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Research | Technical Assistance | Project Management

IMPACT OF COVID- 19

Sectoral Heat Map

July 10, 2020

Photo: REUTERS
Mohammad Ponir Hossain

Context

1. COVID 19 has disrupted the health and economic systems around the world
2. As of July 7, 2020, Bangladesh has 168,645 confirmed cases, 78,102 recovered cases and 2,151 deaths
3. As of July 7, 2020, Bangladesh has tested 876,480 samples
4. The country was under lock down for over 3 months from March 25th to May 31st
5. The lockdown was withdrawn with restrictions on June 1, 2020
6. The country started to pilot zoning (red, yellow and green zones) in hard hit districts which include Chattogram, Bogura, Moulvibazar, Chuadanga, Jashore, Madaripur, Narayanganj, Habiganj, Munshiganj and Comilla
7. As of June 15, 2020; the Government of Bangladesh announced 19 stimulus packages worth TK 103,117 crore

Context

8 The packages covered export; large industries and service; CMSME; agriculture sectors and low income professionals, farmers and marginal businesses

9 The GDP growth rate for 2020 has been forecasted to be 4.5% by ADB

10 While the country continues to fight against the community transmission of COVID 19, policy makers, development partners, public and private sector and the NGOs continued research and dialogue to find a solution to keep the economic impact at the minimum

11 The sectoral heat map explained in this paper will help policy makers, development partners, private sector, NGOs and researchers to compare the impact in the key economic sectors of Bangladesh

12 This in turn can be used to define the focus for interventions to support economic recovery of Bangladesh

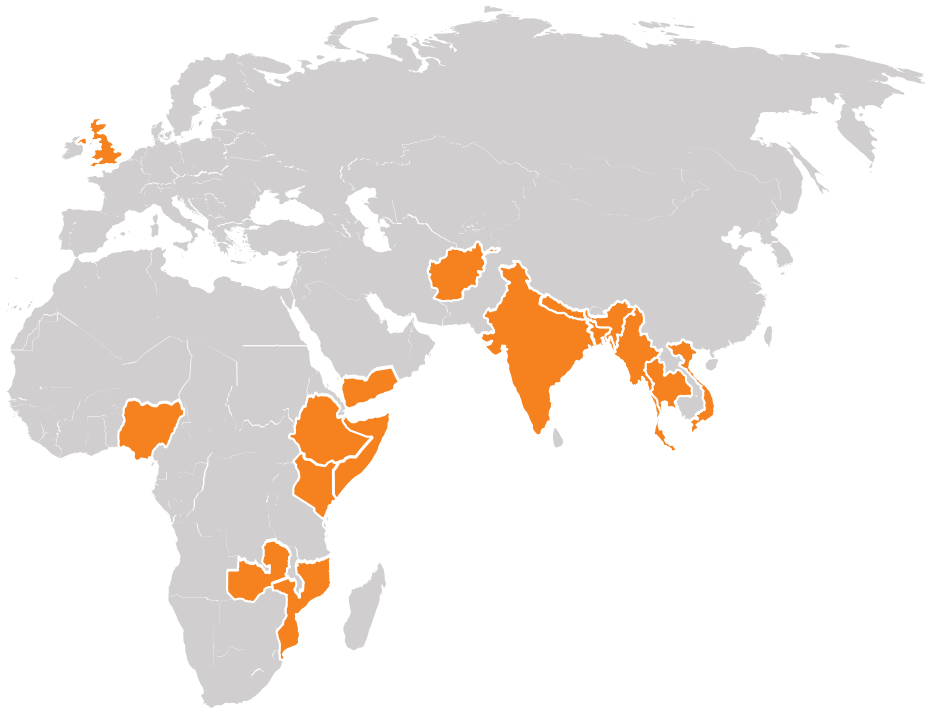
About Innovision Consulting

12
YEARS

16
COUNTRIES

110+
CLIENTS

265+
PROJECTS



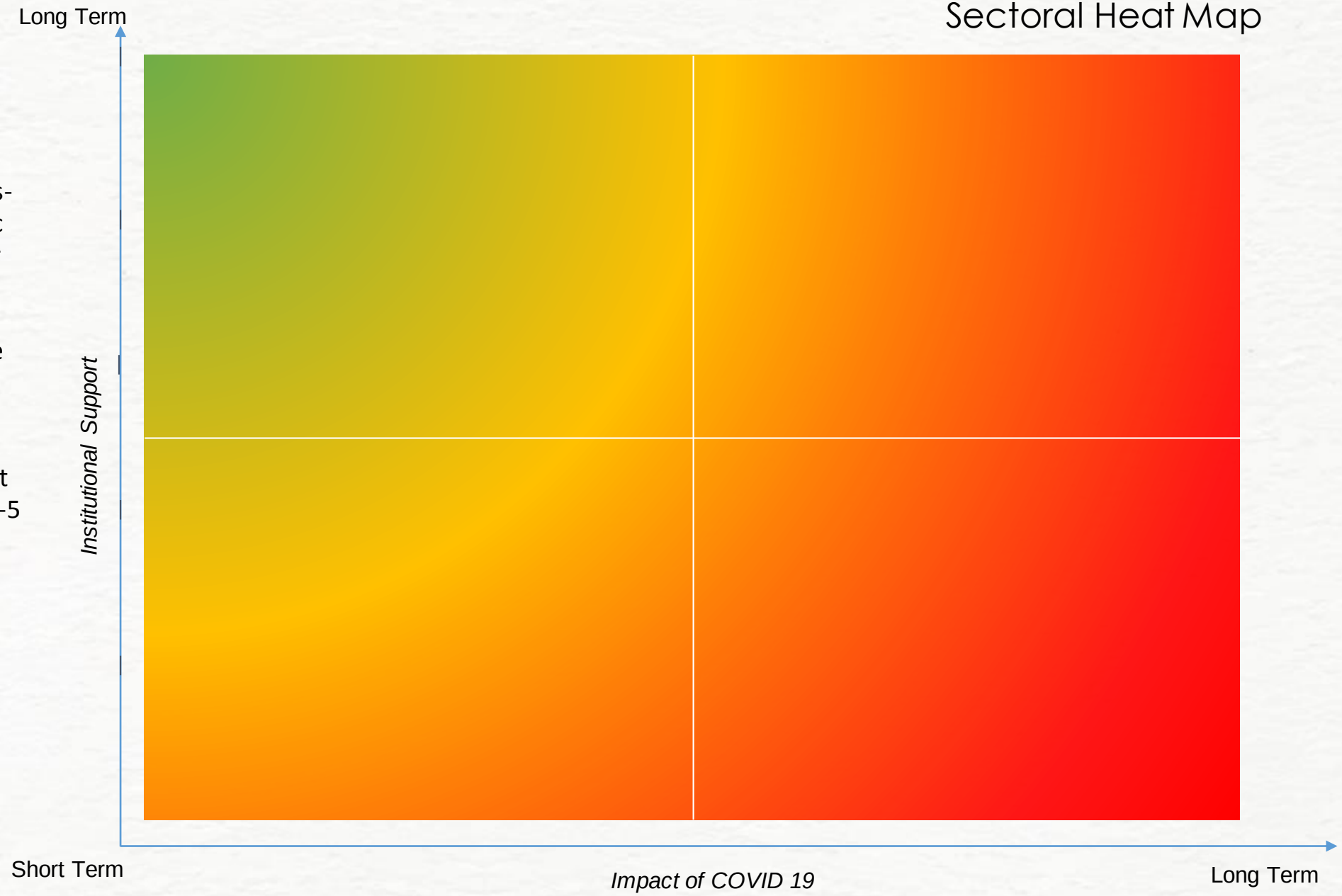
Innovision supports multilateral and bilateral aid agencies, NGOs, private sector, government and social business to design, implement and monitor systemic solutions for poverty challenges. Innovision facilitates multi-stakeholder partnerships that are scalable and sustainable.

Innovision works for the extreme poor and the low income population in urban and rural areas. Since 2008, Innovision has delivered more than 300 technical missions in Agriculture, health, industries, Water, Sanitation, Hygiene and Nutrition systems and financial market systems in Bangladesh and also in South and South East Asia, Middle East and North Africa (MENA), Southern Africa and West Africa.

Methodology

Sectoral Heat Map

- Heat map: The heat map is composed of X axis and Y axis- the X axis plots the economic and social impact on a sector and the Y axis plots the supports that have been pledged to the sector or have been disbursed or being disbursed.
- Both impact and institutional support are measured against five indicators on a scale of 1-5 where 1 is low and 5 is high.
- The cumulative scores for X axis and Y axis are plotted to derive the position of the sector on the heat map



The economic & social impact of COVID 19 on the sector

The economic and social impact is assessed against five indicators:

- **Demand:** The impact on demand (local, regional, national and international) for the product and its nature (Short term vs long term)
- **Employment:** The relative job loss in the sector; the nature of job loss (temporary or long term); the impact on low income population
- **Backward Linkage:** The disruption in raw materials supply and its nature (short term vs long term)
- **Forward Linkage:** The disruption in market access (local, regional, national and international) and its nature (Short term vs long term)
- **Support System:** Impact of COVID 19 on finance and other support systems that are crucial to the market systems relevant to the sector

Adequacy of the Institutional Support Provided and Pledged

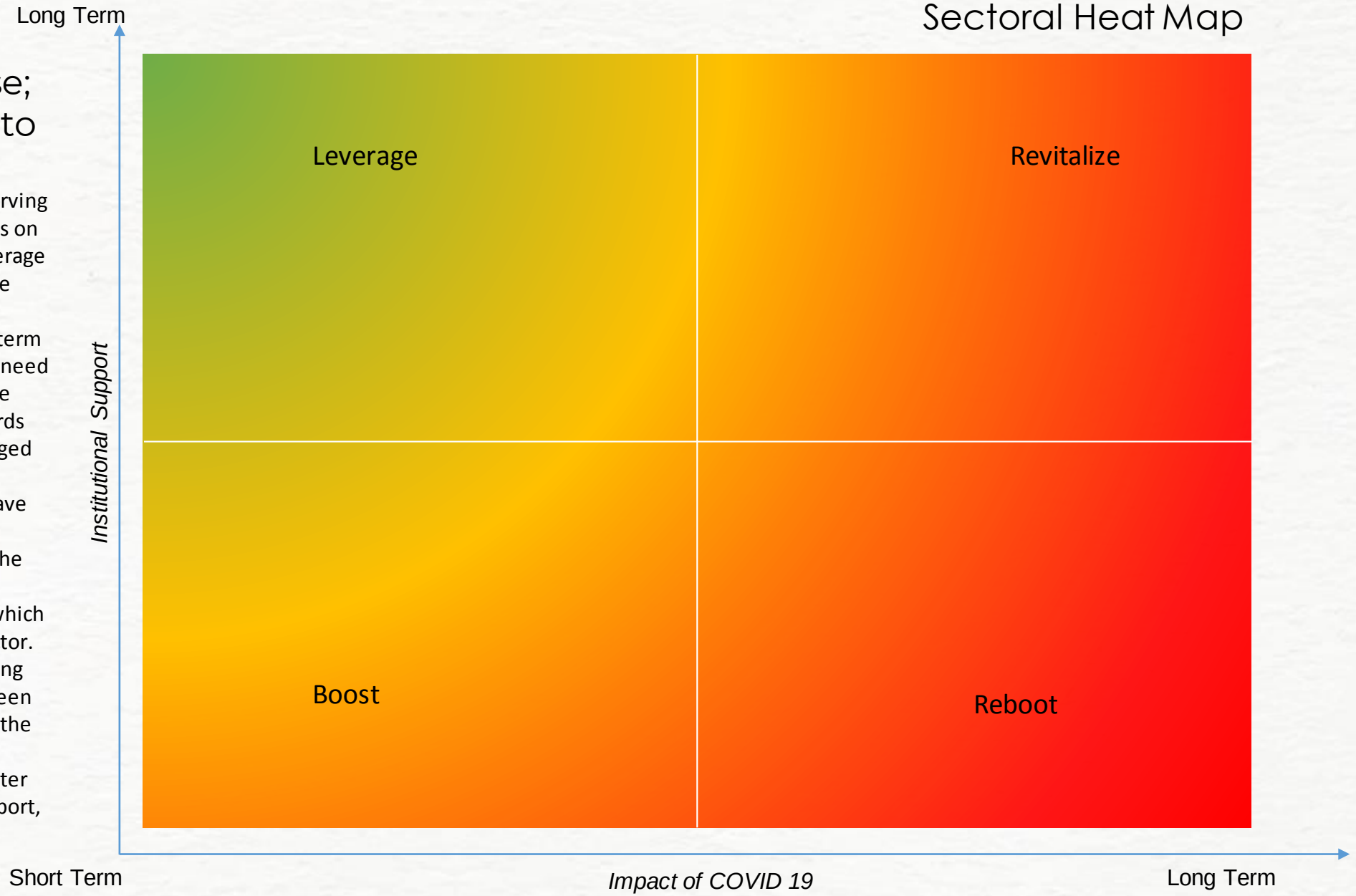
Institutional support is measured against five indicators

- **Government support:** Coverage of the declared stimulus packages on the sector; the ministerial supports that have been pledged and provided, fiscal and non-fiscal measures
- **Engagement of trade bodies and advocacy groups:** Degree to which the trade bodies in the sector and relevant advocacy groups are supporting its members
- **Pledge from development partners:** The degree to which the sector is covered under the funding or pledge from the development partners (multilateral and bilateral agencies in Bangladesh)
- **Coverage under ongoing/ current development programmes:** The degree to which the sector is covered under ongoing development programmes and its affect on mitigating COVID impact
- **Inclusivity of support:** The degree to which the support from government, development partners and trade bodies cover different size and type of enterprises and the low income population in the sector

Sectoral Heat Map

Based on ranking exercise; the sectors are divided into four categories

- ***Leverage:*** These are sectors that are observing growth despite the crisis; we need to focus on policies and support systems that can leverage the market prospect in these sector for the economic recoverty
- ***Boost:*** These sectors have received short term impact and have started to fight back; we need to ensure that the policy measures and the support system drives these sectors towards the green zone so that they can be leveraged for economic recovery
- ***Revitalize:*** The impact on these sectors have been strong. However, their impacts have been recognized by the government and the development partners. There are gaps between impacts and supports received which needs to be mitigated to revitalize the sector.
- ***Reboot:*** These sectors have observed strong impact but the institutional support has been minimal. Some of these sectors will enter the boost zone with time even without institutional support while some might enter revitalize zone with immediate policy support, the boost zone in the mid term with the withdrawal of the shut down



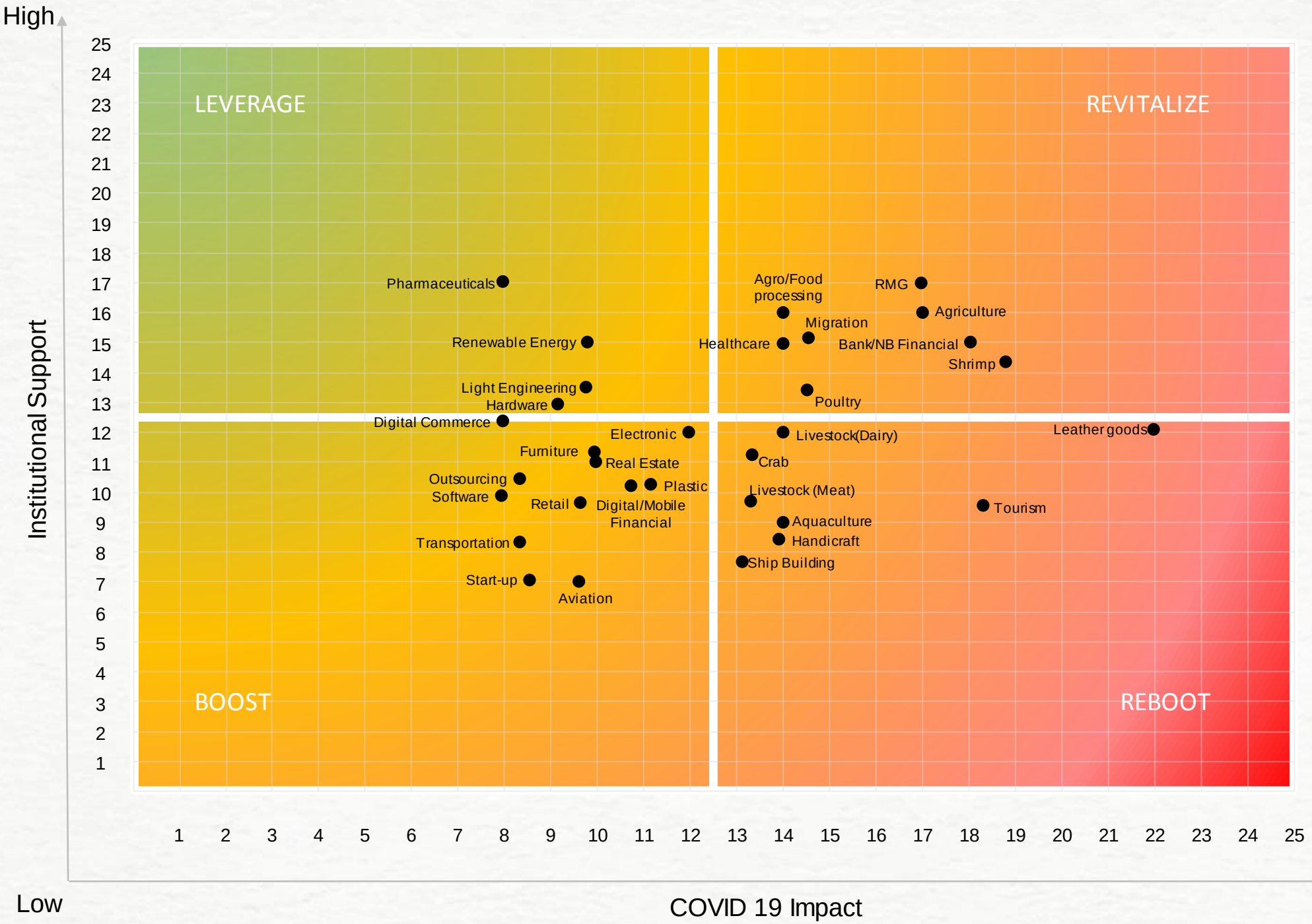
Scoring Methodology

1. First we scored the individual sectors for impact and support on a scale of 1-5 where 1 is low and 5 is high
2. The scores were set based on published reports and data
3. The scores were adjusted with a complexity rating where complexity was determined by the scale of operations, dependence on international market dynamics vs national market dynamics, number of public and private sector agencies that are engaged and that needs to be supported for the sector to regain its health.
4. The complexity adjusted score was used to develop an aggregate sector score which was used to plot the sectors on the heatmap

Exercise Outcome

Complexity Adjusted Scoring

Sector	Impact of COVID 19					Institutional Support					Sector Complexity Rating	Complexity adjusted rating	
	Demand	Employment	Backward chain	Forward chain	Support System	Government support	Engagement of trade bodies	Pledge from development partners	Coverage under current development programmes	Inclusivity of Support		Impact	Support
RMG	4	4	3	3	3	4	4	3	4	2	1	17	17
Handicraft/ Cottage Based Industries	5	4	3	4	4	2	2	2	3	3	0.7	14	8.4
Poultry	3	4	3	3	3	4	3	3	3	2	0.9	14.4	13.5
Real Estate	3	3	2	3	2	3	4	2	2	3	0.8	10.4	11.2
Digital/Mobile Financial Services	3	2	2	2	3	4	2	4	4	3	0.6	10.8	10.2
Bank/Non Bank Financial Institutions	4	3	4	3	4	3	3	3	4	2	1	18	15
Agriiculture	3	2	4	4	4	4	2	4	4	2	1	17	16
Agro-Processing/Food processing	3	3	3	2	3	4	3	3	3	3	1	14	16
Labour Migration	3	3	4	4	4	4	4	4	4	3	0.8	14.4	15.2
Digital commerce	1	1	3	3	4	4	3	4	4	3	0.7	8.4	12.6
Start-up (excluding fintechs and ecom)	2	4	4	3	4	4	3	2	3	2	0.5	8.5	7
Livestock (meat)	4	3	4	4	4	3	2	2	4	3	0.7	13.3	9.8
Livestock (dairy)	3	3	4	4	4	3	3	2	4	3	0.8	14.4	12
Aquaculture	4	4	4	4	4	3	2	2	3	3	0.7	14	9.1
Healthcare	1	2	3	4	4	3	3	4	4	1	1	14	15
Pharmaceuticals	1	1	2	2	2	4	4	3	3	3	1	8	17
Transportation	2	2	3	2	3	3	4	1	2	2	0.7	8.4	8.4
Software	2	1	1	3	3	2	4	2	3	2	0.8	8	10.4
Aviation	2	2	3	4	3	3	4	1	1	1	0.7	9.8	7
Outsourcing	2	2	2	3	3	3	4	3	3	2	0.7	8.4	10.5
Hardware	2	1	3	3	1	3	4	3	3	2	0.9	9	13.5
Shrimp	5	4	4	4	4	3	4	3	3	3	0.9	18.9	14.4
Crab	5	3	3	4	4	3	3	3	4	3	0.7	13.3	11.2
Tourism/ Hospitality	5	4	5	5	4	2	3	2	3	2	0.8	18.4	9.6
Leather goods and footwear	5	4	4	5	4	2	3	2	3	2	1	22	12
Electrical and eletrnocics	2	2	4	3	4	3	3	3	3	3	0.8	12	12
Light Engineering	2	2	2	2	4	3	4	3	5	2	0.8	9.6	13.6
Plastic	3	2	3	3	3	3	4	1	3	2	0.8	11.2	10.4
Furniture	3	3	3	2	1	3	4	1	3	3	0.8	9.6	11.2
Renewable Energy	3	2	3	2	2	3	3	3	5	4	0.8	9.6	14.4
Retail (Clothing, supermarkets, hypermarkets, fashion)	2	2	3	2	3	3	3	2	2	2	0.8	9.6	9.6
Shipbuilding	5	5	3	5	4	3	3	1	3	3	0.6	13.2	7.8



Leverage
- Digital Commerce
- Renewable Energy
- Hardware
- Light Engineering
- Pharmaceuticals

Boost
- Real Estate
- Transportation
- Software
- Furniture
- Outsourcing
- Digital/Mobile Financial
- Start-Up (Excluding FinTechs And Ecom)
- Electrical/Electronic
- Plastic
- Retail

Revitalize
- RMG
- Bank/Nonbank Financial
- Agricultural
- Agro-Processing/Food Processing
- Remittance/Labour Migration
- Poultry
- Healthcare/Wellbeing
- Shrimp

Reboot
- Handicraft/Cottage Based Ind.
- Aquaculture
- Aviation
- Tourism/Hospitality
- Leather Goods and Footwear
- Crab
- Livestock (Meat)
- Livestock (Dairy)
- Shipbuilding

Recommendations

1. The sector's remain fluid to COVID 19 impact. We have observed sharp bounce back of construction sector, transportation sector after the withdrawal of the lockdown. The heat map provides a framework to understand how the changes in the dynamic conditions (the indicators used to assess the degree of impact and degree of support) can change the relative positions of the sectors.

2. The sectors that are in the boost stage would require immediate policy support, development assistance and public and private sector engagement to enter the leverage stage. In absence of it, as time passes, these sectors might enter the reboot stage in which time and resource requirement would be higher for the sectors to regain its health.

3. The sectors that are in the reboot stage might enter boost stage or revitalize stage depending on the externalities as opposed to supports provided. For example, tourism might bounce back sharply as soon as the virus outbreak flattens or reduces and the sector might enter boost stage without additional policy support. In contrast, livestock and leather would require significant policy lever to enter the revitalize stage first. From there, if the support remains same while the impact reverses (For example, demand improves), it would enter the leverage stage. However, if the support reduces while the impact is also reduced, it will enter the boost stage.

4

The heatmap provides a framework to understand the fluidity of the COVID 19 impact and the relevance of the supports. It is timebound and should be interpreted in context of the timeline in which the heat map was developed. We recommend that the policy makers, organizations, professionals use the methodology to understand the relative position of the sector in context of time and evolution of the COVID 19 situation. In this respect, they should use their own knowledge and evidence to define the positions.

5

Innovision will be producing sector digests in context of this heat map. We will also produce quarterly updates to the heat map to inform the status of the sectors as the COVID 19 situation evolves and unfolds.

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