirus have varied significantly, public responses have been largely similar. Most countries have adopted social distancing measures, and in many instances, implemented stringent lockdowns.

While potentially an effective tool for stopping coronavirus, lockdowns have a disastrous impact on economic output and livelihoods, thus requiring governments to also implement massive stimulus packages.

Protecting jobs, enterprises and livelihoods in the short-run and funding economic re-construction programmes in the medium-term have created significant policy challenges for governments around the globe.

Foremost of these challenges is a sharp rise in fiscal pressure, arising from a combination of the need to use public resources to offset the consequences of the economic recessions while governments face dwindling tax revenue.

Such challenges will have implications on the overall macroeconomic management of economies, including on the complementary aspects of monetary policy, exchange rate management and public or sovereign debt management.

In Bangladesh, coronavirus arrived at a time when its economy was poised to graduate from the least-developed country (LDC) bracket in the coming four years, building on an impressive development track record in recent decades.

It transitioned to a lower middle-income country in 2015, just four decades after having the second-lowest per capita income in the world.

Over the past decades, economic growth has largely been driven by industry, which created millions of jobs, and private consumption driven by remittances.

The robust economic progress was also underpinned by strong macroeconomic management, major economic reforms and deregulation in the 80s and 90s, increasing participation in global markets and significant remittance flows.

Fiscal management has been prudent, inflation has generally been in single digits, and public debt is considered low (34 per cent of GDP in 2019).

COLLECTED

The government has put up graffitis on the walls to spread social awareness against the killer coronavirus disease. The rogue pathogen has prompted governments around the world to start adopting much-needed reforms to economic and public health policies.

But challenges persist, including the tax-GDP ratio has been one of the lowest in the world, while the management of state-owned enterprises (SOEs) including financial institutions has created fiscal and financial risks.

There are significant weaknesses in public financial management systems.

As with other nations, Bangladesh's economy has been hit by the direct consequences of COVID-19 mitigation measures with lockdown slowing domestic economic activity, as it faces an external shock of reducing exports and remittances.

The Bangladesh government was quick and bold in announcing a massive $11 billion economic stimulus programme, which is equivalent to more than 3 per cent of the country's GDP.

While more than three-quarters of the total stimulus comes from bank credits, the fiscal cost is significant: about 1 per cent of GDP.

Besides, with imports, exports and domestic demand in decline, the government revenues will be strained.

This is likely to further exacerbate the prevailing institutional and governance challenges that further raise risks of a decline in the quality of macroeconomic management and significantly decelerate the recovery process.

So, it is imperative for policymakers to also examine the medium-term macroeconomic adjustments and reforms required to ensure a stable, inclusive and quick economic recovery.

Further public and private investment from domestic and international sources to offset the direct impact of this crisis will be necessary.

How to secure these resources in a fiscally sustainable way, and how to manage them wisely are key policy questions for the government to address.

The central bank's next monetary policy statement and strategy will have to be bold and clear -- the Bangladesh Bank has no alternative but to expand its balance sheet to roll out an expansionary monetary policy.

The crisis and the resultant slowdown will require a significant liquidity injection to fund investments critical for supporting a rebound in output, employment and consumption.

Efficient and continuous monitoring of credit needs to enterprises, particularly small and medium enterprises, will be important.

A similar approach is also required to ensure scarce resources are not diverted away from potential credit to the private sector, towards funding ailing state-owned enterprises.

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AIIB to invest in infrastructure of tomorrow

Says Jin Liqun as he is re-elected president of the lender

Star Business Report

Jin Liqun

Jin Liqun will retain his position as the president of the Asian Infrastructure Investment Bank (AIIB) for a second term, the multilateral development lender said yesterday.

"It has been a tremendous privilege to lead the AIIB during its foundational years," said Liqun, who will begin his second stint as AIIB president on January 16 next year.

The organisation invests in projects that improve the peoples' lives and is slowly establishing itself in global capital markets, he added.

The decision to re-elect Liqun was taken by the bank's board of governors during their fifth annual meeting held yesterday. Under his leadership, AIIB has grown from its 57 founding members to over 100 approved members from around the world.

The bank has also maintained the highest credit ratings with a stable outlook from the largest credit rating agencies, the organisation said in a statement.

The permanent observer status was also granted to the organisation by the United Nations (UN) in recognition of AIIB's relevance and contribution to the UN's development mandate, it added. Now AIIB plans to expand its investments from core infrastructure to the 'infrastructure of tomorrow', according to Liqun.

This means developing infrastructure that will tackle climate change, enhance connectivity within Asia and the rest of the world, mobilise private capital and bridge digital divides in the region, the AIIB president said.

"I look forward to continuing to serve our members and further contributing to the multilateral efforts to help build a more sustainable, more prosperous Asia," he added.

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What others can learn from Bangladesh on making cancer drugs available

Jagaran Chakma

When it comes to making cancer drugs available, Bangladesh is the perfect role model for a fairytale turnaround.

Just six years ago many of the lifesaving medications had to be imported, posing risks of unavailability, high costs and price fluctuations.

Now local pharmaceuticals not only meet 80 per cent of the country's demand but also export to at least 140 countries, starting off with limited scale shipments in 2015.

So much so that cancer drugs account for nearly half of all pharmaceutical products being exported.

To put things into perspective, Bangladesh exported cancer drugs worth over Tk 500 crore last year, while shipment of other medications hit around Tk 656 crore.

Meanwhile local cancer drug sales amounted to about Tk 600 crore. Demand is growing by 15 per cent on an average every year, according to the manufacturers.

Along with conventional chemotherapy drugs, local pharmaceutical companies manufacture latest oncology products such as monoclonal antibodies, oral targeted therapies and liposomal technology products.

They also manufacture many of the supportive drugs required for cancer treatment such as zoledronic acid, filgrastim and pegfilgrastim injection.

And all it took was meticulous attention to quality and policy support.

In the past 10 years, pharmaceutical companies such as Eskayef, Renata, Incepta, Healthcare, Beacon, Techno Pharma and Julphar have come to manufacture more than 80 types of ontological drugs.

Yet to make exports, Eskayef Bangladesh plans entering the global arena for the first time with cancer drugs.

BY THE NUMBERS

- Export of cancer drugs fetches over Tk 500cr a year
- Exports started in 2015
- Bangladesh exports 80 types of cancer medicines
- Local demand Tk 600cr
- Export destinations 140 countries
- Annual export growth 30%

"We have a plan to go in the global market in coming days. So we are taking preparation," said its director for marketing and sales, Mohammad Mujahidul Islam.

"Eskayef will set up a world class new facility for oncology, which will be the biggest one in the South Asian region, for grabbing the global market," he said.

And it is on the right track too, with its present state-of-the-art manufacturing facility having attained approvals of numerous regulatory bodies.

They include the European Union Good Manufacturing Practice, the Medicines and Healthcare Products Regulatory Agency of the UK, the Therapeutic Goods Administration of Australia, the United Arab Emirates Good Manufacturing Practice, and the Veterinary Medicines Directorate of the UK.

Beacon Pharmaceuticals on the other hand lays claim to making 80 per cent of the country's export of cancer drugs of around 80 types used in chemotherapy and oral targeted therapy.

Bangladesh's export of cancer drugs is increasing by around 30 to 35 per cent year-on-year, said its director for global business development, Monjurul Alam.

Oncology products were beyond the purchasing power of patients in the past but prices went down by 40 per cent when Beacon started production through compliance with high standards, he said.

Bangladesh's drugs are winning the global market for their quality and low prices; the medicines are cheaper than those provided by the developed world, he added.

Renata, which produces cancer drugs used for oral therapies, is focusing on the markets in Nepal, Sri Lanka, Bhutan and the Philippines, said Ananta Saha, its international business manager.

He attributed the growth in exports to the drugs being cheaper as Bangladesh, being a least developed country, does not need to purchase patents.

There is scope for even greater growth, since customs processes are flexible for lifesaving medicines. Moreover, just the physician's prescription is required for any individual to take the drugs from one country to another, he said.

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IPDC shines against all odds

Books higher profits in the first half

Star Business Report

IPDC Finance, Bangladesh's first private sector non-bank financial institution (NBFI), witnessed higher profits in the first half of 2020 despite headwinds brought about by the ongoing coronavirus pandemic.

Over the past six months, the IPDC's revenue surged 24.9 per cent compared to the same period in 2019.

The NBFI has registered net profits of Tk 31.6 crore during the period, which is 1 per cent higher than what it was for the same period a year before.

The IPDC has remained in profits despite the Covid-19 outbreak thanks to its innovative lending system, said Managing Director and CEO Mominul Islam.

IPDC FINANCE

The company emphasises on technology-based and socially responsible business models geared towards cottage, micro, small and medium enterprises.

Besides, the models also focus on women and young entrepreneurs and the lower middle-income households outside Dhaka and Chattogram.

"This was the cornerstone for sustained growth and profitability even during this very difficult period," Islam added.

The IPDC has held its default loan rates steady at 1.59 per cent, which is one of the industry's lowest, while maintaining a capital adequacy ratio of 17.28 per cent.

The company also reached the half-year mark with a liquidity cushion of Tk 665 crore.

Islam presented this data at the IPDC's half-yearly investors' meeting, where the company's financial highlights, benchmarks and key strategies for the future are discussed.

Fahmida Khan, chief financial officer, also spoke during the session, held virtually on Sunday.

Established in 1981, the IPDC had previously launched a "Manobota" deposit scheme alongside a host of other CSR activities amid the Covid-19 crisis.

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SANAD SAHA

The coronavirus pandemic has left goldsmiths nearly redundant amidst a rise in the price of the precious metal and people limiting their expenditures and deferring marriages, which account for a substantial portion of jewellery sales. The photo was taken at Minabazar of Narayanganj recently.

Barishal's guava traders in a pickle

Sushanta Ghosh, *Barishal*

Guava traders in Barishal district are on the verge of heavy losses this year due to the low turnout of buyers and drastic fall in demand for the fruit in Dhaka and Chattogram caused by the ongoing Covid-19 pandemic.

The fruit is cultivated in 43 villages of Pirojpur, Jhalakati and Barishal on around 2,077 hectares of land. Over 20,000 tonnes of guava, valued at Tk 30 crore, are produced each year and is sold at about Tk 15,000 per tonne.

Around 800 tonnes of guava are sold daily during the peak season from July to mid-August, however, this year's scenario is totally opposite, according to officials from the local Department of Agricultural Extension (DAE).

There was no problem with production this year, the officials said, adding that the coronavirus just broke the whole supply chain and cut demand by a half.

STAR

Traders are seen selling guava at the Bhimruli floating hut in Jhalakathi sadar. The photo was taken recently.

"So, this year they [the traders] may count a loss of Tk 15 crore," they said. "I used to send 300 maunds of guava each day to Dhaka and the port city. But this year, I could manage orders for only 100 maunds a day," said Tarun Howladar, a guava wholesaler based in Shatadashkathi in Nesharabad upazila of Pirojpur district. One maund is approximately 37 kg.

"Many gardens have remained unsold due to a lack of buyers," said Tapan Howlader of Adabari village in Nesarabad.

Guava farmers in the Barishal belt are getting more frustrated by the day as very few wholesalers are coming to the orchards to buy local variety of the fruit.

Moreover, the Covid-19 crisis has eaten up the savings of many wholesalers, who are subsequently unable to make purchases and send the produce to the capital or port city.

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