

TAMING CORONAVIRUS RAMPAGE

Business leaders demand powerful taskforce for bailout package

STAR BUSINESS REPORT

Business leaders yesterday reiterated their call for a powerful taskforce for quick implementation of the measures the government has taken to tackle the fallout from the coronavirus pandemic.

The government has already taken some short- and medium-term measures to help the beleaguered economy weather the impacts of the deadly bug, which has compelled the country to enforce a lockdown for three weeks at the time of writing.

"But those measures need quick implementation and a powerful taskforce is needed," said the Metropolitan Chamber of Commerce and Industry (MCCI) in a statement yesterday.

The business leaders, during a meeting with Salman F Rahman, adviser to the prime minister on private sector industry and investment, over video conference, also demanded the government take measures to increase liquidity supply in the banking system.

The business leaders expressed concerns as many people in Bangladesh are not following social distancing to remain safe from the highly contagious virus.

They assured their cooperation in this regard to the government so that people follow social distancing.

Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority; Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry; Asif Ibrahim, founder president of the Business Initiative Leading Development; Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh; Nihad Kabir, president of the MCCI; Anis A Khan, vice-president of MCCI; Syed Nasim Manzur, a former president of the association; and Farooq Ahmad, its secretary general, also spoke.

The impact on the economy and the way forward



Mostafa Abid Khan

Coronavirus, which initially started in China, has now spread all over the world. It is now affecting 203 countries and territories around the world.

As of yesterday, more than 1.4 million people have been affected by coronavirus and more than 67,000 people have lost their lives.

Bangladesh is ahead of many countries in declaring an isolation policy.

Evidence available on the spread of coronavirus shows that the contagion is most rapid 30-50 days after first case is reported.

But the government declared general holidays well ahead for ensuring social isolation: 18 days from the date of announcement of the first confirmed cases on 8 March.

However, social isolation has an economic cost by cutting economic

For this reason, many countries, perhaps, have hesitated to adopt this policy. Nevertheless, most countries had no option but to adopt it in order to save their citizens.

But the cost is enormous.

The United Nations Conference on Trade and Development predicts that the novel virus is likely to cost the global economy \$1 trillion.

The spread of coronavirus in all major export destinations and import sourcing countries of Bangladesh has put the trade sector under threat.

This threat has been further aggravated by the social isolation policy in force since

Halt of economic activities in the country and declining trend of export and import, especially intermediate inputs necessary for manufacturing sector, due to spread of coronavirus in other countries will negatively affect every sector of Bangladesh

The situation is likely to worsen further for contraction of job market for policy options and coordinated actions Bangladeshi migrant workers and a sharp decline in foreign direct investment in the coming days.

Reportedly, around 300,000 Bangladeshi expatriates have returned home in the last three months and some have been asked to

Certainly, the future job market will also be squeezed.

UNCTAD projects that global FDI inflows will decline by 30 per cent to 40 per

Economic slowdown and declining import will adversely impact revenue collection and the decline of export, remittance inflow and FDI will put pressure

payment at the same time.

In addition, food security might be at stake if the major import sources of essential commodities put export restriction on commodity exports, although UNCTAD estimates that the prices of some essential commodities such as sugar and soybeans are declining.

It is obvious that Bangladesh will face economic recession in the coming days like

many other countries.

may be explored.

responsibility.

coming days.

phase and recovery phase.

on foreign exchange reserve.

However, drastic oil price decline in

At present, countries all over the world are

The Bangladesh Bank has come up with

a number of policies, and all the initiatives

Recently, the prime minister has called

every citizen to prepare for economic pain.

This call is a good direction to all citizens

to take a common and differentiated

get out of the anticipated social unrest due

isolation period and possible recession in

may be taken in two phases: mitigation

combating the spread of coronavirus, actions

to halt of all economic activities during the

This might be the best possible option to

Seemingly, actions and policy initiatives

During the mitigation phase, while

are in the right direction. However, more

recent times is likely to lessen the pressure

coming up with economic recovery packages

-- and Bangladesh is not lagging behind.

on foreign exchange reserve and balance of are required to support workers and staffs, both permanent and day labourers as well as self-employed.

> Support by the government through Vulnerable Group Feeding and sale of rice at Tk 10 per kg and initiative by affluent citizens and various organisations will be very useful to help day labourers and self-employed, who are basically jobless during the isolation

However, these initiatives should be taken

In this context, adoption of the LC guarantee scheme may be considered by taking into account the fact that Bangladesh is heavily dependent on imports for carrying out manufacturing activities as well as for meeting the demand of essential commodities.

Upholding the agriculture production is also crucial to ensure food security.

The recovery phase is more challenging.

In this phase, while it is important to



in a coordinated way so that support reach all. In addition, the non-governmental organisations, which are lending to selfemployed, should announce a moratorium on loan recovery for the next 2-3 months depending on the duration of isolation

For supporting the permanent employees working in any establishment, one possible option is to declare a moratorium of repayment of loans (equal monthly instalments) with the extension of total repayment period to enable borrowers, specially the small- and medium-sized enterprises (SMEs) to pay wages and salaries to their permanent employees.

In fact, at the time of writing this article, many countries including India, Sri Lanka, Switzerland and Canada have adopted this

During this phase, all establishments including the government may consider budget cuts in non-essential heads in order to mobilise the fund required at this stage.

In addition, it is to be ensured that banks should be encouraged to open letters of credit of the existing customers.

uphold demand, it is equally essential to ensure supply. All establishments may be provided

loans at reduced interest rates in order to ensure supply of goods and services.

It is important to note that the export-GDP ratio of Bangladesh is only about 13 Therefore, if Bangladesh manages to

uphold the domestic demand through ensuring smooth supply in the domestic market, external shocks will not be difficult to absorb.

Options for mobilising the fund may be waivers of interest payment on foreign debt by bilateral and multilateral lending partners during the recovery phase, support from multilateral and bilateral development partners and transfer of undisbursed loan of already committed loans to recovery fund.

It is also important to strictly prevent illicit financial flow during the recovery

The writer works in the Bangladesh Trade and Tariff Commission

Saarc calls for project proposals

STAR BUSINESS REPORT

The Saarc Development Fund (SDF) has asked all eligible agencies in the South Asian Association for Regional Cooperation to submit proposals to secure finances for projects aimed at tackling the coronavirus pandemic.

The total fund for the SDF-Covid 19 Emergency projects shall be \$5 million for all eight member states, according to a letter of the finance ministry of Bangladesh.

The Social Window (SW) has committed \$73.74 million out of \$100 million allocated for SW projects and currently has a balance of \$26.26 million.

The SDF's main objective is to provide support to the member states in their efforts towards responding to the global pandemic and mitigating the financial losses and severe socioeconomic impact from it.

For eligibility, at least three Saarc countries will have to participate in the project.

Due to the unusual circumstances of the intervention, the minimum requirement of 50 per cent cash co-funding from the project proponents shall be exempted, said the finance ministry letter.

Government government ncluding Saarc bodies are eligible. The grant shall be utilised to address the shortage of fund to mitigate the socio-economic impact, especially on the vulnerable population of the member The member countries

have created a Covid-19 Emergency Fund, with of \$10 million India following a video conference of Saarc leaders called by Prime Minister Narendra Modi on March 15 on the pandemic.

Bangladesh committed to contributing \$1.5 million to the fund, Sri Lanka \$5 million, Afghanistan and Nepal \$1 million each, the Maldives \$200,000 and Bhutan \$100,000.

Nine Asian garment trade bodies push for responsible purchasing practice

REFAYET ULLAH MIRDHA

Six textile and garment-producing Asian nations have joined hands to urge global apparel retailers and brands to show responsible business behaviour during the coronavirus

The STAR (Sustainable Textile of the Asian Region) Network, a platform of nine garment and textile-producing and exporting associations from Bangladesh, Pakistan, Cambodia, China, Myanmar and Vietnam, signed a joint statement.

The associations are: the Bangladesh Garment Manufacturers and Exporters Association, the Bangladesh Knitwear Manufacturers and Exporters Association, the China National Textile and Apparel Council, the Garment Manufacturers Association of Cambodia, the Myanmar Garment Manufacturers Association, Pakistan Hosiery Manufacturers and Exporters Association, the Pakistan Textile Exporters Association, the Towel Manufacturers Association of Pakistan and the Vietnam Textile and

Garment Association. The members control a major portion of \$460 billion global garment market.

international clothing retailers and brands to carefully consider all potential impacts on workers and small businesses in the supply chain while taking significant purchasing decision.

They urged retailers and brands to honour the terms of purchasing contracts, fulfill obligations and not to re-negotiate price or payment terms.

"Take delivery or shipment and proceed with payment as agreed upon for goods already produced and currently in production with materials ready, and [do] not cancel orders which are already in production," the statement said.

The network suggested retailers and brands offer fair compensation to suppliers if production or delivery has to be suspended or stopped, or offer salaries directly to the workers of suppliers.

Tut no responsibility on suppliers for delay of delivery or shipment and claim no compensation for such

The suppliers also urged retailers and brands not to put improper pressure on them by way of additional costs, rush orders or unnecessary visits and audits.

"Make all efforts and engage with local stakeholders for a better understanding of the local situations and contexts. Always resort to dialogue and collaborative settlement to ensure mutually acceptable solutions to disputes," the statement said.

Meanwhile, the Chinese embassy in Dhaka suggested local garment manufacturers negotiate with their business partners in China on deferred payment as demanded by the BGMEA.

In a letter to Salman F Rahman, adviser to the prime minister on private sector industry and investment on tuesday, the embassy said during the crisis, the Chinese government can't put pressure on Chinese businessmen to accept any deferred payment.

However, Bangladeshi businessmen can negotiate with their Chinese businessmen, it said.

Despite the countrywide lockdown, 41 factories were open in the country produce personal protective equipment (PPE) or to finish the work orders for quick shipment, according to the BGMEA.

All the factories have been asked to pay wages to the workers by April 16. So far, 80 factories paid salaries for March, it said.

StanChart pledges \$1b to finance companies helping fight pandemic

STAR BUSINESS DESK

Standard Chartered Bank has recently announced a set of measures in the global fight against coronavirus that has brought world to its knees.

Chief among them is the \$1 billion financing commitment of loans, import/ export financing and working capital, at preferential rates, for companies providing goods and

services to help in the fight against coronavirus, and support



those re-deploying production resources to help fight the pandemic.

Companies in scope include all those associated with helping to tackle Covid-19, including manufacturers and distributors in the pharmaceutical industry and healthcare providers, as well as non-medical companies that have volunteered to add this capability to their manufacturing output. Goods in scope include ventilators, face masks, protective equipment, sanitisers and other consumables.

The British lender has also created a \$50 million fund to help communities affected by the lethal virus across its global footprint. Of the sum, \$25 million will immediately be donated to support emergency relief in its most affected

The measures come after the British multilateral lender last week announced a host of initiatives to support its clients in Bangladesh.

Sanem suggests steps to ensure food security for poor

The South Asian Network on Economic Modeling (Sanem), a thinktank, has suggested some steps to ensure food security of the poor and vulnerable people of Bangladesh who have been hit hard by the coronavirus pandemic.

According to the official poverty line income, in Bangladesh, 20.5 per cent, or 3.40 crore of the population is poor.

If this poverty line income is raised by 25 per cent taking into account poverty and vulnerability, the percentage of poverty and vulnerability together become more than the double of the poverty rate, said Selim Raihan, executive director of the Sanem, in a press

"That is, the number of poor and vulnerable people in the country is now close to 7 crore," he said, adding that the National Social Security Strategy 2015 of Bangladesh has also adopted the definition

of vulnerability. During the ongoing caused by the coronavirus pandemic, one

of the major challenges is RESEARCH | KNOWLEDGE | DEVELOPMEN

to ensure food security for this huge population. "It is important to keep in mind that the challenges of food security in rural and urban areas can be different," the think-tank

Nevertheless, four quick steps are required, it said. Depending on the government's list of the poor people under the

existing social security programmes, quick distribution of essential food items at the local level during the crisis is extremely important. It asked the government to prepare new lists very quickly so that

excluded poor people and vulnerable population can be included in the distribution programmes of essential food items.

"At the local level, the administration, people representatives, volunteers and NGOs can work together to create and update lists, distribute food, and prevent irregularities throughout the process.

Capable people in the private sector and private sector business associations need to come forward to ensure food security for their workers and staff, the Sanem added.