

Executive Summary

“Safeguarding Manufacturing Sectors, Ease of Commodity Trading, Strong digital footprint in Export Promotion, Tapping the potential rise in global demand for health care workers via Trained Manpower Export, attracting FDI to develop backward linkage industry and protecting SMEs & Households Solvency can drive the economic growth back on course.”

Bangladesh Center of Excellence (BCE) – An Initiative of CCCI’s Strategic Analysis of Impact of Covid 19 on Bangladesh Economy and Suggested Measures to Safeguard, Damage Minimize and Facilitate regeneration of Economic Growth.

On March 11, the WHO declared the Coronavirus outbreak a pandemic with confirmed cases in more than 100 countries spreading like wild fire. In the meantime, on March 07, Bangladesh reported its first corona virus death. And as of April 08, 2020 the virus has caused more than 80,000 deaths and infected almost 1.45m people in around 208 countries among which Bangladesh confirmed 218 infected cases with 20 deaths according to data compiled by World Meter. The world has fallen on its knees as cities across the globe confirmed lockdown for weeks to months. Bangladesh has announced national holiday and home quarantined work from March 25, 2020 and extended it till April 14, 2020.

The COVID-19 pandemic has already started to impose heavy toll on human, financial, economic, and social costs around the world. IMF is forecasting a global economic recession and the UN estimates that Covid 19 could cause Trillions of dollars shortfall in global income with massive unemployment across the world especially in the developing countries. The UNCTAD estimates a \$2-3 Trillion financing gap facing the developing countries over the next 2 years. In this context, ADB in follow up to their prediction of around 1.01% GDP loss (\$3.02b) and almost 1 million job loss a month back, has re-estimated that Bangladesh may lose at least 0.2% - 0.4% of GDP in 2020.

Under the above context of global pandemic’s possible economic slowdown, Honorable Prime Minister Sheikh Hasina has already declared stimulus package of \$8.5b (BDT. 72,000cr+) primarily to address the possible liquidity crisis. We would like to express our gratitude to the Honorable Prime Minister for such timely initiative and hope that under her astute leadership Bangladesh economy will survive this shock and come back on its glorious growth path and move forward towards the national vision.

The stimulus package covers 1) Working Capital Fund with subsidized interest for local and export industries and also SMEs, 2) Additional allocation for EDF with reduced interest, 3) Pre-shipment credit refinance scheme and 4) Employees & workers salary security coverage. While Bangladesh Bank too has issued circular to relax loan classification and import liability. And private financial banks like SCB and HSBC have announced support measures for their private sector clients.

Yet, the impact of Covid 19 is so widespread that, BCE – An initiative of CCCI have designed a special internal unit titled “Covid 19’s Impact on Economy & Business Reporting Unit”. A specialized unit formed in response to Covid 19 led economic emergency. It is designed to conduct strategic analysis & recommend Support Measures for private sector’s Safeguard, Damage Control and Rebuild Economic stability during COVID 19 Pandemic led Lockdown and plausible global recession in 2020.

The objective of the unit is –

- To collect sector specific business impact information and requested support measures to the government from sector specific associations.
- To strategically analyze the sector's impact on a macro-economic context.
- To assist sectors in developing comprehensive 'Sector Specific Strategic Support Measure Paper'.
- To facilitate the sector in their effort of advocacy to the government.

In this connection, BCE has already developed a Strategic Analysis Paper titled "Analysis of 'COVID 19' Pandemic's Impacts on Bangladesh Economy & Strategic Recommendation to Facilitate Economic Safeguarding, Damage Control & Rebuilding Effort".

The paper covered insights from UN's proposed strategy for developing countries economic rescue and China's Post Outbreak Economic Release package. It also analyzes the Covid 19's impact on Bangladesh's Export Industries, Local Industries, Trading, SMEs, Households, Foreign Remittance earning through manpower export, Foreign Direct Investment, Export Market Promotion and looked to suggest specific support measures to government in their effort to facilitate the economy in these difficult times.

Some of the top line key measures (out of many) to safeguard, damage minimize and regenerate growth of the economy, the paper suggested to the government are –

Export Industry:

- ◆ Liquidity & Access to Finance
 - Reevaluate the possibility to increase the cushion period for import liability settlement from additional 60 days to additional 120 days or at least till compensation is settled between export manufacturer and buyer for the cancelled orders.
 - 10-20% discount on the EDF charge on import liabilities for next 1-2 years to help improve manufacturers' liquidity while at least 50% discount on the EDF charge on import liabilities of the cancelled export orders.
- ◆ Taxation:
 - A Discount on AIT charge of 0.25% via making it 0.20% on Export proceeds received till 2021.
 - Cancel the Advance Tax (AT) of 5% on Import of Raw Materials for Export Industries.
- ◆ Market Development during the Plausible Economic Recession Globally:
 - An online platform titled "MadeinBangladesh.gov" to digitally promote Export Items. It can ensure wider market reach and also be cost effective amid the global economic slowdown, travel limits and also lack of large scale physical exhibitions.
 - An incremental budget of \$12-15m to implement additional export promotion activities to generate export orders for 2020-2021.
 - Evaluate the prospect of adding incentive or discount on 10% tax of commission (under the condition of generating \$_____+ value of orders/per year) to global sourcing agents in order to encourage them to generate larger value of export orders for Bangladesh.

Local Industry:

Alongside the stimulus package of working capital as declared the paper suggested following review –

◆ Taxation

- Revising Sales Tax of 15% to 12% across the local sector for the fiscal year of 2020-2021 to cover for the possible reduction in consumer spending.
- Reducing Advance Income Tax (AIT) by at least 5% across the sector for the fiscal year of 2020-2021 and provide Corporate tax exemption for 3-6 Months (2020) for selected important local sectors such as Construction materials: Cement/Rod/Steel, Plastic, and Livestock: Poultry & Feed, Automobile parts, Electronics and Home Appliances etc.
- Offering additional Tax incentive of 5% to Local Industries for achieving Zero Layoff/Job Cuts in employment for the next two years.
- Cancelling Advance Tax (AT) of 5% on Import of Raw Materials for Local Industries.

Commodity Trading: Due to reduced demand, closure of market operations in many places and lack of transport/logistics services the Commodity Trading sector has slowed down with increasing pile of stock and thus there is possibility of liquidity issues. Therefore the import liability settlement period of Commodity Traders should be extended to 180 days with additional 60 days from current 120 days.

SMEs & Service Sector:

- ◆ Encourage banks to lend more on 'Work order financing' and 'Bill Factoring' to local SMEs who work in the value chain of large local or export based industries. This can be given from the allocated stimulus package of BDT. 20,000cr as working capital finance for SMEs. This way, the benefits may reach to larger segment of SMES and banks can also reduce the risk of credit as the credit will be actually borne by the large industries or buyers who have proper financial governance and credit worthiness.
- ◆ 50% Exemption of Property lease or rent for service sectors like Restaurants/Cafes, Salon & Parlors, Educational Institutes, Retail Outlets, Event Management etc. for the Month of April, 2020 followed by 30% exemption for May and 20% exemption for June and 10% exemption for the rest of the year 2020 to cover for the lockdown impact loss.

Household Solvency:

- 20% Exemption of house rent for the rest of the year (2020) which can be adjusted by exemption from income tax on earnings from house rent to reduce the cost of living hence reduce cash shortage.
- Around 2-5% Reduction on Personal Income Tax as proportionate to the annual income slabs of the current tax rate to improve the household disposable income for the fiscal year of 2020-2021.

Foreign Remittance earning via Manpower Export: To address the upcoming global demand of health care workers, Bangladesh can particularly focus on Patient Care and Cleaners as well as Nurses to tap this upcoming opportunity. Thus it can launch an initiative in collaboration with WHO & ILO to provide short 1-3

months training (Special focus on target countries language training) for people on basic health care management and community hygiene practices both for local and global market.

Foreign Direct Investment: To take advantage of the Japan's announced stimulus package of \$2.2b for its manufacturers to shift base from China, Bangladesh should create tax benefit package and pursue specifically China and Japan for investment in the backward linkage industry of intermediary goods for local and export based industries and diversification of export portfolio.

Health Service Data Bank: Developing a robust National Health Services Network system covering all health services professionals (active or retired) from Public, Private and NGO sector through geo plotting as preparedness for future national or global outbreak.

International Diplomacy & Economic Relation: A special task force comprised of best government resources, economists, private sector leaders, trade diplomats along with strong advocacy firm to particularly focus on generating Economic Rescue Aid and Bilateral negotiations for FDI, Export orders and Manpower recruitment.

Critical Way Forward: Focus on Each Sector Separately: We suggest following critical steps –

- I. Develop Sector Specific Task Force with representation from the relevant ministries, chambers and sector specific associations within one week after the lockdown is withdrawn.
- II. The objective of the task force should be to a) Evaluate the impact of Covid 19. b) Suggest specific support measures / interventions to minimize the damage and regenerate growth in the sector & c) Design a 2-3 Years Revival Road Map for the Sector.

In this connection, Bangladesh Center of Excellence (BCE) – An Initiative of CCCI has already formed a unit titled "Economic & Business Impact Reporting Unit". It is a specialized unit formed in response to Covid 19 led economic emergency. It is designed to conduct strategic analysis & recommend support measures via engagement with specific sectors. Therefore, BCE will be a right fit to facilitate government in this effort of engaging with sector developing the sector specific support measure suggestions and designing a 2-3 years revival road map.

About Bangladesh Center of Excellence (BCE)

Bangladesh Center of Excellence (BCE) is an Initiative of Chittagong Chamber of Commerce & Industries (CCCI). It is a Trust organization by nature that is formed with the purpose to support Bangladesh's efforts in her march towards the vision of becoming a developed country by 2041, through facilitating a sustainable growth in private sector. It envisages being the catalyst in accelerating private sector performance and thus help positioning Bangladesh as Asia's leading Economic, Investment & Sourcing Destination.

For Detailed Report and Project Details visit www.bangladeshcenterofexcellence.org and write to us via email at ceo@bangladeshcenterofexcellence.org in details about your specific sector's operational and financial challenges due to outbreak of Covid 19.