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May 29, 2020

**The Acting Chair's Summing Up
Bangladesh—Requests for Disbursement Under the Rapid Credit Facility and
Purchase Under the Rapid Financing Instrument
Executive Board Meeting 20/64
May 29, 2020**

Executive Directors noted that the outbreak of COVID-19 is having a significant impact on the Bangladeshi economy, particularly on its two main sources of external earnings, exports of ready-made garments and remittances. Together with the measures to contain the spread of the virus in the country, this is expected to result in a significant slowdown of economic growth and the emergence of fiscal and balance of payments needs. Directors considered that emergency financing assistance from the Fund will help address the immediate financing needs while also catalyzing donor support.

Directors welcomed the authorities' quick and comprehensive response to the COVID-19 outbreak aimed at containing the spread of the pandemic, providing immediate relief to the most vulnerable households and affected businesses, and preserving the country's macroeconomic prospects. They stressed the need to ensure that the measures reach the most affected, given the large share of the informal sector. Directors agreed that a temporary increase in the fiscal deficit is necessary. They emphasized the importance of transparency and accountability in the use of all emergency spending, and welcomed the authorities' commitment to publish procurement information and the audit of Covid-19-related expenditure.

Directors supported the central bank's measures to ease liquidity conditions and allow the financial sector to support the economy. They agreed that a further easing could be considered if the economic situation were to deteriorate and inflation remained moderate. Given the banking sector's central role in channeling assistance, Directors emphasized the need for careful oversight. Directors observed that a gradual increase in exchange rate flexibility should be allowed to adjust to the external shock while preserving foreign reserves.

In light of the great uncertainty in the outlook, Directors urged the authorities to step up their efforts if necessary and recommended having a contingency plan in case of financing shortfalls. Once the crisis abates, efforts should resume to improve tax revenue collection to ensure fiscal sustainability, and address the problems in the banking sector, particularly nonperforming loans and the weak performance of state-owned commercial banks. Efforts to improve the business climate, enhance governance, and adapt to climate change will also be critical.