

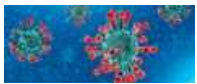


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX			MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
Closed	Closed	Gold 	Oil 	▼ 0.60%	▼ 0.12%	▼ 0.90%	▼ 0.11%	BUY TK	83.95	89.64	102.50
		\$1,700.00 (per ounce)	\$30.33 (per barrel)	31,371.12	20,366.48	2,587.81	2,891.56	SELL TK	84.95	93.44	106.30



BUSINESS

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TAMING CORONAVIRUS RAMPAGE

Govt can't stop borrowing from banks

AKM ZAMIR UDDIN

The government's borrowing from the banking sector has escalated in recent days on the back of a revenue shortfall due to a collapse in economic activities from the coronavirus-induced protracted shutdown.

Until May 12, the government borrowed Tk 78,300 crore, which has already surpassed its revised full-year bank borrowing target of Tk 72,953 crore, according to provisional data from the central bank.

The government had initially set a borrowing target of 47,364 crore in its fiscal budget for 2019-20, but it later revised the ceiling.

The ongoing tempest on the economy has mainly forced the government to borrow more money from the banking sector, said a Bangladesh Bank official requesting anonymity.

The central bank now provides a good portion of the borrowing by using its reserve or high-powered money as banks are unable to provide loans to the government due to their liquidity crunch.

Such high-powered money usually creates inflation during a normal situation, but there is little risk of inflationary pressure right now, said Zahid Hussain, former lead economist of the

World Bank's Dhaka office.

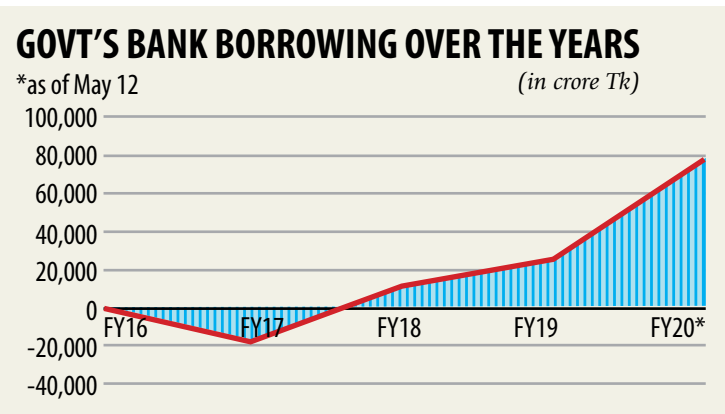
Almost all economic activities have been brought to a halt since the last week of March when the government declared a countrywide shutdown.

So, commoners and businesses may not keep spending as before, meaning the multiplier effect of the new broad money may not be as much.

Another reason for the spike in government borrowing from the banking sector is the implementation of the massive stimulus packages amounting Tk 95,619 crore announced by the prime minister to soften the blow of the global pandemic.

The central bank will have to release a large amount of reserve money to help the government tackle the deficit financing and implement the stimulus packages in tandem, according to Hussain.

This move is not unusual at present: the central banks of other nations are providing reserve money to the government with the view to giving relief to their



commercial banks.

For instance, the Bank of England, the UK's central bank, had to embrace the monetary financing of government to fund the immediate cost of fighting coronavirus.

The BoE has agreed to a Treasury demand to directly finance the state's spending needs temporarily. The move allows the government to bypass the bond market to borrow from the central bank until the COVID-19 pandemic subsides.

If the reserve money is not used properly in the productive sectors, the country may face inflationary pressure or mismatch in the balance payments in the long run, Hussain said.

The increasing trend of the reserve

money even may pose a threat to the stability of the overall financial sector unless the authority concerned gives the utmost attention to using the fund, he added.

The ongoing recession has also brought down the net investment in the national savings tools, which also compelled the government to borrow more from the central bank.

Net investment in the savings tools decreased 75.24 per cent year-on-year to Tk 7,643 crore in the first seven months of the fiscal year.

Investment in the savings tools initially declined due to the strict rules and regulation imposed by the government.

Although the statement of the latest investment for the savings tools could not be prepared due to the ongoing shutdown, the amount appears to have declined because of the

economic crisis, said a central bank official.

The revenue shortfall is another reason behind the escalation of government borrowing.

In the first nine months of the fiscal year, the tax authority logged in Tk 165,007 crore, showed the preliminary data of the National Board of Revenue (NBR).

The NBR sat on a shortfall of Tk 56,000 crore until March from its target of Tk 221,145 crore and the task of narrowing down the gap is likely to widen in the months to come as the collapse of economic activities will hit overall collection further.

The government has set a borrowing target of Tk 7,000 crore from banking sources this month, but the figure increased to Tk 10,000 crore on May 12.

The amount will only increase as two more auctions for government borrowing will be held in the rest of the month, said a central bank official.

A major portion of the funds will have to be provided by the central bank to the government in the form of reserve money in the days ahead.

Of the total borrowing amount of this year, the government has taken Tk 6,000 crore from the central bank by using the way and means advances.

Besides, it has taken an additional amount of Tk 2,900 crore from the BB by using the overdraft drawing facility.

Now Jica, IsDB come forward with budget support

A bigger budget for fiscal 2020-21 now possible

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

In an uncharacteristic move, the Japan International Cooperation Agency (Jica) and the Islamic Development Bank (IsDB) have agreed to provide budget support to Bangladesh to meet its growing expenditure needs in the face of the coronavirus pandemic, which has firmly taken hold in the country.

Neither the Jica nor the IsDB gives budget support, but the two development partners have had to come forward to pitch in with \$1 billion and \$182 million respectively.

The Japanese donor agency normally provides project aid to Bangladesh and now would call the planned support as budget aid, which came after Dhaka sought help.

Officials of the Economics Relations Division (ERD) and the Jica would now sort out how the support would be extended.

The budget aid would not, however, affect the ongoing financing to Jica-supported projects in Bangladesh, said an official of the ERD.

The IsDB would provide \$60 million in new funding and the rest \$122 million would be redirected from slow-moving projects the Jeddah-based multilateral development lender is bankrolling in the country.



On April 25, Kamal approached the IsDB seeking assistance in areas of food security, health and agriculture sector development and mechanisation while speaking to Bandar MH Hajjar, president of the multilateral development lender.

The IsDB has announced a \$2.3 billion package to help its 57 member countries fight the coronavirus pandemic.

Bangladesh is seeking external resources to meet its rising expenses in the face of the growing ferocity of the rogue virus, which has prompted the government to enforce stay-at-home order since March 26 and in the process putting the economy on an induced coma.

The pandemic stands to wipe off the gains made in poverty reduction in the past decade, according to the World Bank; and as per estimates, more than 1.5 million of the poor and the vulnerable have lost their livelihoods for the shutdown.

This means the need to spend substantially on social safety net programmes and job creation has become imperative. At the same time, its purse strings have been tightened for the near-collapse of economic activities for more than six weeks now.

Subsequently, the country has sought \$1.25 billion from the Asian Development Bank and \$500 million from the WB and the Asian Infrastructure Investment Bank each to ballast next fiscal year's budget, which would be shouldering the burden of the Tk 95,619 crore stimulus packages announced.

For fiscal 2020-21, the International Monetary Fund and the World Bank projected fiscal deficit of 6.5 per cent and 9.8 per cent of GDP respectively.

Now that the development partners are rallying to provide budget support, the government is likely to unveil a bigger budget for the next fiscal year than initially thought.

The budget size may be around Tk 570,000 crore, up from Tk 550,000 crore.

Shutdown reins in development activities in April

REJAUL KARIM BYRON

Development spending in Bangladesh decelerated in April on the back of the countrywide shutdown enforced since March 26, with the government managing to use Tk 8,136 crore during the month, down 23 per cent from the previous month.

The government spent Tk 13,623 crore under the annual development programme (ADP) in April last year, according to data from the planning ministry.

In the first 10 months of the fiscal year, Tk 98,840 crore was expended from the development budget, which is 49.13 per cent of the full-year allocation, the lowest in at least five years, according to data shared at a meeting at the planning ministry yesterday.

Development activities hit the brakes at a time when it tends to gather pace every year as the fiscal year draws to a close to show a flattering result.

However, the slowing trend

of development spending will continue into the new fiscal year as the government diverts funds to meet the immediate needs to prop up the economy caving under the burden of the global pandemic.

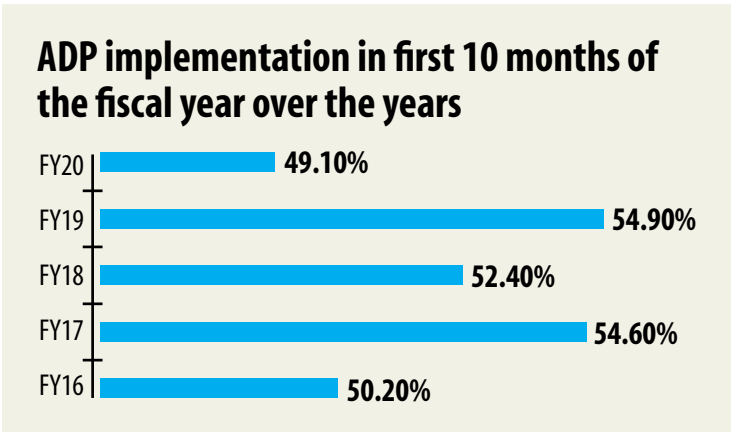
Yesterday, Planning Minister MA Mannan chaired a meeting where the ADP for fiscal 2020-21 was finalised.

The ADP for next fiscal year would be 6.33 per cent higher than this year's revised development budget at Tk 205,145 crore.

The implementation status of the development budget for the current year was also presented at the meeting.

The meeting decided to give priority to the health and agriculture sectors, social safety net programmes and job creation initiatives in the next fiscal year.

The meeting decided to send a proposal to the prime minister to hold the next meeting of the National Economic Council (NEC) any day between May 18 and May 20 to receive the



approval for the ADP.

Because of the social distancing now being observed, it is not clear whether the NEC, chaired by the prime minister, would meet, as would have been the case under normal circumstances, to approve the ADP.

The prime minister may approve the ADP through an executive order and thereafter it would be passed in parliament. Alternatively, the prime minister

and some key ministers may sit and give the consent.

If the NEC meeting takes place in the presence of ministers, those related to the priority sectors would only be presented, said an official of the planning ministry.

At least 2 per cent of GDP may be lost in this fiscal year and this prompted the government to focus on priority projects, said a finance ministry official.

The government has unveiled

BTRC moves to clip GP's wings on competitors' urging

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator has once again moved to impose restrictions on Grameenphone in line with its earlier declaration of significant market power (SMP) following complaints from the other operators that found the Telenor subsidiary's recent offers and packages predatory.

The Bangladesh Telecommunication Regulatory Commission (BTRC) has now called the market leader to a meeting tomorrow to fix the initial conditions.

In February last year, the commission had declared Grameenphone as the SMP operator but did not follow through with the associated restrictions.

"I have asked our respective divisions to move the issue forward since it has already been delayed," Md Jahurul Haque, chairman of the commission, told The Daily Star yesterday.

The telecom watchdog came up with four restrictions twice but the conditions and the processes were challenged by the carrier.

The High Court on December 15 last year though cleared the way for the telecom

regulator.

"Five months have passed since but the issues haven't moved forward, which is very unfortunate," Haque said.

The issue of the SMP surfaced after a recent rift between Grameenphone and three other operators.

On April 12, Robi, Banglalink and Teletalk asked for free spectrum for three months to serve their customers during the pandemic to handle the surge in data use. But the market leader opposed the free allocation.

The rift widened after Grameenphone on Friday offered 10 crore free minutes to 1 crore customers and monthly 30GB data to 25,000 doctors registered with the Directorate General of Health Services with a token Tk 1 per month for the next six months.

In a joint letter to the BTRC on May 11, the trio sought the regulator's attention to the SMP issue. "Our sustainability is under question," they said.

Every carrier is trying to support its customers and the government during the ongoing crisis.

"However, the SMP operator should be considered differently even during this situation

as such a crisis always impacts the smaller players and the less profitable companies hard and fast," the letter said.

The SMP operator should not be allowed to provide product and services that exhibit predatory pricing and cross-subsidising.

"Any special commercial preference to the SMP operator that contradicts the present regulations and directive such as providing free voice call minutes to its customers will



imbalance the market and the sustainability of smaller operators will be at stake."

The trio requested the regulator to re-impose the restriction on the SMP as soon as possible.

"Anyone can write to the BTRC, but the regulator's duty is to move forward in line with the Act and the rules," Haque said.

In December, the HC directed the BTRC to amend the wording of the conditions and asked the regulator to issue a notice to the carrier within the next 30 days.

After the notice is issued, Grameenphone would get 15 days to clarify its position and the regulator will take its final decision based on the reply of the operator.

Grameenphone was called an SMP as its revenue share stood at 47 per cent and customer share about 47 per cent.

In May last year, four restrictions were imposed on the operator.

Once the restrictions become effective, the floor price of Grameenphone's call rate would go up by 5 paisa to Tk 0.50 a minute.

Currently, the minimum call rate is Tk 0.45 for all carriers, and after adding the value-added tax and other tariffs, the minimum rate goes up

to Tk 0.54 to any operator.

But for Grameenphone, it will be Tk 0.61 a minute. Its average call rate is now Tk 0.73 a minute, according to its financial statement.

As per the second restriction, the market leader will have to pay 5 paisa more to other operators for the calls its subscribers make to other networks.

The third restriction has made it easier for a user to leave Grameenphone under the mobile number portability facility.

Currently, if a subscriber wants to switch to another network, they will have to stay with the new carrier for at least 90 days. But such subscribers can abandon Grameenphone after 30 days.

The final restriction stipulates prior approval from the telecom regulator before Grameenphone rolls out any package. Currently, operators can roll out packages just by informing the telecom regulator.

"The restrictions would help keep Grameenphone's aggressive marketing in check and would also be helpful for other players," Haque said.