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# A proper lockdown at last?

## *Commitment from authorities needed for it to be effective*

THE country, on Friday, recorded its second highest numbers of both deaths (108) and infections (5,869) from Covid-19. This resulted in the government making history and announcing a complete countrywide "lockdown" for a week (starting Monday), instead of just "restrictions on public and traffic movement" as it had done in the past. This means that every citizen must stay home, and only emergency services, transportation of essential goods, and the media will be exempt from these restrictions. No doubt, this signals the gravity of the current Covid-19 crisis and we need not dive deep into the last few weeks to understand why.

The situation outside the capital has been morbid since the spread of the Delta variant of the virus extended the second wave, especially in bordering districts. Of the 916 people who have died of the virus in Khulna division so far, "164 passed away in the last one week alone", says the Directorate General of Health Services (DGHS). In Satkhira Medical College Hospital, the Covid-19 strain is so intense that patients are having to be kept on the hospital's floors due to a shortage of beds. The Director General of the DGHS has opined that the country's already burnt out doctors, nurses, and health staffers will "not be able to provide services if the infection spreads" much further.

On top of this, the threat of another Covid-19 surge looms on the horizon as Eid-al-Azha nears, during which the virus can spread in the overcrowded cattle markets. Despite the current crisis, 23 such markets are to be set up in Dhaka alone. It is concerning because many of the cattle come to Dhaka from places which have been experiencing positivity rates above 70 percent (such as Khulna and Rangpur on June 24). An estimated at least one crore people are expected to gather in these cattle markets and it will be a tough task to ensure that they are all wearing masks and practicing social distancing.

We must urge the government to not be anything but rigid in its enforcement of this lockdown—no matter what the occasion. There must be a plan that protects the poor during this time and ensures that emergency services are being provided in as efficient a manner as possible, under these dire circumstances. We appreciate the authorities' dedication in deploying not only the police but also members of the army and the BGB to ensure proper implementation of the lockdown. But we would also remind them to not let go of this commitment as the lockdown period goes on, and if it extends—as has been the case in the past. Members of the public must voluntarily practice health guidelines and keep each other safe from the virus, but we believe the government must also stay committed to duties it has assigned to itself and to its arms.

# Govt's decision to discard 10 coal-fired plants is laudable

## *Phase out the others, move towards renewables*

WE welcome the prime minister's approval of the proposal to scrap 10 coal-fired power plants. It is definitely a step in the right direction and in alignment with the commitments that are expected in the Leaders Summit on Climate 2021 in November, to dramatically reduce fossil fuel emissions that cause global warming and the irreversible damage caused by climate change. The 10 discarded projects are among the 18-planned coal-fired power plants that were approved after 2008.

Bangladesh Poribesh Andolon has welcomed the move to do away with these projects that would have significantly contributed to increased fossil fuel emissions. They have said that "it is a big step towards achieving the goal of sustainable development". The organisation has, however, demanded that the government further moves to scrap all coal-fired power plants in phases.

This brings us to a more crucial and uncomfortable question: is Bangladesh scrapping the coal-fired plants because they are environmentally harmful or because—as the state minister has been quoted to have said in a *DS* report—because of the power and energy ministry's proposal to scrap the projects as the construction work made no progress in years?

The state minister has further said that the government is planning to use liquefied natural gas (LNG) and petroleum to generate power. According to environment experts, LNG and petroleum will have adverse effects on the environment, which contradicts the commitment to reduce dirty energy. Moving towards renewable energy is the only logical course but it remains to be seen whether our government is serious about such a transition.

Construction of the Rampal Power Plant is still going on in full swing despite protests by environmental activists against the possible irreversible damage that it may cause to the Sundarbans, home to one of the biggest mangrove forest that acts as a buffer against cyclones, tsunamis and storms and is the natural habitat of many endangered species such as the Royal Bengal Tiger. According to a 2016 UNESCO report, the coal-fired power station which would be only 14km north of the Sundarbans would cause significant damage to the mangrove forest. There are around 150 other industrial projects that also endanger the forest.

Switching to renewable energy is expensive and time-consuming but this is the only way to go if we are to save the planet. This is what countries all over the world have realised and many have made commitments to move away from fossil fuels and towards renewables. While Bangladesh may prioritise meeting its need for power, it cannot be at the cost of the environment. Bangladesh, which will lead the Climate Vulnerable Forum (CVF) at the COP 26 in Glasgow this year with our prime minister as its chairperson, must take serious steps to promote renewable energy such as solar and wind power while phasing out all coal-fired plants. Bangladesh must serve as an example to the world and prove that it practices what it preaches.

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MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES DAY

# Why can't they get their fair share in our budget?

AN OPEN DIALOGUE

ABDULLAH SHIBLI

IN Bangladesh, while the pandemic has impacted businesses of all sizes, plus life and livelihood, evidence is mounting that the enterprises that employ between 1 and 249 workers—officially the micro, small and medium enterprises—are bearing the brunt of the economic slowdown. According to a recent World Bank survey, "micro, small, and medium enterprises (MSMEs) are hit especially hard due to pre-existing vulnerabilities and their lower resilience." Before our country took a hard knock from the pandemic, over 7.8 million SMEs were contributing to 25 percent of the country's GDP and 36 percent of jobs. The government had already planned to enhance their contribution to 32 percent of the GDP by 2024 to generate more employment. Hence, a crucial component for the revival of our employment, income, and economic vibrancy is the resuscitation of the MSMEs. That is why as we observe June 27 as MSME Day, it is important to raise public awareness of their contribution to sustainable development and the global economy.

Since 2017, the world has observed "MSME" Day in recognition of the significance of MSMEs in reaching economic growth and SDG targets, promoting innovation and creativity, and producing jobs globally. The MSME Day 2021 is being observed amid the coronavirus pandemic and subsequent lockdown globally which have had a far-reaching effect on small enterprises.

MSMEs play an important role in most national economies, particularly in developing countries. The definition of MSME varies and so do the statistical data. Formal MSMEs contribute up to 45 percent of total employment and up to 33 percent of Gross Domestic Product (GDP) in emerging market economies. These numbers would be significantly higher when informal MSMEs, including the cottage industries, are included. In Bangladesh, MSMEs in service, trade and small industries can be considered the backbone of the economy.

In the case of Bangladesh, regardless of the tons of statistics that attest to the contribution of MSMEs to investment, employment, income generation, eradication of poverty, empowerment of women, and reduction of inequality, it would not be an exaggeration to assert that the national budget, financial institutions, and many governmental programmes, including the recently inaugurated stimulus programmes, regularly bypass these units. They sometimes receive lip service from the political leaders during election time but when it comes to any real effort to provide subsidised loans, tax benefits, or grants, there is hardly any evidence that these small and marginal units fare any better than the proverbial "step-child". Only the other day, our industries minister called for a radical change in our approach to MSMEs to better serve their needs. It comes at an opportune moment since for some time our policymakers at the top level have been aware of the shortcomings in our economic policy framework, and we have in the past heard many promises of changes in the rules and programmes to benefit the MSMEs. Alas, to no avail.

It would not be an exaggeration to state that the pandemic-induced economic shock as well as the lack of financial support from the national government has taken the wind out of the sails of our SMSEs, and they are gasping

for air. A recent study says 80 percent of SMEs failed to continue their business operations.

In the first stimulus package, the Bangladesh government allocated Tk 20,000 crore to finance a low-interest loan facility to provide working capital to the micro, cottage, small, and medium enterprises. However, according to the finance ministry, while 75 percent of this money has been loaned out, only 10.8 percent of this went to low-income farmers and small businesses. On the other hand, Bangladesh Bank (BB) data shows that of the Tk 15,000 crore earmarked for the MSMEs, the largest share has gone to those engaged in manufacturing and service. Very few small enterprises in manufacturing or trading have received these loans. It may be noted that Bangladesh Small and Cottage Industries Corporation, SME Foundation, Palli Karma-Sahayak Foundation and other state-owned entities have found a growing demand for subsidised loans. BB policy requires 40 percent of bank loans be earmarked for MSMEs, but the actual disbursement has fallen far short of this target. Many advocates including BUILD and others have spoken out demanding direct support to MSMEs both in rural and urban areas as an alternative to regular banking channels.

The industries minister recently acknowledged that the definition of medium enterprises should be changed to ensure required funds for MSMEs are channelled towards the micro and small enterprises since medium enterprises ate up the major portion of such funds. "A new policy was required to address the issues, including the definition of medium enterprises, a database of enterprises and mortgages", he said. His views are in line with those of international lending agencies. In a similar vein, only a few months ago, the IFC Country Manager for Bangladesh, Nepal and Bhutan, Wendy Werner, said that MSMEs in Bangladesh were "already in a precarious position as they were operating on slim margins even before the pandemic hit."

To recap, the problems that MSMEs faced during the pandemic were compounded by certain pre-existing ailments afflicting them. These include lack of operational cash flow, low customer demand, business closures due to state lockdown policies, reduced opportunities to meet new clients, and others. The enterprises run by women were seriously affected.

In the context of SDGs, the World Bank and the OECD had already identified multiple reasons why MSME development is critical for achieving the targets, including creation of additional jobs, poverty reduction, and inclusive economic growth. MSMEs are particularly important for poverty reduction, especially in rural areas and amongst women and other socially disadvantaged groups. Because of their role and place in national economies, MSMEs were taking a lead in helping to meet most of the economic-related SDGs, including promoting inclusive and sustainable economic growth, increasing employment opportunities and decent work especially for the poor, advancing sustainable industrialisation and innovation, and creating a positive push for a higher quality of life, better education and good health for all.

The recently announced budget for 2021-22 has not brought any welcome news for the MSMEs. It has been hailed in certain quarters as "business friendly", but the MSMEs have not received any tax breaks, nor any major financial incentives. Time after time, the experts have suggested that Bangladesh Bank provide a nudge to financial institutions to make it easier for MSMEs to borrow. Currently, there is very little institutional coordination and no strategic vision or overarching policy framework to support MSMEs. The productivity challenge for micro and small enterprises is substantial. Evidence from the manufacturing sector suggests that the micro and small enterprises tend to have low value-added per worker and low average wages; average labour productivity in micro and small manufacturing is barely above the low productivity of the agriculture sector.

Looking forward, the government is borrowing USD 250 billion from the World Bank for employment generation programmes. It is expected this loan will support informal micro-entrepreneurs in recovering by extending micro-finance facilities. In the 2021-22 budget, it is worth noting that applicable duties have been raised on the import of some finished products to protect small and medium industries while duty-free access for some of the raw material imports of the endangered conch industry. But the initiatives in support of SMEs do not meet and match expectations.

Let me end this note with a word of wisdom from MIT Professor Susanne Berger, who studies small and medium enterprises and their role in the supply chain. She recently wrote that governments need to strengthen "countless small and medium-sized firms you have never heard of" rather than throw money at major companies during a crisis. For Bangladeshis, the tone of this homily should sound familiar, and welcome.

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# Sustainable finance presents Bangladesh with verdant possibilities

ALAMGIR MORSHED

WITH its geography largely consisting of low-lying delta plains and its high-density population, Bangladesh is exceptionally vulnerable to climate change. It is ranked as one the seventh most vulnerable countries in the Global Climate Risk Index (CRI). The Bangladesh government has taken a wide range of measures to combat the effects of climate change and has been lauded for its policies and strategies. The country's central bank is playing an active role in engaging the financial sector in order to channel financial resources to address the challenges of climate change. As per the guidelines, banks must lend 5 percent of their loan as Green Finance and 20 percent as Sustainable Linked Finance.

> *The Bangladesh government has taken bold initiatives to reduce its climate change vulnerabilities and with proper implementation, it will overcome the challenge.*

Overall, as per the SDG progress report 2020, Bangladesh has performed better than other countries in addressing climate change. However, it is estimated that 4.5 percent of GDP would be required to integrate environmental protection with our growth strategy. Significant investments will be required in green

technology and infrastructure for which innovative financing solutions from different sources are essential.

Emerging markets such as Bangladesh are often the most vulnerable to climate change. But we also have the biggest opportunity to build green infrastructure from the ground up, embracing electrical vehicles, building energy-efficient transportation infrastructure and turning to renewable energy sources. However, the low carbon transition won't be possible without proper financial support.

Getting the energy-mix right to power the nation forward while ensuring long-term sustainability is a key part of this challenge. We helped the nation take its first step toward achieving this balance when we supported the development of the first utility-scale solar power plant feeding Bangladesh's national electric grid. This was a pioneering deal, creating a new template for private sector renewable energy operators in Bangladesh. One of the key issues was how to structure a deal with such a long maturity—15 years—beyond the level that commercial banks would have been comfortable with. The answer was a unique structure and repayment mechanism that aligned the financing needs with the risk appetites of all stakeholders.

The RMG sector, the nation's largest export earner, has also been making significant strides towards sustainability. The sector has moved towards sustainable and green manufacturing with 138 LEED green factories, 39 of which are Platinum certified by the United States Green Building Council. 13 of the 20 highest ranked LEED certified factories around the world are in Bangladesh, and 500 more factories have already registered for certification.

But there are challenges, and opportunities, ahead. A new study by Standard Chartered revealed that 78 percent of multinationals (MNCs) will not be able to engage suppliers that endanger their carbon transition plan by 2025. On one hand, this means that Bangladesh-based suppliers are risking almost USD 18.7 billion in exports if their carbon emissions are not cut in line with their biggest clients' net zero plans. The flip-side is that the same study shows exporters can share in USD 1.6 trillion worth of business if they can remain part of MNC supply chains.

Overall, the new financing required to keep global temperature rise to within 1.5 degrees Celsius may be as high as USD 8 trillion annually while the UN estimates that the funding gap to reach the Sustainable Development Goals (SDGs) by 2030 is USD 2.5 trillion a year. We need innovative financial products that can bridge investor interest with the impact on the ground, whether through deposits, fixed income bond, private equity, equity markets or other products.

One of the biggest challenges to raising more sustainable finance, particularly for emerging markets such as Bangladesh, is the lack of information and transparency on impact and the various standards and conflicting definitions. Standardisation can help Bangladesh grow and protect against the risk of green or SDG-washing. While we need to balance standardisation with fostering innovation, building greater transparency will continue to be vital.

In the last 50 years, Bangladesh has come a long way and is seen in the international stage as a role model of sustainable growth. For continued growth and inclusive prosperity, the nation has to mitigate the threat of man-made climate change. The Bangladesh government has taken bold initiatives to reduce its climate change vulnerabilities and with proper implementation, it will overcome the challenge. While Covid-19 remains the key focus, the global community will have to be resilient in tackling climate change as well. We must act now, and we must act together: businesses, consumers, governments, regulators and the financial sector must collaborate to develop sustainable solutions, technologies and infrastructure.

It's time to take action and create a better world for the generations to come.

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