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May 28, 2020

**Statement by Ms. Levonian and Ms. Vasishtha on Bangladesh
(Preliminary)
Executive Board Meeting 20/64
May 29, 2020**

We express our deepest condolences to the people of Bangladesh for the devastation caused by cyclone Amphan. We hope for a speedy recovery that minimizes human suffering and allows the country to rebuild as soon as possible.

We thank staff for their informative report and Mr. Bhalla and Mr. Singh for their insightful Buff statement. The COVID-19 pandemic is exerting significant economic stress on Bangladesh. Declining exports and revenues – the two major sources of external financing – are resulting in an urgent balance of payments need. The recent cyclone only amplifies Bangladesh’s need for emergency financing. **Against this backdrop, we support the country’s request for financial assistance for a combined SDR 533.3 million (50 percent of quota) under the Rapid Credit Facility and the Rapid Financing Instrument.**

Prudent fiscal policy is key to maintaining debt sustainability. We commend the authorities for their fiscal discipline in recent years, which has provided the policy space to address the two consequent external shocks arising from the pandemic and cyclone Amphan. We welcome the measures already taken to protect the most vulnerable sectors of the population, including through food distribution and cash transfer programs. The authorities should be prepared to continue these measures and potentially scale them up as part of post-cyclone recovery efforts. Going forward, it will be critical to improve long-standing issues with revenue underperformance to help build fiscal buffers to respond to adverse shocks.

We encourage the authorities to closely monitor financial sector risks and strengthen the banking sector once the crisis abates. Elevated levels of NPLs, particularly among the state-owned commercial banks (SOCBs), pose significant financial stability risks. In this

context, we welcome the authorities' commitment to strengthen banking sector supervision, enhance corporate governance of commercial banks, and improve the financial performance of SOCBs.

We note that there have been some significant developments since the circulation of the staff report. Cyclone Amphan has caused physical devastation and human suffering that will require enormous resources to address. *Could staff share their preliminary views on how the fallout from the cyclone will affect the economic outlook?* We also note that the number of confirmed COVID-19 cases and fatalities has roughly doubled since the publication of the staff report. *Has this apparent spike in the spread of the virus changed staff's baseline assessment for Bangladesh? Also, in light of these developments, what is staff's view on the likelihood of Bangladesh needing a follow-up RCF/RFI request to secure additional funding?*