

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 6.31%	▲ 5.88%	\$1,663.90	\$35.90	Closed	▲ 0.85%	▲ 1.80%	▲ 1.82%	BUY TK 83.95	94.77	109.06	11.96
4,008.05	7,470.67	(per ounce)	(per barrel)		19,867.12	2,832.54	2,996.76	SELL TK 84.95	98.57	112.86	12.57

আপনার বিআরটিএ ফি এবং সকল ইউটিলিটি বিল এসআইবিএল এর যে কোন শাখার মাধ্যমে জমা দিন

ফ্রি অনলাইন সেবা
যে কোন প্রয়োজনে ০৯৬৯২০০৯৯২২

Star BUSINESS

DHAKA WEDNESDAY MARCH 11, 2020, FALGUN 27, 1426 BS • starbusiness@thedailystar.net

BB has no plans to quarantine bank notes to check coronavirus spread

AKM ZAMIR UDDIN

South Korea's central bank started to quarantine all bank notes on March 6 for two weeks to remove any traces of coronavirus and even burn them as part of the government's efforts to contain the outbreak.

This comes after China's massive initiative since the middle of February to deep clean potentially infected cash with ultraviolet light and high temperature, and in some cases, destroying it, to stop the spread of the virus, which has now been detected in more than 100 countries, sickened more than 116,200 people and claimed 4,082 lives.

The Federal Reserve, the central bank of the US, has also taken the same measure fearing bank notes as a vector for the disease, which is said to perish after nine days.

Although three cases of coronavirus have so far been reported in Bangladesh, the country's central bank is yet to jump in to action, even though risks of transmission of the novel virus through bank notes is high given the economy's high dependency on cash.

As of February, the Bangladesh Bank has



distributed paper notes worth of Tk 173,685.52 crore, and the local notes are usually filthier than those of other countries.

Six researchers of New York Universities carried out a research in 2017 titled "Filthy lucre: A metagenomic pilot study of microbes found on circulating currency in New York City" in order to unearth probable risk of using cash.

They found that microorganisms living on the surface of cash, ranging from mouth and vaginal bacteria to flu-like viruses, create a risk of potential exchange of microbes from people to people.

The Daily Star spoke with at least 15 officials of the central bank departments dedicated to bank note

management and widening the existing volume of the country's cashless payment system, to learn of their preparations to tackle the coronavirus.

But 13 of them have no idea about the probable risk of bank notes that can become a vector for the lethal, pneumonia-like virus.

The central bank removes dirty and non-issuable notes from the market on a regular basis, said Md Serajul Islam, spokesperson and an executive director of the BB.

"This is an ongoing process. There has been no crisis yet to quarantine notes," he added.

Earlier on March 2, the World Health Organisation (WHO) suggested people use contactless payment instead of cash in a bid to contain risks of transmission.

READ MORE ON B3

Matarbari to play host to deep seaport

Project to cost Tk 17,777cr

DWAIPAYAN BARIJA and REJAUL KARIM BYRON

The government is set to construct a deep seaport at Matarbari in Cox's Bazar to help the country handle rising volumes of exports and imports and ease the pressure on the Chattogram port.

The project worth Tk 17,777 crore yesterday got the approval from the Executive Committee of National Economic Council (Ecnc). Prime Minister Sheikh Hasina presided over the meeting at the NEC conference room in the city's Sher-e-Bangla Nagar.

Once completed in December 2026, Matarbari will be the fourth port in Bangladesh.

Of the estimated cost, the Japan International Cooperation Agency (Jica) will put in Tk 12,893 crore and the rest, Tk 2,213 crore, will be borne by the Chittagong Port Authority (CPA), Planning Minister MA Mannan told reporters after the meeting.

Export and import activities have increased significantly in recent years, so the country needs a deep seaport to support the growing international trade and the economy, the minister said.

Under the project, a 26.7-kilometre approach road will be constructed. The approach road will be an elevated expressway.

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Bourses all round the world bounce after historic rout

STAR BUSINESS REPORT

The Dhaka bourse witnessed a dead cat bounce yesterday along with global markets though the reason is not the same.

DSEX, the premier index, surged 148.26 points, or 3.69 percent, to close the day at 4,156.32, riding on the news that the Dhaka Stock Exchange management would sit with banks to persuade them to take up on the Bangladesh Bank's package for the stock market.

Last month, the central bank announced a Tk 200 crore fund from which banks can borrow to invest in stocks to prop up the ailing market.

Banks can borrow at 5 per cent interest for a five-year period through repurchase agreements (repo) against treasury bills and bonds they own.

Thus far, most of the banks have been reluctant to take up the loan. So far, around five have applied for the benefits.

"The banks want to support the market, so we said if they are facing any problem they can solve it by discussing with the central bank," said Kazi Sanaul Hoq, managing director of the DSE.

The bourse is also willing to speak with BB about the banks' problems, he said, adding that some banks will apply for the funds after getting approval from their boards.

"So, I hope we will see the results very soon," he added.

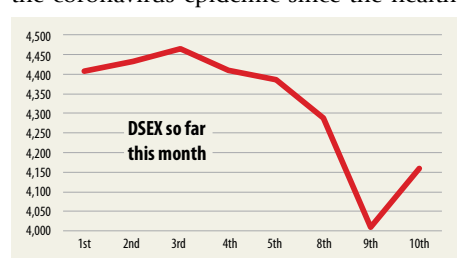
Meanwhile, bourses around the world bounced back after one of the worst routs since the 2008 financial crisis upon expectations of significant stimulus

measures to soften the economic blow from the global coronavirus outbreak.

Japan's Nikkei 225 closed the day 0.85 per cent higher, while Hong Kong's Hang Seng climbed 1.4 per cent. Australia's benchmark S&P/ASX 200 index rebounded to close up 3.1 per cent.

The Shanghai Composite Index gained 1.8 per cent as Chinese President Xi Jinping arrived in Wuhan for a surprise visit.

This was his first trip to the epicentre of the coronavirus epidemic since the health



crisis began, and comes as China reports a steep decline in the number of new cases.

President Xi's trip to Wuhan is declaring China has largely brought the coronavirus under control, according to analysts. Such trips bring hope among stock investors.

European markets were surging too, led by a rise of more than 2 per cent in London. At the time of writing, London's FTSE 100 was up nearly 2.6 per cent. Germany's DAX rose 0.7 per cent. The Stoxx Europe 600 jumped 1.9 per cent.

On Wall Street, the S&P 500 rose more than 3 per cent, Nasdaq 2.4 per cent and the Dow Jones industrial average 2.5 per cent.

Govt's aman purchase hits a record

Farmers to benefit, say experts

SOHEL PARVEZ

The food procurement office, for the first time since 1996, has bought the highest amount of aman paddy and achieved its target of buying six lakh tonnes of the grain grown in the monsoon.

It bought 6.27 lakh tonnes of aman paddy since November following harvests.

In the past 24 years, the public food office never succeeded in attaining goals of purchasing aman paddy, data from the food ministry showed.

This was the first time after 2010 that the

government bought the paddy alongside rice—a decision that followed public outcry resulting from farmers' losses for prices slumping last year and growing demand to buy grains directly from farmers to ensure fair prices.

The food ministry announced to buy paddy from growers by the end of October with the objective to push up prices of the grain and help growers recoup losses, reducing its focus to buy the grain only from millers.

The food ministry estimated that the production of this year's aman paddy would cost Tk 21.55 a kilogramme (kg), down from Tk

25.30 the previous year.

It bought paddy at Tk 26 a kg based on a list of farmers supplied by the Department of Agricultural Extension (DAE) and scrutinised by upazila procurement committees, according to a senior official of the Directorate General (DG) of Food.

This has been made possible for increased monitoring by the food ministry and local administration, said the official.

During the aman paddy purchase period that officially ended last week, the DG of Food piloted procurement in 16 upazilas using mobile apps through which farmers could enroll their name.

Awareness campaigns by field level food offices also created interest among farmers to bring their produce to local procurement centres, said the official, asking not to be named as he is not authorised to talk to the media.

"They were better aware this time about the quality parameters," the official said, adding that farmers were not aware about the quality parameters for supplying paddy in the past.

They used to return disheartened as field offices would decline to take the grain because of moisture content in the grain going past the 14 per cent limit, he added.

This is the highest amount of aman paddy purchased till date, said Md Tahmidul Islam, additional secretary in charge of procurement and supply at the food ministry.

"Monitoring by ministry high-ups has paid off."

The latest purchase of aman paddy by the food office is the second highest amount of unhusked grain after boro, the principal crop.

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HSBC, Ucep join hands to develop skilled workers

STAR BUSINESS REPORT

HSBC Bangladesh and non-governmental organisation Ucep Bangladesh have teamed up to provide training on skills and capacity development to underprivileged young people to prepare them for today's workplace.

The two signed an agreement to run the HSBC-Ucep Skills Development

Programme at an event at the Pan Pacific Sonargaon in Dhaka yesterday.

Francois de Maricourt, chief executive officer of HSBC Bangladesh, and Tahsinah Ahmed, executive director of the Ucep Bangladesh, inked the agreement. The Bangladesh Economic Zones Authority (Beza) will support the programme.

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COLLECTED

Ahmad Kaikaus, principal secretary to the Prime Minister's Office; executive chairman of the Beza; Tahsinah Ahmed, executive director of Ucep Bangladesh, and Francois de Maricourt, CEO of HSBC Bangladesh, pose at a deal signing ceremony at Pan Pacific Sonargaon Dhaka yesterday.

BGMEA vehemently disputes US senator's report on garment workers

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has protested a report of US Senator Robert Menendez on labour rights and safety in the country's apparel factories.

Last week, Menendez, who sits on the committee on foreign relations in the Senate, submitted a report to the committee titled "Seven Years after Rana Plaza, Significant Challenges Remain", expressing concerns over the welfare of the workers in the garment industry.

"I believe that we need to address all your concerns with as much accuracy and transparency and with our best intent to try and change the general narrative on labour practices in Bangladesh," said Rubana Huq, president of the association, in a letter to Menendez on Monday.

"It's common to begin any conversation and report with a tragedy. It's also true that repetitive reference to a national tragedy often belittles all the progresses that have been achieved and lessons that were learnt often undervalued," she said, referring to Rana Plaza collapse.

More than 1,100 Bangladeshis were killed and thousands injured when Rana Plaza caved in on April 23, 2013 in the nation's deadliest industrial incident.

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Chattogram should adopt tech for a facelift: experts

STAFF CORRESPONDENT, Cig

The public and private sectors should work hand in hand to transform Chattogram into a smart city by adopting new technologies and innovations, analysts said yesterday.

They spoke at the Chattogram Innovation Dialogue held at Radisson Blu Chattogram Bay View.

Bangladesh Innovation Conclave in partnership with Access to Information (a2i) programme of the government, Chittagong Chamber of Commerce and Industry, and Chittagong Women Chamber of Commerce and Industry organised the dialogue.

Md Sirajul Islam, executive chairman of Bangladesh Investment Development Authority, inaugurated the event as the chief guest.

The country's journey towards digital transformation needs to start from Chattogram, said Mahtab Uddin Ahmed, managing director and CEO of Robi Axiata.

"A vast area of Bangladesh can be transformed if the port city can be transformed since the city has huge



potential," he said in a keynote speech on "the age of digital disruption".

Chattogram, the country's largest and second most populous division, has only a 4 per cent poverty rate and its gross national income per capita stands at \$6,000. Chattogram port handles about 85 per cent of the country's total import and export.

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BANK ASIA

Romona Rouf Chowdhury, a director of Bank Asia, poses at an event at Bank Asia Tower on Sunday to celebrate International Women's Day.



NOVOAIR

Mofizur Rahman, managing director of Novoair, and Feroz Alam, deputy managing director, open the local airline's 'principal sales office' on road 11 at Banani in Dhaka on Tuesday.

Stock and oil markets bounce after brutal flooring

REUTERS, London
Oil and equity markets staged solid rebounds on Tuesday after the previous day's pummeling, with signs of co-ordinated action by the world's biggest economies to cushion the economic impact of coronavirus helping pull investors out of panic mode.

Most benchmark government bond yields also rose from record lows hit the previous day, as hopes for stimulus to support global growth in the face of epidemic boosted risk sentiment. European stocks wasted little time in recouping 3 per cent of the 7 per cent they had slumped on Monday, one of their worst days on record. The oil and gas and mining sectors led gains as oil regained its footing after plunging 25 per cent following the breakdown of a crucial global oil pact.

Yields on benchmark US 10-year Treasury debt more than doubled to 0.70 per cent and those on German Bunds jumped around 20 basis points as investors pared some safe-haven holdings.

Supporting the mood was a pledge from US President Donald Trump on Monday to take "major" steps to protect the economy and float the idea of a payroll tax cut with congressional Republicans.

Japan said it would spend another 430.8 billion yen (\$4.1 billion) to ease the effects of the coronavirus outbreak and Italy's deputy economy minister announced that mortgage payments would be suspended as the country deals with the second highest number of cases outside China.

Some of the biggest global investment banks, including JP Morgan, Citi and Barclays, now expect the Federal Reserve to cut US interest rates to zero in the coming months as part of a mass global move to provide some ballast and

liquidity to the financial system. "As of today, we believe that markets have gone from being overly complacent to overly pessimistic," the chief investment officer of Europe's largest asset manager Amundi wrote in a note to clients.

"Our central case, instead, is one of a temporary setback, although more prolonged compared to what

3.1 per cent as some went hunting for bargains in beaten down stocks.

China's benchmark Shanghai Composite Index traded 2.1 per cent higher as new domestic coronavirus cases tumbled and President Xi Jinping's visit to the epicentre of the epidemic lifted sentiment. The news continued to be negative elsewhere, however, with Italy ordering its citizens not

from Monday, offering hope that markets had found a floor despite still-fragile sentiment.

Benchmark Brent crude futures bounced by \$2 to \$36.40 a barrel by 0930 GMT, paring back earlier gains that saw prices touch a session-high of \$37.38 a barrel.

Gold prices fell 1 per cent, retreating from the last session's jump above the key \$1,700 level, as safe-haven demand waned a little amid speculation about global stimulus measures.

"In times of turmoil, nothing is more important in restoring confidence than the government appearing calm and in control of the situation, (however) tenuous that control may be," Jeffrey Halley, senior market analyst at broker OANDA, said in a note.

Such has been the conflagration of market wealth that analysts assumed policymakers would have to react aggressively to prevent an economic crisis. The US Fed on Monday sharply stepped up the size of its fund injections into markets to head off stress.

Having delivered an emergency rate cut only last week, investors are fully pricing an easing of at least 75 basis points at the next Fed meeting on March 18, while a cut to near zero was now seen as likely by April.

Britain's finance minister is due to deliver his annual budget on Wednesday and there is much talk of coordinated stimulus with the Bank of England.

The European Central Bank meets on Thursday and will be under intense pressure to act, even though euro zone rates are already deeply negative.

"Italy's decision to quarantine the whole country will affect 15 per cent of Europe's GDP, putting the ECB at the forefront of efforts to cushion the escalating economic deterioration," said Brian Martin, a senior international economist at ANZ.



REUTERS/FILE

A mask-clad pedestrian walks past a quotation board displaying the share price numbers of the Tokyo Stock Exchange in Tokyo yesterday.

we were expecting a month ago, followed by a recovery," they added. Oil suffered its sharpest drop since the 1991 Gulf war and global stocks plunged on Monday after Saudi Arabia launched a crude price war with Russia, further rattling investors already anxious about the spread of coronavirus.

US markets were expected to follow the European and Asian lead, with major stock futures trading up around 4 per cent.

Japan's Nikkei had ended the day up 0.85 per cent, after earlier touching its lowest level since April 2017. Australia's index closed up

to move around other than for work and emergencies and banning all public gatherings.

"Although uncertainty is very high, we now expect similar restrictions will be put in place across Europe in the coming weeks," warned economists at JPMorgan.

"We are now expecting a rolling H1 2020 global growth contraction and a powerful global disinflationary wave to take hold," they added. "We expect the Fed to cut to zero at or before its March 18 meeting."

Oil rallied around 5 per cent to claw back some of its massive losses

Japan's Abe pressures BOJ to ease ahead of next week's rate review

REUTERS, Tokyo

Japanese Prime Minister Shinzo Abe said the government will work closely with the Bank of Japan to stabilise markets, piling pressure on the central bank to ramp up stimulus next week to fend off risks to the economy from the coronavirus outbreak.

The remarks came hours after BOJ Governor Haruhiko Kuroda reiterated the central bank's readiness to act against "very unstable" markets, suggesting a heightening chance of additional monetary easing at next week's rate review.

"Markets are making nervous movements amid uncertainty over the global economic outlook. Based on agreements made among G7 and G20 nations, the government will work closely with the BOJ and authorities of other countries to respond appropriately," Abe said in a meeting with ruling party executives on Tuesday.

Asian shares bounced and bond yields rose from historic lows on Tuesday as speculation of coordinated stimulus from global central banks and governments calmed panic selling.

The market volatility and the widening hit to the economy from the coronavirus epidemic are adding pressure on the BOJ to ramp up stimulus at its March 18-19 policy meeting.

"There's uncertainty on when the coronavirus will be contained, and markets are making very unstable moves," Kuroda told parliament on Tuesday.

"We'll continue to keep an eye out on how the spread of the virus could affect Japan's economy and prices, particularly via domestic and overseas market developments, and act appropriately as needed without hesitation," he said.

As the health crisis stoke fears of a global recession, G20 finance ministers and central bank governors pledged on Friday to take "appropriate" fiscal and monetary steps to protect the economy from shocks.

Under a policy dubbed yield curve control, the BOJ guides short-term interest rates at -0.1 per cent and the 10-year government bond yield at around zero. It also buys risky assets such as exchange-traded funds (ETF) to funnel money to the economy.

Markets are rife with speculation the BOJ could pledge next week to buy ETFs at a faster pace than the current commitment to do so by roughly 6 trillion yen (\$58.12 billion) per year.

Sources familiar with the BOJ's thinking say such a step is among options the central bank may consider if it approaches the ceiling as a result of aggressive purchases. Kuroda told parliament the BOJ had bought a cumulative 2.04 trillion yen worth of ETFs since October last year.

He also revealed the BOJ's own estimate showed its holdings of ETFs may incur paper losses once Tokyo's Nikkei stock average falls below 19,500. The Nikkei stood around 19,665 on Tuesday after briefly slipping below 19,000 in morning trade.

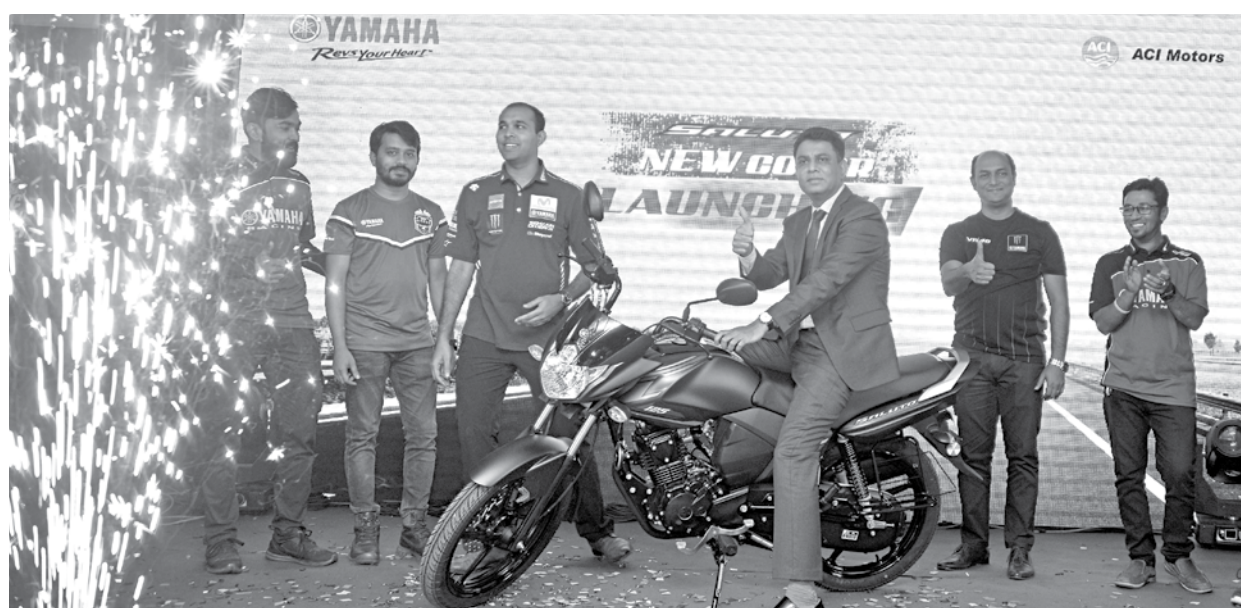
The remarks underscore the cost the BOJ incurs by loading up on ETFs, which does not have maturity and thus won't fall off the central bank's balance sheet unless it sells them.

In a bid to soothe market jitters, the BOJ issued an emergency statement on March 2 pledging to offer ample liquidity via market operations and asset buying.

Since then, the BOJ has been accelerating the pace of ETF buying. It bought 100.2 billion yen (\$979 million) on Monday, matching a record pace of purchases made twice last week.



Shinzo Abe



ACI MOTORS

Subrata Ranjan Das, executive director of ACI Motors, the sole distributor of Yamaha motorcycle and spare parts in Bangladesh, attends the launch of Yamaha Saluto Armada Blue, a 125cc motorcycle, at ACI Centre in Dhaka recently.



MERCANTILE BANK

Morshed Alam, chairman of Mercantile Bank, cuts a cake to celebrate International Women's Day at Fars Hotel and Resorts in Dhaka on Sunday. Md Quamrul Islam Chowdhury, CEO, was present.



ESQUIRE ELECTRONICS

Arifur Rahman, managing director of Esquire Electronics, the sole distributor of Japan's electronics brands Sharp, General and Mitsubishi; Yoshihiro Hashimoto, CEO of ASEAN Business at Sharp Corporation Japan; and Seiji Hayakawa, managing director of Sharp Singapore Electronics Corporation, attend the former's annual dealers' conference at InterContinental Dhaka recently.

Egypt's fragile tourism sector braces for virus impact

AFP, Cairo

Just when Egypt's crucial tourism sector was recovering from years of political tumult and jihadist attacks, the industry finds itself bracing for a potential buffeting by the new coronavirus.

The guesthouse where Bassam Hamimi works in archaeologically rich southern Egypt usually hosts numerous tourists from China, but since the outbreak of the deadly virus, far fewer have arrived.

"There were heaps more Chinese before. But since the coronavirus appeared in China, their absence has been felt here," Hamimi told AFP recently in a Nubian village near Aswan, 900 kilometres (560 miles) south of Cairo, a popular

destination for tourists.

Many flights that would have carried visitors to Egypt have been cancelled amid efforts to slow the spread of the novel coronavirus.

The virus had infected over 110,000 people worldwide and killed more than 3,800 as of Monday, disrupting travel and delivering a blow to the global economy far beyond its Chinese epicentre.

Hamimi said he was concerned that a dip in tourists visiting Pharaonic temples would hit his income, a worry shared by many in the country.

Egypt has not been spared the virus' spread, reporting on Sunday the country's -- and Africa's -- first fatality from the illness, a 60-year-old German tourist who died in the Red

Sea resort town of Hurghada.

At the end of February, several countries, including France and Canada, announced infections among people who had visited Egypt.

The north African nation had reported 55 infections by Monday, a number that includes 45 from the cruise ship "A-Sara", docked near the southern city of Luxor, the beating heart of Pharaonic tourism.

"Preventative measures that countries have taken with regards to travel because of the virus will for sure affect the tourism sector" in Egypt, Adela Ragab, a former deputy tourism minister, told AFP.

But, she added, "it's hard to predict what will happen. We can really (start to) assess the situation if Easter bookings are affected in April."

CAG and ACC can team up to crack down on swindlers

Says the Comptroller and Auditor General (CAG) of Bangladesh

REJAU KARIM BYRON and MD FAZLUR RAHMAN

A common platform comprising the Office of Comptroller and Auditor General (OCAG) of Bangladesh and the Anti-Corruption Commission (ACC) is on the cards to apprehend the financial wrong-doers and punish them, said the country's top auditor.

However, there is a legal issue since the ACC is a prosecuting body, while the OCAG is not, Mohammad Muslim Chowdhury, the Comptroller and Auditor General (CAG) of Bangladesh, told The Daily Star in an interview recently.

"Audit findings are a work in progress until finalisation of the audit report, so if the ACC carries out prosecution on that basis, the move may face legal challenges."

But if the OCAG can make audit reports up-to-date, things will not be that much late and the ACC will be able to take actions on the basis of the reports. The ACC is already doing that, he said.

The OCAG has completed the audit for fiscal 2017-18.

The top auditor feels that the faster the audit report is produced the higher the impact of audit on all stakeholders.

"It will take time. It will not happen this year. But we will try next year to analyse the transactions of the first six months during the second half with the help of iBAS data and perform audit in the same year."

The iBAS is the Integrated Budget and Accounting System and Chowdhury was engaged in a supervisory role during the development and implementation of the programme.

The system is a fully automated web-based platform, which captures and processes all government transactions as soon as they take place.

The iBAS+, which is its updated version, is working as an excellent electronic platform for automated budget control, online pay bill submission, report generation and employee database, including that of pensioners.

Balances for general provident fund are now maintained centrally.

The CAG has supervisory role on the country's accounting and payment systems and is collaborating with the finance division for improving the infrastructure.

"When it comes to payment and accounting systems, our target is to gradually stop people from visiting government accounts offices for payments. The culture has already started."

Thanks to recent changes in the country, pensioners are receiving monthly pension through electronic fund transfer (EFT), a payment system that directly credits amount to the client's chosen bank account.

Payments related to social safety net and pay and allowances of government employees are also disbursed through the EFT.

"These are big positive signs for improvement of public services. In the future, contractors or suppliers will also receive their claims online instead of manual cheques."

Audits are also benefiting from consolidated as well as individual voucher level information on expenditure, revenue reported in iBAS++.

Now, sensitivity and materiality are clearly identified for risk analysis at the audit planning stage using iBAS data without visiting the offices physically before field audit.

It will help detect critical audit areas in advance and reduce the cost of audit.

"I have put thrust on this issue since I joined as the CAG."

Bangladesh is gradually moving away from traditional approach and zeroing in on high-impact auditing with a view to ensuring value for taxpayers' money, he said.

"Audit is changing. We are moving towards a more focused and risk-based approach."

The CAG is a constitutional body and entrusted with the duty to provide independent assurance over whether taxpayers' money has been spent in the best interest of the citizens and applicable rules are complied.

He reports the findings to the parliament through the President.

The reports are discussed in the public accounts committee



Mohammad Muslim Chowdhury

(PAC) and the public undertaking committee (PUC) of the parliament. The committees examine witnesses and makes recommendations to take corrective and preventative actions.

"If the PAC and PUC work effectively, checks and balances can be ensured. It is also critically important that the recommendations made by the PAC and PUC are complied with by the government."

There has been a rise in instances of unnecessary procurement -- with no any link to the need.

"There is no dearth of laws and regulations. There is a lack of checks and balances. Time has come to ask questions on whether a procurement was necessary."

Taxpayers are not paying taxes for unnecessary expenditure -- they are giving taxes for a return.

"Constitutionally and by spirit, this is taxpayers' money and should be spent for the benefit of the public."

The country's 12th CAG pioneered public sector financial management reform. He was awarded Jonproshashon Podok for his contribution to the improvement of public service delivery.

A highly accomplished person with an illustrious career in the civil service spanning 33 years, Chowdhury has had an in-depth and broad-based knowledge and experience on matters of public financial management, administration and governance.

He was a member of the Bangladesh Civil Service (Audit and Accounts Cadre) 1984 batch. Prior to assuming the office of the CAG in July 2018, he was the finance secretary.

According to Chowdhury, there

are question on whether the OCAG is conducting the audits with skilled personnel, in a proper way and in a timely manner.

"There is also governance issue on whether the institutional capacity of these committees is strong enough to work effectively."

Under Chowdhury, the audit directorates have been re-organised; their numbers have been increased to 17 from 10 to properly align audit assignments with various areas of public expenditure such as education, health, agriculture etc.

There has been an unfortunate practice of delaying sanction of pension of an employee if their last work stations are not audited, he said.

"We have made it clear to the government (the finance division) that sanctioning of pension has

nothing to do with audit pendency."

Audit must be performed based on significance and national importance, and not as a customary routine work to add an unnecessary layer to pension sanctioning process, said Chowdhury, who holds a Master of Science degree in finance and accounting from the University of Birmingham in the UK.

Although there is no complete database, there are about 8 lakh unsettled audit observations as of 2015 and at least half of them are not serious financial irregularities in nature and are more of technical or general observations, the top auditor said.

Huge amount of time and other resources are spent in pursuing these observations every day. Ultimately, the cost is higher than the benefit. Secondly, people who were responsible for the general irregularities couldn't be traced now.

"In no way it is helping in improvement of public service delivery. So, it is better to drop them off instead of pursuing them. I have planned to shelve the general audit observations as of 2015," Chowdhury said.

Now, the OCAG will scrutinise this particular group of observations. If they are found to be really serious they would be included in the future audit reports as old observations.

"If not, we will hand them over to the ministries and tell them to take corrective measures about them. As a result, there will not be huge volumes of backlogs in the future and more attention could be given to fresh audit to address contemporary crucial issues."

For performance audit, a higher level auditing that looks at economy, efficiency and effectiveness, skilled people have to be developed.

"The OCAG will carry out performance audit selectively like it did in the past."

Financial audit is also yet to be covered effectively by the OCAG. Countries like Bangladesh are not able to run audits like those in developed countries by embracing best international practices because every nation has different levels of absorptive capacity, Chowdhury said.

Can the tobacco tax structure cut back tobacco use and raise government revenue?



NASIRUDDIN AHMED

Bangladesh is one of the largest tobacco consumers in the world with 37.8 million adults aged 15 years and above -- who are about 35.3 per cent of the country's population -- consuming tobacco products, according to the Global Adult Tobacco Survey (GATS) 2017.

Although the overall prevalence of tobacco use declined by 18.5 per cent from 2009 to 2107, the consumption of cigarettes and smokeless tobacco (SLT) remains very high.

The economic cost of tobacco use was estimated at Tk 30,570 crore (\$3.6 billion), which was about 1.4 per cent of Bangladesh's GDP in 2018.

A tobacco tax structure matters because how tobacco taxes are structured has implication for protecting public health and enhancing government revenue.

Increases in tobacco taxes that result in significant increases in prices are highly effective in reducing tobacco use, particularly among the youth and the poor.

At the same time, increasing tobacco taxes can bring in new revenues to finance health and development efforts.

In Bangladesh, the government has developed a complex tax structure of tobacco products, which is characterised by multi-tiered ad valorem tax system, low tax base and large variations in prices and taxes within and across different tobacco products.

These factors have contributed to the affordability of tobacco products in Bangladesh.

TOBACCO PRICES AND TAXES
Available evidence shows that tobacco prices and taxes are much lower in Bangladesh compared with several

developing countries.

Different tax rates for different tobacco products provide incentives for tax avoidance as manufacturers can alter their pricing or production decisions in order to avoid higher tax liabilities that can lead to revenue loss for the government.

PRODUCT SUBSTITUTION
Large price gaps between brands create opportunities for consumers to switch to cheaper brands in response to increased taxes.

In Bangladesh, the differential tax treatment has led to product substitution from the medium tier to the low tier of cigarette.

The market share of the low tier is more than 67 per cent in fiscal 2019-20 while that of medium tier is 14 per cent in the same period.

The effect of the product substitution is evident from the fact that the revenue share of the low tier of cigarette is about 44 per cent in fiscal 2019-20 while that of medium is 17 per cent.

The overwhelming share (more than 67 per cent) of low tier of cigarettes in the market leads to loss of government revenue as the low-priced tier yields lower revenue (about 44 per cent in fiscal 2019-20).

INFORMALITY AND HETEROGENEITY OF SLT PRODUCTS

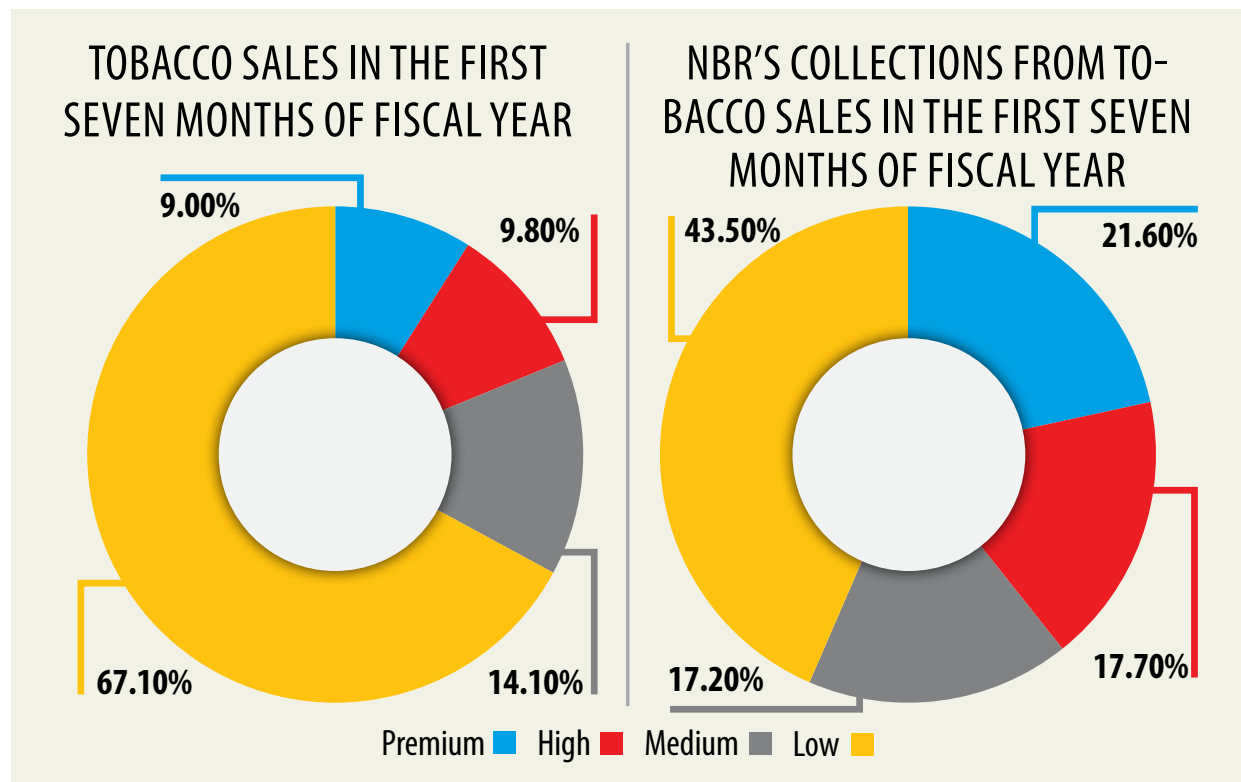
In Bangladesh, 22 million (20.6 per cent) adult people use SLT products, of whom 16.2 per cent are men and 24.8 per cent are women, according to GATS 2017.

SLT is an area of growing concern for public health and it contributes to only 0.22 per cent of the NBR tobacco revenue.

However, there exists challenges of regulating SLT products because of heterogeneity of such products, which are often manufactured in small and unlicensed units, with tax evasion and illicit trade being common.

Therefore, SLT manufacturing units need to be formalised by bringing them under the registration process.

SPECIFIC VS AD VALOREM TAXES
• With respect to the impact on tobacco product prices, ad



BANGLADESH'S TOBACCO TAX STRUCTURE IN FISCAL 2019-20

Tobacco Products	Category	Tax base	Price	VAT (%)	SD (%)	HDS (%)
Cigarette (10 sticks)	Low	Maximum retail price (MRP)	Tk 37+	15	55	1
	Medium		Tk 63+	15	65	1
	High		Tk 93+	15	65	1
Biri (sticks)	Without filter (25 sticks)	Tk 123+	15	65	1	
	With filter (20 sticks)	Tk 14	15	30	1	
SLT (pouch of 10 gram)	Zarda	Tk 17	15	40	1	
	Gul	Tk 30	15	50	1	
			Tk 15	15	50	1

SOURCE: NBR

valorem taxes result in greater price differentials between high and low-priced products than in the case for a single specific tax.

Ad valorem tax creates more opportunities for users to switch down to cheaper brands in response to tax increase resulting in reduction in revenue.

• In terms of revenue, specific tax is likely to generate more stable and predictable revenue than ad valorem tax.

• Specific excise taxes tend to be easier to administer than ad valorem tax.

• Empirical evidence from different countries show that specific taxes are more effective than ad valorem taxes in reducing tobacco use and raising tax revenue.

POLICY IMPLICATIONS
The results of a recent study suggest that the overall consumption of smoking tobacco products does respond significantly to price changes.

The poor households are found to be more responsive to the changes in the prices of cigarettes and biris than the rich households.

By raising prices, cigarette tax increase would prevent cigarette smoking initiation, promote cessation, lower consumption among the continuing smokers, and reduce the death, disease, and economic costs of smoking.

Thus the simulation result of the study supports that a policy intervention of reducing the existing four price tiers of cigarettes to two and introducing a specific tax component for all tiers would serve the dual purpose of reducing tobacco consumption and enhancing government revenue.

Therefore, using the tobacco tax structure by phasing out of the tiers of tobacco products and introducing a specific tax component for all tobacco products would serve the dual purpose of reducing tobacco use and enhancing government revenue.

Measures may also be taken to formalise SLT manufacturing units by bringing them under the registration process.

The writer is the former chairman of the National Board of Revenue