SUMMARY OF SOCIAL AND ECONOMIC RESPONSES BY THE GOVERNMENT OF BANGLADESH FOR COVID-19

1. The Government of Bangladesh has developed a comprehensive pandemic response plan which covers economic and non-economic measures to reduce the burden associated with the health threat, maintain essential services, protect vulnerable groups, minimize economic and social disturbance, and enable a quick return to normal conditions. The government has set up the COVID-19 Emergency Operation Center to coordinate nationwide preparedness and response activities. The Diseases Control Unit of the Directorate General of Health Services (DGHS) and the Institute of Epidemiology Disease Control and Research have jointly started work.

2. **Non-economic measures.** Government agencies, under the coordination of the Ministry of Health and Family Welfare (MOHFW) and with the support of development partners including ADB, are stepping up efforts to strengthen surveillance, tracking, testing, isolation, caring and treatment efforts. Awareness campaigns were conducted with the Prime Minister’s personal participation to educate the public on the preventive measures to fight the pandemic.

3. As of 6 April 2020, the following plan and guidelines related to COVID-19 case management and infection prevention have been developed by DGHS: National Preparedness and Response Plan for COVID-19; Guideline for Hospital Management of COVID-19 cases and Standard Operating Procedures (SOP); Home care guideline for mild COVID-19 patients; Guideline or Standard Operating Procedures for Disinfection and Infection Prevention and Control (IPC); Guideline for the preparation of disinfectants; Guideline and Standard Operating Procedure for Hospital Waste Management; Standard Operating Procedures on dead body management and burial/ final disposal; Rational use of Personal Protective Equipment (PPE) to protect from COVID-19; and Guideline for the COVID-19-related waste management of hospitals and airports.

4. The government declared public holidays from 26 March to 25 April and imposed a nationwide lockdown except for emergency services. All public and private establishments are closed, and public transportation services suspended. Social distancing measures were introduced, and all large gatherings were canceled. The army has been deployed to assist the local administration. Operations of all commercial flights, both international and domestic, have been suspended from 30 March to 30 April.

5. **Economic measures.** The government prepared a wide range of short- and medium-term economic stimulus packages, amounting to Tk956.2 billion ($11.2 billion), about 3.3% of GDP as of 15 April 2020. The government package aims to provide an emergency response to strengthen health care services, to support the poor and vulnerable groups, and to protect key industries and small and medium-sized enterprises (SMEs) in order to save jobs and revitalize the economy. The package comprises four major strategic programs to mitigate the adverse social and economic impact of the COVID-19 pandemic as detailed below:

   (i) Increasing government spending with a target to create jobs and increasing aggregate demands.

   (ii) Increasing money supply to maintain liquidity of the economy without creating inflationary pressure. Bangladesh Bank, the central bank, issued circulars to delay non-performing loan (NPL) classification and extend the tenures of trade instruments, the submission of import bill entries to the bank, the issuance period of back-to-back letters of credit, and the repayment tenure of loans from the Export Development Fund. To boost liquidity in the systems, Bangladesh Bank announced that it will buy treasury bonds and bills from banks.
Effective 24 March 2020, the repurchase rate has been lowered from 6% to 5.75%, while the cash reserve ratio (CRR) has been reduced from 5% to 4.5% on a daily-basis requirement and from 5.5% to 5% for the bi-weekly requirement. Effective 15 April 2020, the central bank has further re-fixed the CRR at 3.5% on a daily-basis requirement and 4% on a bi-weekly average basis.

(iii) Expanding social safety net programs to meet the basic needs of people living below the poverty line, day laborers and for those engaged in the informal sector. The government expanded social safety net coverage to fulfil the basic needs of people living below or near the poverty line and people engaged in informal work. Some key programs are:

(a) **Old Age Allowance program.** The program was introduced in FY1998 to provide old age support for the poor elderly. It is an unconditional cash transfer program administered by the Department of Social Services (DSS) under the Ministry of Social Welfare. The program aims to target poor and vulnerable elderly (62 years and older for women; 65 years and older for men). As of FY2019, it provides Tk500 ($5.9) per month to each of 4.4 million beneficiaries across rural and urban areas, which covers approximately one third of the elderly population. The benefit represents about 30% of the average monthly per capita consumption of the lowest expenditure quintile. In response to COVID-19, the government will expand the program to cover all eligible persons of the 100 most poverty stricken upazilas. For monitoring and evaluation, the DSS has a monitoring and evaluation system in place. Moreover, initiatives are taken for building an integrated software for social safety net program beneficiaries. For example, the DSS established a database with all information about social safety net beneficiaries and is continuously updating the beneficiaries.

(b) **Widow Allowances program.** The program was introduced in FY1998 to provide allowances for the widow, deserted and destitute women to reduce their vulnerability to poverty and social protection. It is an unconditional cash transfer program administered by the Department of Social Services under the Ministry of Social Welfare. As of FY2019, it provides Tk500 ($5.9) per month to 1.4 million women beneficiaries. In response to COVID-19, the government will expand the program to cover all eligible person of the 100 most poverty stricken upazilas. The DSS under the Ministry of Social Welfare has been implementing the program through the national advisory committee, upazila committee and ward committee. The allowances are disbursed through the banking channel.

(c) **Cash Transfer to Targeted Poor People.** The government will provide Tk2,000 in cash to each of 2 million low-income families including day laborers, hawker, rickshaw puller, transport workers, hotel workers and maids who lost their income because of lockdown, as part of its efforts to keep the most vulnerable segment of the society at home to tackle the deadly virus. This program will allow the low-income people to maintain their livelihood during the period of lockdown and Ramadan.

(d) **Special Honorarium.** Special honorarium to the doctors, nurses and other health workers who provide treatment to COVID-19 patients from the frontline. The government has already directed the authorities concerned to prepare a list of the health workers who are directly dealing with COVID-19 patients.
(e) **Free Food Distribution.** Total amount of 500,000 metric tons of rice and 100,000 metric tons of wheat will be provided free of charge to low-income people.

6. Introducing a fiscal stimulus package to retain workers in the manufacturing sector. The government made funds available through government-subsidized zero-cost or low-cost credit to boost various industrial and agricultural sectors. The support aims to preserve employment, support SMEs, maintain the competitive edge of Bangladesh’ export industries, and support farmers for food safety. Some key programs are:

(i) **Salary Support to Export Oriented Manufacturing Industry Workers.** The government will provide fund to export-oriented businesses through commercial banks as interest-free loan, and the funds will be earmarked to pay salaries for workers during the closedown period. The government has already provided Tk50 billion ($589 billion) from budget resource to Bangladesh Bank to create a fund. The fund will be eligible for the export-oriented industries which exports minimum 80% of its total production, and active industries which have paid salaries and allowances to their workers and employees for December 2019 and January-February 2020 under the membership of Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufactures and Exporters Association, locally-owned industries in the export processing zones, economic zones and high-tech parks, and/or export-oriented industries which have conducted trade activities with banks.

The loan facility from the fund will be provided only for payment of salaries and allowances of workers and employees through their bank accounts including mobile financial system accounts based on national identification numbers. Bangladesh Bank will not charge any interest on the fund disbursed to banks. But the banks could charge a one-off 2% service charge from the industries to meet their operating costs. The industries have to repay the loans including service charge through 18 equal installments within two years including six months of grace period, otherwise they will be considered as loan defaulters and will be required to pay 2% penalty on due installments. The banks will also repay their proceeds to Bangladesh Bank through 18 equal installments within two years including six months of grace period.

The primary beneficiaries are the ready-made garment factory workers, most are female. It helps maintain the living standard of the furloughed workers during the lockdown while maintain the economic ties between workers and the businesses and between the businesses and the banks, which will be conducive to a faster recovery after the pandemic.

(ii) **Working Capital for Affected Industries and Service Sector.** To cope with the probable impact of COVID-19 through reviving economic activities, keeping workers and employees engaged and maintaining competitiveness of entrepreneurs, a total of Tk300 billion ($3.5 billion) working capital loan will be provided by commercial banks to affected industries and services institutions with annual interest rate of 9%. Out of this, the businesses will pay interest of 4.5% and rest 4.5% will be paid by government from its budgetary resources as interest subsidy. Bangladesh Bank formed a refinance scheme of Tk150 billion ($1.8 billion) with an interest rate of 4% to which banks can access with the condition that they provide at least 50% of each loan to the borrowers from their own sources.

With prior permission of Bangladesh Bank, banks will provide this facility to affected businesses based on banker-customer relationship as per their own credit and investment
policies. The amount of government interest subsidy will be paid to concerned banks through Bangladesh Bank. The primary ceiling of a bank’s loan demand will be determined by the bank based on its contribution to the banking sector’s total outstanding working capital loans to industry and services sector as of 31 December 2019.

Duration of the facility will be three years and the interest subsidy from the government will be provided for maximum one year against working capital loan to a single borrower. The facility will be eligible only for affected businesses under the industry and services sector, but no loan defaulter will get this facility. A loan received under this facility cannot be used for existing loan adjustment/repayment, business expansion or new business.

Under this facility, the affected industries and services sector institutions who have already taken working capital loans from banks will get a maximum of 30% of the amount taken as working capital loans, while for those who are new, banks will determine the loan ceiling as per their own credit policy and the borrowers will get a maximum of 30% of that ceiling. Single borrower exposure limit as instructed by Bangladesh Bank will be applicable in disbursing loans, and all these instructions will also be equally applicable to the financial institutions who will provide working capital loans.

(iii) Working Capital for Small and Medium Industries (including cottage and micro enterprises). A total of Tk200 billion ($2.4 billion) loan will be provided by commercial banks and financial institutions to affected cottage, micro, small and medium enterprises (CMSME) with an annual interest rate of 9%. Out of this, the businesses will pay interest of 4% and the remaining 5% will be paid by the government from its budgetary resources as interest subsidy.

With prior permission of Bangladesh Bank, banks and financial institutions will provide this facility to affected entrepreneurs based on banker-customer relationship as per their own credit and investment policies. The amount of government interest subsidy will be paid to concerned banks through Bangladesh Bank. Any bank or financial institution can provide loan in a fiscal year under this facility maximum 10% of total CMSME outstanding loans as of 31 December 2019, and they have to inform Bangladesh Bank within three months. Priority will be given to production, services and trade subsectors of CMSME, and proportionate rate of disbursement in these subsectors by banks and financial institutions will be 50%, 30% and 20%, respectively. Minimum 15% of yearly loan disbursement will be in rural areas; minimum 70% to CMSMEs and the remaining 30% to medium enterprises. A minimum 5% will be provided to women entrepreneurs.

Duration of the facility will be three years and the interest subsidy from the government will be provided for maximum one year against working capital loan to a single borrower. The facility will be eligible only for affected businesses under CMSMEs, but no loan defaulter will get this facility. Loan received under this facility cannot be used for existing loan adjustment/repayment, business expansion or new business.

The affected enterprises related to production and services who have already taken working capital loans from banks will get under this facility maximum 30% of the existing loan outstanding, or 50% of average operating expenses of last three years whichever is less; enterprises related to trading business will get maximum 25% of average turnover of last three years but it will not exceed Tk10 million ($0.1 million). For entrepreneurs who are new, banks will determine the loan ceiling as per their own credit policy and the borrowers will get under this facility maximum 30% of the that ceiling, or 50% of average
production/sales/turnover of last one or more years whichever is less; for trading business it will be 25% of annual turnover but will not exceed Tk10 million ($0.1 million).

(iv) **Expansion of Export Development Fund (EDF).** The size of EDF at Bangladesh Bank will be increased by $1.5 billion to $5.0 billion, effective 1 April 2020, to facilitate access to financing in foreign exchange for input procurements by manufacturer-exporters under the back-to-back letter of credit. Authorized Dealer (AD) banks can borrow from the EDF against their foreign currency loans to manufacturer-exporters for input procurements. The interest rate of EDF loans to manufacturer-exporters (LIBOR plus 1.5% sum total 2.73%) has been reduced to 2% (fixed).

Interest rate on EDF loan disbursements to ADs in US dollar will be charged at 1% (fixed) interest instead of existing interest rate (six-month USD LIBOR plus 0.50% spread), with the ADs will charge on their US dollar loan disbursements to manufacturer-exporters at 2% (fixed) instead of existing rate (six-month USD LIBOR plus 1.50% spread).

EDF loans from Bangladesh Bank are repayable by the ADs upon receipt of proceeds of the relative exports except in case of loans for bulk imports by member mills of eligible associations against past export performance. In all cases, within 180 days from dates of disbursement, the loan is extendable by Bangladesh Bank upon application to Bangladesh Bank explaining the necessity of longer period for repatriation of export proceeds.

EDF loan is eligible for input imports by manufacturer-exporters including members of Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association, Bangladesh Textile Mills Association, Bangladesh Dyed Yarn Exporters Association, Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association, Bangladesh Plastic Goods Manufacturers and Exporters Association, Leather goods, Footwear Manufacturers & Exporters Association of Bangladesh, and Bangladesh Ceramic Wares Manufacturers' Association including industries in the export processing zones and economic zones.

(v) **Pre-Shipment Credit Refinance Scheme.** In order to support export activities, a new pre-shipment export credit refinance scheme is launched from Bangladesh Bank’s own resources with a total fund size of Tk50 billion ($589 million). Interest rate of this credit facility will be 6.0%.

Banks are eligible for this facility and interested banks will initiate a participation agreement with Bangladesh Bank. The scheme is a revolving fund for 3-year term. A single borrower can receive loans under the scheme more than once with different terms but for maximum one year. However, Bangladesh Bank will refinance banks for maximum 120 days (four months) based on the date of shipment of the consignment, but repayment period can be extended up to 60 days with prior approval from Bangladesh Bank in special case, if there is delay in repatriation of export value due to valid reason.

The fund will be open for all export-oriented local industries in all sectors and banks will decide on loan disbursement as per existing rules based on case-to-case in line with banker-customer relationship. No exporters with repatriation of export value remaining overdue, and no loan defaulter and default institutions will have access to this facility. Bangladesh Bank will charge to banks interest rate of 3% for receiving this facility, while banks will charge to export-oriented industries 6% interest rate with no other charges.
Participating banks will decide on pre-shipment credit as per their own policy after deducting value of back-to-back letters of credit, financing amount for accessories and other related financing amount from value of firm export contract/authenticated export credit. But re-financing facility will be considered up to maximum 10% of each shipment consignment i.e., commercial invoice value.

(vi) **Agriculture Refinancing Scheme.** A special fund of Tk50 billion ($589 million) refinancing scheme is being created from Bangladesh Bank’s own sources to provide running capital to the various agricultural subsectors including horticulture, fisheries, poultry, dairy, and animal farming. From this fund, loans will be disbursed as working capital at 4% interest rate to the small and medium farmers. The entrepreneurs who will sell agriculture commodities will also be eligible for receiving loans under the scheme.

Interested banks will initiate a participation agreement with Bangladesh Bank and apply on monthly basis for receiving money from the scheme equivalent to working capital loans disbursed to farmers based on bank-client relationship by 30 September 2020. Existing clients who are affected by COVID-19 can also receive the loan from the facility maximum up to 20% of the existing loan amount. Participating banks will repay principal and interest at 1% rate to Bangladesh Bank within 18 months including six months grace period and same rules will be applicable to the clients with 4% interest rate. Any single subsector could receive maximum 30% of the amount allocated to banks for that subsector and maximum single borrower exposure limit will be Tk50 million ($0.6 million).

The summary of the economic stimulus package is presented in Table 1.
<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Package</th>
<th>Description</th>
<th>Amount in Tk ($ million)</th>
<th>Key beneficiaries with estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Salary support to export oriented manufacturing industry workers</td>
<td>Providing fund to export-oriented businesses through commercial banks as interest-free loan</td>
<td>50 (586)</td>
<td>Workers in manufacturing industry (1.5 million workers)</td>
</tr>
<tr>
<td>2</td>
<td>Working capital for affected industries and services sector</td>
<td>Providing loan by commercial banks to affected businesses with annual interest rate of 9% (4.5% subsidized by the government)</td>
<td>300 (3,518)</td>
<td>Industries and service sector firm and their employees (5,000 companies with 3 million workers)</td>
</tr>
<tr>
<td>3</td>
<td>Working capital for SMEs (including cottage industries)</td>
<td>Providing loan by commercial banks to affected businesses with annual interest rate of 9% (5% subsidized by the government)</td>
<td>200 (2,345)</td>
<td>SMEs and their employees (200,000 companies with 15 million workers)</td>
</tr>
<tr>
<td>4</td>
<td>Expansion of Export Development Fund (EDF)</td>
<td>Expansion of EDF from $3.5 billion to $5.0 billion with reduced interest rate to 2% from 2.73% to facilitate the import of raw materials under the back-to-back letter of credit</td>
<td>127.5 (1,495)</td>
<td>Export industries (2,500 export companies)</td>
</tr>
<tr>
<td>5</td>
<td>Pre-Shipmen Credit Refinance Scheme</td>
<td>A new pre-shipment refinancing scheme for exporters with 7% interest rate</td>
<td>50 (586)</td>
<td>Export industries (2,500 export companies)</td>
</tr>
<tr>
<td>6</td>
<td>Special honorarium</td>
<td>Providing special honorarium to government doctors, nurses and medical workers engaged in treating COVID-19 patients  Providing insurances to doctors, nurses, health workers, administrative officials, members of law enforcing agencies, army personnel and other staff of the engaged (health insurance: Tk0.5-1 million/ life insurance: 5 times of health insurance)</td>
<td>1 (12)</td>
<td>Health workers</td>
</tr>
<tr>
<td>7</td>
<td>Health insurance and life insurance</td>
<td></td>
<td>7.5 (88)</td>
<td>Health workers and engaged officials</td>
</tr>
<tr>
<td>8</td>
<td>Free food distribution</td>
<td>Food distribution to low-income people (rice: 500,000 ton/ wheat: 100,000 ton)</td>
<td>25.0 (293)</td>
<td>Low-income group</td>
</tr>
<tr>
<td>9</td>
<td>Sales of rice at low price</td>
<td>Open market sale of rice at Tk10 per kg to low-income people (74,000 ton for three months)</td>
<td>2.5 (29)</td>
<td>Low-income group (1.2 million families)</td>
</tr>
<tr>
<td>10</td>
<td>Cash transfer to targeted poor people</td>
<td>Cash transfer directly to the low-income people including day labors, hawker, rickshaw/van puller, transport workers, hotel workers who lost their income</td>
<td>7.6 (89)</td>
<td>Low-income group (up to 2 million family)</td>
</tr>
<tr>
<td>11</td>
<td>Expansion of allowance programs</td>
<td>Expanding the social protection such as Old Age Allowance and Allowance for Widow/husband Deserted Women to cover all eligible person (100%) of the 100 most poverty stricken upazilas</td>
<td>8.2 (96)</td>
<td>Old aged people, widow and deserted women (1 million)</td>
</tr>
<tr>
<td>12</td>
<td>Home construction for homeless</td>
<td>Expedited houses construction for homeless people</td>
<td>21.3 (250)</td>
<td>Homeless people (0.1 million)</td>
</tr>
<tr>
<td>13</td>
<td>Paddy/ rice procurement</td>
<td>Procurement of additional 200,000 ton to ensure fair price</td>
<td>8.6 (101)</td>
<td>Farmers (0.1 million farmers)</td>
</tr>
<tr>
<td>14</td>
<td>Farm mechanization</td>
<td>Supporting mechanization of harvesting</td>
<td>2 (23)</td>
<td>Farmers (50,000 farmers)</td>
</tr>
<tr>
<td>15</td>
<td>Agriculture subsidy</td>
<td>Distribution of seed and sapling to the affected farmers and fertilizer subsidy</td>
<td>95 (1,114)</td>
<td>Farmers (10 million farmers)</td>
</tr>
<tr>
<td>16</td>
<td>Agriculture refinance scheme</td>
<td>Establishment of a new refinance scheme to supply working capital in the agriculture sector, at interest rate of 4%</td>
<td>50 (586)</td>
<td>Farmers (1 million farmers)</td>
</tr>
</tbody>
</table>

**Total**: 956.2 ($11.2 billion)

Source: Ministry of Finance.

* ADB estimates.