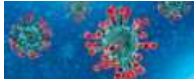


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.15%	▲ 0.27%	\$1,718.95	\$39.23	34,109.54	22,613.76	2,700.39	2,923.37	BUY TK 83.95	93.02	104.74	11.66
3,963.40	6,804.23	(per ounce)	(per barrel)					SELL TK 84.95	96.82	108.54	12.26



# BUSINESS

DHAKA THURSDAY JUNE 4, 2020, JAISHTHA 21, 1427 BS ● starbusiness@thedailystar.net



## TAMING CORONAVIRUS RAMPAGE

# Debt at heart as Kamal strikes balance amid falling revenue, rising expenditure

REJAUL KARIM BYRON and  
MD FAZLUR RAHMAN

Between a rock and a hard place is where Finance Minister AHM Mustafa Kamal finds himself in as he is set to unveil his second budget on June 11.

Does the government enforce austerity given the stunning collapse in economic activities for the coronavirus outbreak? Or does it spend his way out of the pandemic-induced recession and preventing it from undoing decades of progress in alleviating poverty and elevating its citizens into the middle-class?

It appears Kamal would go for the latter option and is preparing a debt-dependent budget for next fiscal year, which begins from July 1.

The fiscal year may be one of the most challenging years from the perspective of fiscal management.

The government is facing pressure on public expenditure to tackle the contagion, strengthen the weak health system, support livelihoods of the millions of people and keep businesses afloat reeling from the pandemic.

Subsequently, the budget deficit may be set at Tk 183,000 crore in fiscal 2020-21, up from Tk 145,385 crore this fiscal year.

Kamal would look to borrow Tk 80,000 crore from the banking sector to meet the budget deficit, which is way higher than the target of Tk 47,364 crore this fiscal year.

Borrowing through the sales

of savings certificates could be lowered to Tk 24,000 crore in fiscal 2020-21 from Tk 27,000 crore this year, as cash-strapped people are showing less interest in buying the instruments.

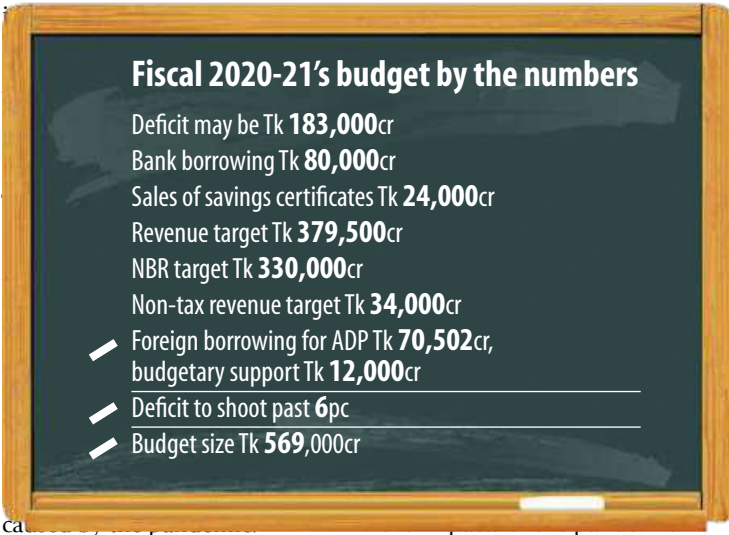
The trend is expected to continue into the new fiscal year amid the fall in income.

However, the finance minister would find it difficult to meet the bank borrowing target by relying on the banking sector since lenders have long been facing liquidity crisis and would now carry the major burden of implementing the Tk 101,117 crore stimulus packages.

This leaves Kamal with the option of turning to the central bank seeking the injection of fresh money.

Although the quantitative easing, or introducing new money into the money supply by a central bank, entails stoking inflation, the increase in the price level would be welcome this time given the collapse in domestic demand.

Inflation fell 61 basis points to 5.35 per cent in May from a month earlier owing to a drastic fall in food prices. This is the lowest general



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 aims to borrow Tk 70,502 crore from the external sources to implement its annual development programme (ADP). Another Tk 12,000 crore is being expected in budgetary

The budget size for the next fiscal year may be Tk 569,000 crore, up 8.7 per cent from this year.

In his maiden budget, Kamal had unveiled a 13 per cent higher financial plan than the previous year.

The allocation for the ADP is only 6 per cent higher than fiscal 2019-20's.

One of the reasons the budget size may see a marginal increase is because of the fall in revenue generation.

Kamal may set a target to generate Tk 379,500 crore in fiscal 2020-21, only 0.44 per cent higher than the current fiscal.

The National Board of Revenue (NBR) may be given a goal to collect Tk 330,000 crore in fiscal 2020-21, up from Tk 325,000 crore this year.

But the NBR has already informed the government that

it would not be able to meet the revenue target for this fiscal year as well as the next one given the subdued state of the economy.

The revenue generation by the tax officials may stand at Tk 220,000 crore at the end of fiscal 2019-20, meaning a shortfall of Tk 80,000 crore relative to the target of Tk 300,500 crore.

This will be Tk 15,000 crore lower than Tk 234,684 crore generated in fiscal 2018-19, in what will be the first instance of revenue collection dropping year-on-year since Independence, said Abu Hena Md Rahmatul Muneem, chairman of the NBR, in a letter to Finance Secretary Abdur Rouf Talukder on May 14.

If income-generating activities slow and economic recession sets in, the generation of direct taxes would reduce.

Similarly, if domestic demand goes down, imports would fall. If industrial production declines, the demand for raw materials and machinery would fall. This will have a huge negative impact on the collection of indirect taxes.

"It would be tough to realise Tk 330,000 crore targeted for the upcoming fiscal year," Muneem said.

The non-tax revenue target may also receive a hit.

In the revised budget for this fiscal year, Kamal raised the non-tax revenue target to Tk 57,710 crore, thanks to Tk 20,000 crore coming from the state-owned enterprises (SoEs).

But the new budget can't expect

READ MORE ON B3

## Just an app needed to open Sonali Bank account

### State bank is the second to roll out eKYC

STAR BUSINESS REPORT

An account can now be opened with any branch of Sonali Bank, the country's largest bank, at any time within minutes simply with the use of an app.

Initially, no hard copies of documents need to be submitted, all in the effort to maintain a maximum level of social distancing during the ongoing pandemic, said the state-run bank during the service's launching ceremony.

The mobile application, Sonali e-Sheba, was launched by State Minister for ICT Zunaid Ahmed Palak yesterday. The ceremony included a live demonstration on opening an online bank account.

Currently, a few crore smartphones are making use of the country's mobile network and this kind of service will make citizens' life easier, Palak said.

The app is an extension of the Bangladesh Bank's electronic Know Your Customer (e-KYC) system that aims to boost the country's financial inclusion cause.

Under the e-KYC, a service provider can open a customer account by filling up a digital form, taking a photograph on the spot and authenticating the customer's identification data instantly. A thumbprint serves as the digital signature.

The system also allows limited-scale transactions through agent banking networks and mobile financial services.



# Next budget would be an immense balancing act



ZAHID HUSSAIN

Next fiscal is likely to be one of the most challenging years from a fiscal management perspective, among others.

With the virus still around, the economy will take time to recover.

When recovery is going to start is extremely uncertain.

There will be pressure on

public expenditure to fight COVID-19, strengthen the health system, support livelihoods at risk and keep businesses afloat.

At the same time, expenditure on critical infrastructure projects must continue.

Revenue mobilisation will be a daunting task, given the various tax concessions and administrative forbearance that will have to be allowed to individuals and institutions in these very difficult times.

Budget deficit target will most likely exceed the usual 5 per cent of GDP. What the finance ministry will propose is any body's guess. Assuming it will be somewhere between 6 to 7 per cent of GDP, the issue will be finding harmless ways of

financing it.

Given a relatively low public debt to GDP ratio, debt sustainability is not currently any major concern, particularly given the fact that the cost of existing foreign debt is very low.

There is, therefore, space for increasing public borrowing from concessional external sources.

The big donors have opened new windows for providing budgetary financing to meet COVID-19 caused emergencies, in addition to their regular financing windows.

These opportunities will need to be fully utilised keeping in mind there never is a free lunch even under emergencies.

If you want quick disbursing funds from external sources,

you have to make a convincing case based on comprehensive interventions designed to meet the emergency needs within a credible short and medium-term macroeconomic framework.

The government will need to demonstrate their commitment to reform policies and regulations that make it difficult for consumers and investors to conduct their ordinary business of life.

The government will also need to ramp up utilisation of the existing aid pipeline by speeding up the implementation of the foreign-aided projects in the annual development programme (ADP).

It is mindboggling why the government decided not to avail the debt service

suspension facility offered by the Organisation for Economic Co-operation and Development countries.

How do you convince donors that you have large funding needs to meet emergencies when you are choosing not to use options that will help defer external debt service payments amounting to about \$300 million or so?

External financing has historically been less than 2 per cent of GDP.

There are limits to how much this can be raised; maybe another 1 per cent of GDP the most.

Domestic financing of the deficit will rise. There is limited potential for borrowing from non-bank sources.

READ MORE ON B3

# Panic grips central bankers as 50 officials test positive for coronavirus

AKM ZAMIR UDDIN

At least 50 officials of the Bangladesh Bank have tested positive for the novel coronavirus in a chilling development as the role of the central bank has emerged critical in insulating the financial system from the pandemic and keeping the economy going.

The entire financial sector will face a severe crisis if the disease is spread further among the officials of the BB, said officials.

According to a report of the Anwer Khan Modern Hospital, at least 50 officials of the central bank tested positive for the coronavirus. But the figure might be much higher as many employees had their samples tested at other hospitals.

The situation compelled the Bangladesh Bank Officers' Welfare Council to submit a memorandum to the governor on June 1 requesting him to introduce an alternate duty roster on a weekly or biweekly basis.

The council had submitted another letter to the higher-ups on May 7

requesting measures before reopening the economy, but the management has not done anything to this end yet.

As a result, the officials are spending days nervously as the coronavirus spread alarmingly among the officials, several officials told The Daily Stat yesterday.

The central bank has issued many notices to banks instructing them to follow roster duty and maintain social distancing to keep the contagion at bay.

Besides, the BB asked lenders to draw up a business continuity plan so that they can run operations during the pandemic.

But the central bank has not taken any effective measure to protect its own staff, the officials said.

In many countries such as the US, India, the UK and the EU, the central banks are playing a key role in combatting the pandemic.

In Bangladesh, the BB has also unveiled a number of stimulus packages to support the businesses and industries, entrepreneurs and

farmers reeling from the crisis.

If an official of the monetary policy or the banking regulation and policy department contacts the virus, the



departments would have to be locked down and the officials would have to go for quarantine, said a central banker.

"This will badly affect the financial sector. The central bank will face a tough situation in drawing up policies and regulations in such a dreadful state," he said.

So far, the banking regulator has formed a body, COVID-19 Contingency Planning Strategic Committee. The committee sat in a meeting on Tuesday but did not take any decision.

According to the council letter, officials of many departments now work in a risky condition as there has been no available desk or personal computers for all of them.

In many cases, two to three officials share the same computer or desk, which has widened the risk of infection.

A good number of officials come to the office every day from their homes in as far as Savar, Gazipur and Narayanganj, which are among the risky zones for the coronavirus.

Besides, there is no social distancing when the employees ride staff buses to come and go from the office.

In the letter, the council cited the measure taken by the Reserve Bank of India to tackle the virus to run the official procedures smoothly.

The neighbouring country's central bank has segregated 150 staff of its critical departments such as debt and reserve management and monetary operations. They have been put in a hotel in the vicinity of the primary data centre.

The RBI is virtually being run from a war-room at a city facility, according to the Economic Times.

The council has requested Anwer Khan Modern Hospital to ensure smooth testing of samples of BB officials.

The central bank should put in place an alternate duty roster and take measures like what the RBI did in the shortest possible time in the interest of the country's financial sector, the officials said.

Md Serajul Islam, spokesperson and an executive director of the central bank, did not respond to request for comment.