

INSIGHTS

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Unexpected challenges to the prospects of growth and the economy are quite common in Bangladesh; and the country is widely known as a land of natural and manmade disasters. At present, the coronavirus disease (Covid-19)—declared as a global pandemic in January 2020 by the WHO—has strained the humanitarian and socioeconomic system of the entire country. Furthermore, the havoc of the pandemic is still ongoing along with recurrent variation in intensity which has severely affected all aspects of life and economy across the country. The damages are unprecedented in the country's history threatening all dimensions of development outcomes. Since the virus has grown exponentially, the deadly and highly contagious disease has turned from a moderate to a strong category in Bangladesh within a period of three months. Further, as one of the most densely populated country in the world, Bangladesh's healthcare facilities have proved to be too limited to serve more than 165 million people of the country.

The sudden onset of the Covid-19 pandemic has brought about deep changes in the Bangladesh economy. During the initial periods, the rural economy displayed an extraordinary resilience to the effects of the pandemic, in sharp contrast to the experience of the country's urban economy. In reality, the performance of the rural and urban economy after the onset of the pandemic has progressed along two different lines—the rural economy flourishing at close to the normal vigour while the urban economy struggled to keep up.

Since most of the rural economic activities (including farming) remained relatively unaffected from the Covid-19 restrictions, farming and allied activities continued without much hindrances; thus allowing the rural economy to move forward. According to the BBS, GDP growth edged down to a 30-year-low of 3.51% in 2019-20 due to the Covid-19 fallout, while GDP growth has been estimated at 5.43% in 2020-21. The growth in industrial



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production in 2019-20 dropped to 3.25% and rose to 6.12% in 2020-21 although the rate had been more than 12% for the last couple of years. The manufacturing sector logged more than 14% growth in the fiscal 2018-19 that slipped to 1.8% in 2019-20. The growth turned around to 5.77% in the last fiscal year. For the service sector, growth was 4.16% in 2019-20 which slightly increased to 5.61% in 2020-21. On the other hand, the growth rate in agriculture edged up in 2019-20 to 4.59% which fell in 2020-21 to 3.45%. In fact, the agriculture sector was able to retain a relatively healthy performance in the post-pandemic period mostly on the back of increased rural consumption, relatively stable weather conditions, little disruption in the supply chains, as well as increased government spending on rural support programmes and varied measures to strengthen agricultural and allied sectors in the rural areas.

Traditionally, the rural economy is the driver of the country's economic growth, given that around two-thirds of the population and 77% of the workforce reside in the rural areas and the rural economy generates nearly half of the total income. Further, agriculture and allied sectors absorbed the labourers who lost their jobs and migrated to the rural areas due to the Covid-19 pandemic. However, things have now started to take a turn in recent months with the continuation of the pandemic. The sector's labour absorbing capacity seems to have been overstretched giving way to rising un- and underemployment in the rural areas as well as causing significant changes in the expenditure pattern of the rural households due to increased out-of-pocket expenses on precautionary measures and healthcare services. This has also been vastly compounded by the disruptions in remittances sent by migrant family members.

One important aspect of the continuing Covid-19 crisis is that even the rural informal economy (comprising of both small businesses and individual workers) has been encountering major disruptions and finds it extremely challenging to sustain survival in the face of the current pandemic. A range of workers, including salaried cottage, micro, small and medium enterprise (CMSME) workers, small/daily wage earners, home-based (including gig) workers, and migrant labourers are undergoing serious hardships.

In the rural areas, direct cash/food transfers under the government's safety net programmes typically and predominantly target the extreme-poor populations. Due

to exclusion errors, informal workers are mostly left out. Further, an adverse income shock is distinct from their baseline wealth/asset scores often employed to determine enrolment into existing social protection programmes. In the absence of any coping mechanism to counter economic shocks, the migrant workers residing in big cities (like Dhaka and Chittagong) were left with no choice after the implementation of the lockdown but to rush back to their villages. In the face of limited access to savings and contingency funds, these households had mostly resorted to negative coping strategies, such as selling assets, borrowing from informal moneylenders, or engaging in child labour.

A major constraint in rolling out targeted assistance programmes for these rural informal workers has been the lack of information. While technology can be used to fill critical information gaps, one needs to be realistic in expectations regarding reliance on spatial data and mobile phones to gather geo-tagged data. Using digital technology to make mobile payments may not be as effective in places where access to such technologies is limited. The government had already adopted stimulus packages to provide support to the most economically vulnerable, including emergency funding/relief for businesses and individuals. But these packages were relatively modest and reflected the country's limited financial resources. However, they did include some form of relief to the needy, mostly in the form of rations and/or cash transfers. But although these economic support packages were probably well-designed, but these were not large enough to address the urgent challenges of all the informal workers.

However, recognising the contribution of the rural informal workers to the national economy, the government will have to work with what already exists along with working out new and better options. The key will be to devise mechanisms to extend the coverage of existing social protection programmes to all informal workers mainly to enable them to survive the immediate impact of the pandemic. Where existing registries or databases exist, quick assessments can be made on their relevance for the scale-up of social protection interventions. The government also needs to introduce reforms to stabilise the long-term impacts of the economic shocks on informal workers and find innovative and sustainable ways to identify and reach those who need assistance. Restoring disruptions in the food supply

chain and strengthening market linkages for local producers can benefit these informal workers and ensure the provision of essential services and products.

While the steps taken to push rural recovery are essential, in order to reduce income disparity and regional inequity in the long run, localisation of industries and employment are critical. Apart from providing enhanced access to credit and support services to agriculture and CMSMEs, there is also a need to work on institutional factors and a robust governance framework for effective implementation of these programmes. A renewed focus on the use of technology in agriculture, promoting fintech, creating opportunities for self-employment and entrepreneurship, as well as building resilient value chains in both rural and urban markets will go a long way in making the economy disaster-resilient for the future.

In order to be comprehensive, the government's response strategy with regard to Covid-19 should be guided by three major objectives: minimise loss of human casualties; reduce the loss of livelihoods especially of the low income populations; and contain adverse growth and employment impact due to Covid-19 related measures. However, since there are complex trade-offs between these objectives, the key for the government would be to ensure a proper balancing among them to minimise the overall adverse impact of the pandemic.

While the official estimates of Covid-19 casualty cases are relatively low, the economic costs are already deep in Bangladesh. The country has rising levels of domestic and external debt and can attract a generally low level FDI. The economy is highly dependent on external sources of income, such as RMGs exports and remittance incomes. It has also experienced severe impacts on tourism, although

not very important, but it is a rapidly rising source of foreign exchange earnings and job creation. For the global community, Bangladesh presents an excellent opportunity to extend the benefits of development and invest in supply chains and increased connectivity for goods and services with its rapid development. Further, ensuring rapid progress of the country is essential to consolidate its nascent democracy which is still susceptible to authoritarianism. Moreover, as the Covid-19 pandemic still continues to wreak havoc on public health and the socioeconomic developments in the country, the global community has an added responsibility to maintain its commitment to demonstrate the superiority of the emerging economic cooperation model in this new era of globalisation and technological advancement.

There is no doubt that the pandemic has pushed the rural economy further towards a massive technology upgradation phase with e-commerce channels developing, low ticket electronic items becoming essential commodities, and mobile phones becoming household necessities for education and other purposes. However, the long term compulsion for Bangladesh would be to adopt an integrated disaster and development paradigm, particularly with respect to its ongoing development process. The current paradigm needs to evolve and integrate practical ways to deal with such future crisis for the sake of survivability and sustainability. The experience of Covid-19 has no doubt contributed to some progress in the policy environment; but the reality is that such progress in policy making can only be effective only if the capacity to respond to the complex intersections of economic, social, environmental and other impacts especially on the most vulnerable population increases commensurately.



Study on CMSMEs in Bangladesh

It is widely accepted that the growth of cottage, micro, small and medium enterprises (CMSMEs) in Bangladesh has a multiplier effect on the national economy, specifically on employment, GDP growth, and poverty reduction. These enterprises generate more direct jobs per unit of investment than do large enterprises. They serve as the training grounds for developing technical and entrepreneurial skills and, by virtue of their greater use of indigenous technological capabilities, these enterprises promote local inter-sectoral linkages (particularly with agriculture) and contribute to dynamism and competitiveness of the rural economy.

The present study aims to explore and suggest inclusive business models (IBMs) to encourage investments in CMSMEs in Bangladesh. The study has been initiated by the General Economics Division (GED) of the Bangladesh Planning Commission with support from UNDP. The study will explore and fulfill some key objectives, such as, understand the importance of CMSMEs for broad-based job creation and sustained economic growth along with poverty reduction in Bangladesh; assess the impact of ongoing Covid-19 pandemic on CMSMEs in Bangladesh; evaluate the current investment scenario and financing barriers (e.g., access to finance) for the CMSMEs; analyse how digital adoption can be beneficial for the CMSMEs; and suggest the design of IBMs considering the gender issues for strengthening investments in CMSMEs in Bangladesh.

Within the above objectives, the study intends to explore the current investment scenario and financing barriers for the CMSMEs and design IBMs as a recovery pathway covering longer term objectives. The study will also analyse important dimensions of CMSMEs in Bangladesh; its nexus with achieving the SDGs; and identify the link between investment in CMSMEs, employment, economic growth, and poverty eradication. The study will also evaluate the impact of Covid-19 pandemic on CMSMEs in Bangladesh, analyse the CMSMEs considering gender issues and digital adoption by CMSMEs—all of which can contribute to green recovery of CMSMEs from Covid-19 and ensure future growth in a sustainable manner. The final report will be completed by December 2021.



Baseline Study on Piloting WaterCredit Adoption (WCAD) Programme



Photo: Glimpses from field during baseline survey

InM is currently implementing the pilot phase of the WaterCredit Adoption (WCAD) programme with support from Water.org that would create the scope of providing

the poor households with access to small loans as a solution to affordable financing as well as access expert resources to make household water and toilet solutions a

reality. The piloting has been undertaken by InM in partnership with ten WCAD partner MFIs to the customers at the bottom-of-the-pyramid (BOP). The phase covers a period of 12 months; and, at the end of the pilot, around 100,000 water supply and sanitation (WSS) loans are expected to be disbursed to reach about 400,000 people with improved water and/or sanitation and increased capital mobilisation.

Under the programme, InM is conducting a baseline survey which will be used to assess the initial conditions; in addition, this will serve as a benchmark to measure changes at the end of the pilot. The target households are those having potential borrowers from the WCAD partner MFIs who are the prospective borrowers of the WCAD programme.

Newspaper Publications

- Bangladesh's GDP per capita outshines India's: Can Bangladesh sustain this? Mustafa K Mujeri, The Financial Express, December 15, 2021.
- Covid-19 impact and dichotomy of rural-urban economy in Bangladesh, Mustafa K Mujeri, The Financial Express, December 06, 2021.
- Evolving monetary policy framework of Bangladesh Bank: Changes and challenges, Mustafa K Mujeri, The Financial Express, November 25, 2021.
- Moving towards an inclusive development paradigm, Mustafa K Mujeri, The Financial Express, November 18, 2021.
- BD's 'upper middle income' journey: Priority agenda for the next decades, Mustafa K Mujeri, The Financial Express, November 10, 2021.



InM Publications



FINIMILE Vol: 03, Issue: 03



FIN-BIZ Vol: 04, Issue: 02

New Book



The availability, access, and consumption of nutritious food is extremely important. Despite declining arable agricultural land, Bangladesh has made substantial progress in boosting domestic food production, improving access to food by increasing household income, and enhancing nutritional outcomes. Nevertheless, the challenges to food and nutrition security remain formidable. **'Securing Food for All in Bangladesh'** edited by Akhtar U. Ahmed, Nurul Islam and Mustafa K Mujeri and published by IFPRI and University Press Limited in October 2021 presents an array of research that collectively addresses four broad issues: (i) agricultural technology adoption; (ii) input use and agricultural productivity; (iii) food security and output markets; and (iv) poverty, food security, and women's empowerment. The fifteen chapters of the book address diverse aspects within these four themes.

Training & Education Highlights

New Training Modules for WCAD Programme

InM Training Division has developed two new modules on 'Training of Trainers (TOT) for WCAD programme Implementation' and 'WCAD programme Implementation at the Field Level'. Using the first module, virtual TOT programmes for 20 Master Trainers of 10 MFIs was conducted during 5-9 September 2021. The module covered different topics including SDG6, safe water supply, sanitation and hygienic, effects of climate change on water supply and sanitation, features of the WCAD model in Bangladesh, water and sanitation loan products, role of males and females in maintaining facilities and

hygiene, and monitoring & evaluation of the WCAD programme.

This was followed by a series of virtual daylong trainings on WCAD programme Implementation at the Field Level for the Managers of Partner MFIs in which a total of 1,040 participants attended. The main contents were SDG6, planning safe water supply and hygienic sanitation, effects of climate change on water supply and sanitation, features of the WCAD model in Bangladesh, and water and sanitation loan products.



Workshop on Professional Development

For the WCAD programme participants, InM organised a workshop on 'Professional Development' during 17-18 November 2021. A total of 26 senior professionals from 10 WCAD partner MFIs attended the programme. The main objective of the workshop was to discuss the emerging issues that the partners were facing in implementing the WCAD programme at the field level along with potential solutions to overcome the challenges and ensure smooth implementation of the programme. In the workshop, the participants from different partners openly shared their experiences at the field level in implementing the WCAD

programme including the adopted client selection strategy, client awareness measures, required technical support for programme implementation, monitoring and evaluation mechanism of the programme, research and impact evaluation, and the comprehensive reporting system adopted under the programme. The workshop provided a fruitful forum for



interaction and mutual exchange of implementation experiences of the WCAD programme, learn from each other, and adopt a comprehensive approach in implementing the programme. The concerned professionals from InM and Water.org also attended the workshop.

Certificates awarded to 11th batch Diploma participants

The 11th batch of InM's Diploma in Microfinance programme participants successfully completed their course requirements in September 2021. Due to the Covid-19 pandemic, the courses were conducted using the virtual platform. A total of 14 participants successfully completed the programme and were awarded the Diploma Certificates. The participants in this batch were nominated by different organisations including ASA, DSK, CDIP and MMS.



WCAD In-Country Exposure Visit

InM, in collaboration with Water.org, successfully organised an in-country exposure visit on 12 and 13 December, 2021 in Rangpur and Thakurgaon districts. As a part of learning and gaining field-level operational experience on WaterCredit programme, this exposure visit was undertaken under the WaterCredit Adoption (WCAD) programme being implemented by InM. Two successful partners of Water.org namely TMSS and RDRS were selected for the visit programme. These two partners are successfully implementing the WaterCredit programme

for several years thereby gaining useful experience to share with other partners.

Under the WCAD programme, the participant partner organisations included IDF, BASA, BEES, CODEC, PMUK, SFDW, CDIP, DISA, SETU and SDC; and two senior staffs from each partner participated in the exposure visit. InM facilitated the visit for creating opportunities to WCAD partner MFIs for mutual learning in which the partners shared their ideas and experiences regarding challenges



and practical measures facilitating effective implementation of the WCAD programme.

The objective of the visit was to learn water, sanitation and hygiene (WASH) activities of Water.org partners, types of water and sanitation products adopted in the plain land, awareness raising and borrower's selection process, area selection criteria, loan disbursement process and related activities, WaterCredit loan celling, technical assistance,

staff and beneficiaries training and capacity building process, water and sanitation product installation and maintenance process etc. of RDRS and TMSS WaterCredit programme were also discussed and learnt through on-field visits. For InM, the aim was to create a strong bridge among the partner organisations so that all MFI partners could gain practical knowledge, ideas and experiences from successful partners of Water.org.



During the exposure visit, the participants attended group meetings, courtyard sessions, and visited households to observe WASH interventions and share experience of the borrowers. During the discussion sessions in the Kobirajhat branch of RDRS in Thakurgaon and Bhabanipur branch at Badorgonj of TMSS, Rangpur, overall implementation process and achievement of the programme, challenges on implementing WaterCredit programme, strategies to overcome the challenges, threats and opportunities, programme monitoring and evaluation process, programme outcomes/impacts, reporting system etc. were discussed.

Furthermore, participants also gained experiences from classroom trainings/visits, discussion with branch managers on water supply and sanitation (WSS) loan disbursement process, discussion with field officers on programme monitoring, discussion with higher officials about management strategies and feedback, opportunity of WaterCredit programme etc. A total of 20 participants from InM WCAD partner MFIs participated in this exposure visit which enabled them to gather useful field level experience on the overall WaterCredit programme. The visit instilled useful motivation and practical knowledge to adopt their new leanings to implement and achieve the WCAD programme goals for their respective



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