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May 28, 2020

Statement by Mr. Lischinsky and Mr. Vogel on Bangladesh (Preliminary) Executive Board Meeting 20/64 May 29, 2020

We thank staff for the report and Mr. Bhalla and Mr. Singh for their helpful Buff statement.

Before the pandemic, Bangladesh had shown robust growth rates (in the range of 7-8 percent), contained inflation, and a relatively low public debt-to-GDP ratio. Nonetheless, the COVID-19 pandemic is generating relevant effects on the country; for instance, GDP growth will be significantly lower than expected prior to the pandemic, although it is worth underscoring that it will be a positive rate, which is not usual worldwide. Meanwhile, there will be some deterioration in the fiscal and external accounts; it is also important to note that the country continues to be assessed at low risk of external and overall debt distress. From the report, we note the urgency of the situation and the staff's assessment that Bangladesh's capacity to repay the Fund would remain adequate. Based on the above-referred considerations, we support the authorities' request for a disbursement/purchase under a blend of a Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI).

We are encouraged by the authorities' prompt measures aimed at addressing the effects of the pandemic, which, of course, include support for the health sector, while mitigating the impact on the most vulnerable sectors and affected firms. Meanwhile, we observe that tax revenue has been at or below 9 percent of GDP over the past years, projecting 7 percent for 2020 and, in this regard, we welcome the authorities' recognition that COVID-19 has further underscored the urgency of strengthening tax policy and reforming organization and operation of tax administration. We note from Mr. Bhalla and Mr. Singh's Buff statement the relevant quantity of Bangladeshi migrant workers that have suffered job losses, thus returning home, amounting to about 600,000 people. Clearly, the country will have an impact in terms of remittances, as well as pressures on the labor market. *Maybe staff could remind us of the latest unemployment figures*.

We share the staff's suggestion that measures should ease liquidity pressures to allow the financial sector to support the economy. At the same time, the authorities should monitor developments related to non-performing loans. Like Mr. Bevilaqua, Mr. Fachada, and Ms. Mohammed, we welcome the authorities' intention to prioritize banking sector supervision and echo their question, c*ould staff comment on how the RCF/RFI total access was determined?*

With these comments, we wish Bangladesh and its people every success in these difficult times.