

# INSIGHTS

## InM Newsletter

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## Coping with COVID-19 Challenges

At present, the COVID-19 pandemic is the greatest health crisis and challenge to humanity across the world. All countries are fighting to contain the spread of the virus by testing and treating patients, carrying out contact tracing, limiting travel, quarantining citizens, imposing lockdowns and physical distancing, and cancelling large gatherings. Moreover, COVID-19 is more than a health crisis; it has created devastating social, economic and other crises that are leaving deep scars in society and the economy of all countries. Every day, jobs and incomes are being lost, along with grave uncertainties regarding the time when normality would return.

In Bangladesh, the experience of COVID-19 since March 2020 shows that the corona virus has created an unprecedented humanitarian crisis with a strong public health dimension. The reality is that only about 15 per cent of Bangladesh's population earns more than BDT 500 (USD 5.90) per person a day. These are the population groups who can meet their daily expenses, send their children to schools, and probably can keep enough for an emergency health or other crisis. A large segment of the rural population depends on remittances from the cities or abroad. But since COVID-19 is a global crisis, people everywhere are out of work. And Income flows have either been interrupted or stopped.

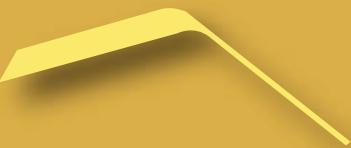
Similarly, if large-scale physical distancing is required, ways have to be devised to mitigate the economic shock that will bring the majority into food insecurity within days. The urban poor who live on their daily wages will have to be given alternatives. The key is to

devise appropriate public responses in a densely populated country where most households' food security depends on daily wages and around 87 per cent of the employment is in the informal sector.

The average household in Bangladesh has around five members, and usually includes three generations. It is hardly possible to separate the old and the young; in other words, to separate the productive adults from those whose age makes them more vulnerable to COVID-19. Practicing the social distancing norms to reduce transmission is also proving to be culturally unacceptable in most cases. Therefore, ways have to be worked out to keep people safe, which at the same time, protect their livelihoods as well. If they must stay home, they need to be given food and/or emergency cash transfers.

Most global uncertainties have already started to transmit through both production and trade channels to Bangladesh's domestic economy. Export demands are declining sharply for RMGs and other exports as buyers postpone or cancel their orders. Inward FDI is declining and portfolio investments are shrinking, aggravating further the country's depressed stock exchanges. Remittances have been affected negatively due to job cuts in overseas labour markets, putting further pressure on Bangladesh's current account balance and the exchange rate.

Domestic uncertainties and sharp decline in economic activities have also forced the entrepreneurs to



postpone private investments, impacting employment and earnings in both formal and informal sectors. Supply chains are disrupted and commodity prices have been rising. More importantly, the workers have been suffering extensive job losses resulting in fewer incomes to spend resulting in contraction of effective demand.

So far, the government has announced a total of 19 stimulus packages amounting to BDT 1031.17 billion (3.7 per cent of GDP) to support the country's economic recovery. All types of duty and taxes on imports of medical supplies related to COVID-19, such as protective equipment and test kits, were also withdrawn.

Bangladesh is already severely affected, both socially and economically, by COVID-19. The economic impact has mainly been felt through three channels: (i) sharp decline in domestic economic activity after the shutdown announced on 26 March 2020 which is now gradually being lifted; (ii) unprecedented decline in exports of RMGs, which represent more than 80 per cent of Bangladesh's exports; and (iii) rapid fall in remittances from Bangladeshis working mostly in the Middle East who are affected not by the pandemic alone but also by decline in oil prices.

It appears that if recovery is fast (the so-called V-shaped recovery), economic activities may start to rebound by the end of 2020. However, the critical factor is the recovery of the domestic economy in all its dimensions which is still shrouded with many uncertainties with regard to both timing and the precision of the recovery's speed or the extent.

For Bangladesh, a major short term concern is to undertake emergency employment programmes by

creating temporary jobs using, for example, the 'cash-for-work' modality, for the epidemiologically vulnerable households and businesses in the informal economy that have been forced to discontinue or close down their activities and have limited opportunities to cope and adapt to the present reality. Monetary and technical support for quick recovery of small businesses and microenterprises losing productive capital during COVID-19 should be prioritised for creating jobs especially in the rural areas.

The COVID-19 pandemic highlights that Bangladesh needs 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.

Bangladesh needs to advance its development paradigm towards improving the quality of life of its population in a risk sensitive manner. Obviously, an inclusive and health and well-being focused development agenda presents a readily transformative way to advance the people-centred approach to development in Bangladesh that would offset both known and unknown disaster threats.

## Poverty Impact of COVID-19

The poverty impact of COVID-19, brought about by unprecedented demand and supply-side shocks on socioeconomic lives of Bangladesh's population, has significantly eroded the country's past rapid success. This is happening all across the world. According to one UNU-WIDER study in April 2020, with a 5 per cent contraction in per capita incomes, the world could witness a potential increase in the number of the poor people by nearly 85 million for the US\$1.90/day poverty line relative to the figure in 2018—rising from 759 million to 844 million. Of these 85 million, South Asia's share will be 45 million.

In Bangladesh, the major shocks are emanating from the labour market—through large scale job losses. As more than 85 per cent of the labour force work in the informal sector, the job losses are mostly hidden and have important implications for aggravating poverty in Bangladesh, both at present and in future. The remittance-receiving poor households have also become more vulnerable due to a sudden fall in remittance incomes.

The likely rise in poverty has several implications. No doubt, our long-term success in poverty reduction since the 1990s is under threat at

present. Further, a large number of the people-who had graduated from extreme poverty to poverty or from poverty to above poverty in the past but used to live around the extreme poverty or poverty lines before the crisis and form the largest groups of vulnerable populations, may now fall back into poverty or extreme poverty again. Further, a large part of this new poor/extreme poor people may face long term deprivations and the aggravated poverty situation may persist for some time in future making it difficult for Bangladesh to achieve the SDGs.

So far, the policy response of the government has covered several areas. The stimulus packages, a large part of which are credit-based through the banking system at subsidised interest rates, are directed to the RMGs sector, agriculture and other affected sectors. Social protection coverage has been expanded through food distribution and cash transfer programmes. The key challenge, however, is their well-targeted and effective implementation. The government is also opening up the economy from the lockdown situation gradually in phases to restart the economic activities maintaining health and social safety measures.

In this backdrop, the NGO-MFIs can play a useful role in tackling the crisis which could have

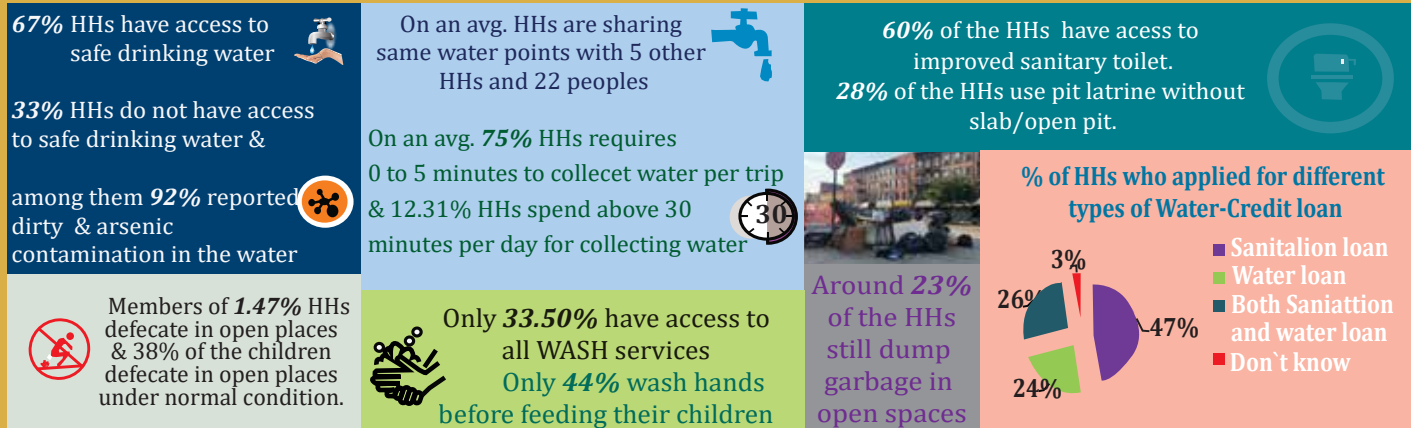
far-reaching impacts, especially on the poor and vulnerable communities across the country. The NGO-MFIs have presence at the grassroots level and a good track record of working closely with the government during natural calamities and other difficult times. These institutions can be effectively involved, along with the local government institutions (LGIs), to monitor and provide assistance and in implementing activities at the grassroots to tackle the Covid-19 impacts, especially for ensuring a stronger health system in the rural areas. Already NGOs like BRAC is working to assist in relief and rehabilitation operations in combating the COVID-19 crisis and its fallout for several big businesses. But the sector has a huge still-unused collective capacity across the entire country to work for the poor who are the hardest hit by COVID-19, particularly in places where the reach of other organisations is limited.

COVID-19 is no doubt an eye opener for Bangladesh since it shows how fragile to external and internal shocks could be the country's hard earned success in poverty reduction over the past decades. The need is to put more emphasis on developing the resilience and inherent capacity of the people to withstand shocks and put in place well-designed social protection measures to help them in times of crisis.

## Research

### Baseline Study on 'Scaling Water Credit in Bangladesh'

The final report on the study has been submitted in March 2020. Under the project, funded by Water.org, a total of 3,200 households were interviewed for evaluating the impacts of project activities. The baseline study primarily gathered information on household level outcomes. Major findings are highlighted in the factsheet.



## Achieving SDGs and Vision 2041: Towards Sustainable Transformation of Bangladesh Agri-Food Sector

The study provided a basis for discussion and generated information for the preparation of Bangladesh's Second Perspective Plan (SPP, 2021-2041) as well as the 8th Five Year Plan (8FYP, 2021-2025). The study highlights past and current trends and challenges shaping food and agriculture in Bangladesh; setting a vision, goals and targets for the future of food and agriculture in Bangladesh and interim targets for 2025 and 2030; implications for achieving the SDGs and the 2041 vision; transition pathways and pragmatic scenarios; and finally, suggesting recommendations on strategies for making the SDGs and the 2041 vision a reality. The study is funded by the Food and Agriculture Organisation of the United Nations (FAO) through CIRDAP. The draft report was submitted in January 2020. To share the draft report and obtain feedback from relevant stakeholders, a dissemination seminar was conducted on 3 March 2020 at CIRDAP International Conference Centre in Dhaka and the final report was submitted in June 2020.

## Improving Fiscal Decentralisation for Local Government Institutions

Fiscal decentralisation is a key element of any decentralisation programme. Fiscal decentralisation is challenging for Bangladesh because it involves a wide number of dispersed actors across the central government and the local government institutions (LGIs) as well as agencies spread throughout the country. The study examines the current fiscal transfer trends and local resource mobilisation potential to portray the future needs and address the financial constraints facing the LGIs in delivering their mandated services. The study is funded by UNDP. The final report was submitted in March 2020.

## 'Leave No One Behind' in the Context of SDGs Implementation in Bangladesh

For achieving Vision 2041 and emerging as a high income country by 2041, Bangladesh has been preparing the Second Perspective Plan (2PP, 2021-2041) and the 8th Five Year Plan (8FYP, 2021-2025) aiming to 'leave no one behind' (LNOB)

and promote equitable and inclusive growth and development. In the context of SDG implementation and preparing the above policy documents, the study provides relevant strategies and policies for inclusion in the documents. The study funded by UNDP was completed in March 2020.

A discussion meeting on "Leaving No One Behind (LNOB) in Bangladesh: Strategy and Recommendations for the 8th Five Year Plan for Implementing Sustainable Development Goals (SDGs)" was held on 04 March 2020 in the Bangladesh Planning Commission Complex. Dr. Shamsul Alam, Member (Senior Secretary), GED, Bangladesh Planning Commission chaired the consultation.

## Bangladesh SDGs Progress Report 2020

At present, Bangladesh is five years into the SDGs; and the year 2020 is a critical juncture to reflect on the first five years of the Agenda 2030 implementation and to allow for adjustments to priorities and course corrections for the country. The Bangladesh SDGs Progress Report 2020 represents a key window of opportunity to inject urgency and catalyse updated or new commitments from all stakeholders – all of which are necessary if 'leave no one behind' and Agenda 2030 are to be achieved by Bangladesh.

Under this UNDP-supported effort, a study was conducted by InM Research Division to undertake a comprehensive review of Bangladesh's SDGs progress made till 2019. The report, prepared for the General Economic Division of the Planning Commission, captures the progress achieved by Bangladesh on road to implementing the SDGs and targets by 2030. The SDGs Progress Report 2020 sheds light on the progress as well as on the challenges behind achieving the 17 SDGs. The Report adds value on existing policies for taking more holistic approach towards implementation of the SDGs by 2030. This will also serve as a basis for updated inputs like successes, challenges and gaps, with a view to accelerating the implementation of the 2030 Agenda. The final report was submitted in May 2020.

## Bangladesh VNR 2020

Bangladesh, and the global community at large, is now five years into the SDGs. The year 2020 is a critical juncture to reflect on the first five years of the Agenda 2030 implementation and represents a key window of opportunity to inject urgency and catalyse updated or new commitments from all stakeholders all of which will be necessary if leave no one behind and Agenda 2030 are to be achieved. In the above context, Bangladesh Voluntary National Review (VNR) 2020, which is the second such Review of Bangladesh, aims to prepare the ground in the lead up to 2019, highlighting how much more effort will be needed to reach the SDGs and the commitment to leave no one behind. InM Research Division prepared the report of the Bangladesh VNR 2020 for the General Economics Division of the Planning Commission with support from UNDP.

The VNR 2020 draws on contributions from the government as well as the civil society, the private sector and other stakeholders, in line with the country's circumstances, policies and priorities. The Bangladesh VNR 2020 also serves as a useful vehicle to share the country's experiences in pursuit of the SDGs, including their successes, challenges, and lessons learned with the goal to help accelerate the progress towards the 2030 Agenda. The final report was submitted in May 2020.

## International Journal Publication

Muneer, F., and F. Khan (2019), 'Qard-Al-Hassan as a Tool for Poverty Alleviation a Case of Fael Khair Waqf Program in Bangladesh', Journal of Islamic Monetary Economics and Finance, 5(4), 829-848.

## Working Paper 60

### Crisis Coping and Saving Pattern of Vulnerable Street and Working Children in Bangladesh

Farhana Nargis, Research Fellow, InM  
Published in June 2020

Vulnerable street and working children continuously struggle for their survival; living on the street gives them new knowledge and tough experiences as well. They are constrained in making their future plans or cope with crisis. Sometimes the meagre surplus that is sometimes earned is wasted as these children have no avenues to save their money safely. The study on 1,000 children (covering 600 children involved in saving programmes of NGOs and 400 non-participants in such programmes) shows that girls have a higher tendency towards savings than boys. The sampled children face problems belonging to three broad categories: physical, psychological and social. Nearly 49 per cent feel helpless. The regression results show that being females, having stable incomes, and access to savings or loans by the child's family is significantly related to child's savings. The study findings also show that the street and working children have demand for financial services. Albeit they are mostly micro and short run savers; they have demand for credit services as well to cope with emergencies.

## Newspaper Articles

- কৃষি খাতে রূপান্তর ও আমাদের ভাবনা, ফারহানা নার্গিস, বণিক বার্তা, ফেব্রুয়ারী ২৭, ২০২০

- Covid-19 Pandemic in Bangladesh: Are We the Next Italy? Farah Muneer and Abdul Monem Khan, The Dhaka Tribune, 18 April 2020

- Informal Economy and Economic Inclusion, Mustafa K Mujeri, The Daily Star, 18 February, 2020.



# Training

During January-March 2020, Training Division organised 10 batches of training courses for PKSf-POs, one international training programme for the Nepali participants and one customised training programme for the United Trust, a private sector business enterprise. Several scheduled training programmes had to be postponed due to the outbreak of COVID-19 pandemic.

## Training for PKSf Partner Organisations (POs)

During the period, 10 batches of training titled Accounts & Financial Management, Loan Management of Microenterprises, and Generic Training of Trainers (ToT) were organised at the Training Centre of InM. A total of 228 professionals from 130 POs received training in the courses.

## Training on Interest-free Microfinance Operations and Financial Management

The training was designed for the branch managers of United Trust, the social welfare organ of the United Group. The training course was organised at the United Trust Office in Melandaha, Jamalpur.

## Designing Customised Training Course for NGO-MFIs

Following request from the Dhaka Ahsania Mission (DAM), InM training staff visited its microfinance operations at Narsingdi and conducted FGD to assess the training needs of its operational staff. A customised course has been designed accordingly for the microfinance branch managers of DAM Foundation for Economic Development (DFED) on several core areas of microfinance

## International Training on Prevention of Financial Crime in the Financial Sector

In collaboration with the Banking Finance and Insurance Institute of Nepal (BFIN), Training

Division organised an international training course on “Prevention of Financial Crime in the Financial Sector” to address financial crime which is a threat to the development of global financial system and its stability. The course covers practical areas, such as how to detect and prevent specific financial crimes, fraud, data and information security breach, bribery and corruption and how to investigate and prosecute. The course was exclusively designed for bank/NBFI officials of Nepal.

A total of 17 senior professionals from different banks and NBFIs of Nepal joined the course. The major contents are global efforts in preventing financial crimes; financial crimes and malpractices in general banking, advances in international banking; compliance, governance and risks; investigation and prosecution; etc. The course was conducted by the professionals of BIBM, Bangladesh Bank, Dhaka Bank, Bank Asia, and InM. The participants also visited headquarters of Bank Asia to learn hands-on experiences on the prevention of financial crimes.



# Education

## 10th Batch Diploma in Microfinance Programme

The 2nd quarter of the 10th batch of diploma programme started in early 2020 but has been temporarily suspended due to COVID-19 pandemic. During the 2nd quarter, three courses are being offered covering MIS of microfinance programme, governance and regulations of MFIs and human resources development of the MFIs. Earlier, the results of the first quarter were published in February 2020. A total 27 participants came out successfully. The internship programme of 10th batch participants has also been completed.



Under the guest speaker programme, three sector leaders and eminent persons spoke to the participants--Mr. M. Badruddoza, Faculty of United International University; Mr. Md. Shazzad Hossain, General Manager, Bangladesh Bank; and Mr. Sushil Ray, Advisor, ASA.

# Knowledge Management

## Mental Health Workshop

The Financial Inclusion Network Bangladesh (FIN-B) of InM organised a workshop on 'Mental Health and Professional Productivity' in collaboration with LifeSpring Consultancy Ltd. and KK Foundation on 25 February 2020. The workshop discussed the mental health issues that directly affect productivity in the work-life and on the ways of attaining a good work-life balance. InM Chairman, Dr. Qazi Kholiquzzaman Ahmad and Executive Director, Dr. Mustafa K. Mujeri attended the workshop along with Executive Directors of FIN-B member organisations, doctors, bankers, psychologists and development practitioners.



## Programme for InM's Policy Body Member

InM organised a programme to appreciate the awarding of the 'Ekushey Padak' by the government to InM's Governing and General Body member, Dr. Jahangir Alam Khan on 3 March 2020. The programme was chaired by Dr. Qazi Kholiquzzaman Ahmad, Chairman, InM and was attended by Mr. Mohammad Moinuddin Abdullah, Managing Director, PKSf and other Governing and General Body members of InM and senior officials of PKSf and InM.



## What we need to do to prevent Covid-19



Wash your hands



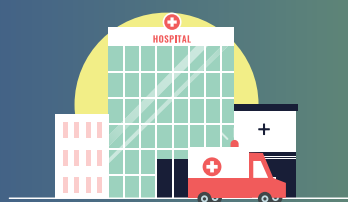
Avoid close contact with infected people



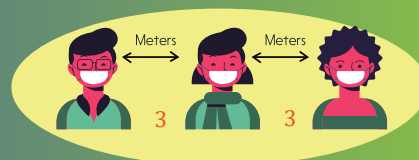
Stay at home



Wear masks



Seek medical help early



Distancing



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