

# Budget failed to meet expectations: analysts

STAR BUSINESS REPORT

The proposed budget for the next fiscal year has failed to properly reflect the health and livelihoods crisis created by the Covid-19 pandemic and take enough measures to take the nation out of the catastrophe, analysts said yesterday.

Their views came at a virtual dialogue organised by the Centre for Policy Dialogue (CPD) to discuss the measures under the proposed Tk 568,000 crore budget for 2020-21.

Discussions said health, social protection, income generation and job creation should have been the main focus of the budget to fight the deadly virus and take the economy back to its higher growth trajectory.

However, instead of attaching the highest priority to these areas, the government has framed the budgetary measures in a business as usual approach centred around economic growth.

In view of the situation, analysts suggested the government take the next fiscal year's budget as a dynamic document so that it can revisit and take corrective measures during the implementation phase.

They recommended reforms in revenue administration to increase revenue collection, increased allocation for the social safety net programmes, and discarding the plan to increase supplementary duty on mobile phone usage.

Salehuddin Ahmed, a former governor of the Bangladesh Bank, said banking and capital markets were in problem prior to the Covid-19 pandemic. And those problems have deepened.

"So, we had not expected a routine budget. Many argue that the budget is a routine matter. It is okay. What was expected is a non-routine budget in the special circumstances so that we can face the Covid-19 pandemic and address other problems. But we could

not do that," he said.

He said initiatives should have been taken for reforms in the banking sector, the capital market and at the National Board of Revenue to increase revenue collection.

CPD Distinguished Fellow Prof Mustafizur Rahman, while presenting the think-tank's analysis on the budgetary measures, said the risk of Covid-19 still exists and it needs a big push to face the pandemic.

"But we have not seen that attempt in the

stimulus packages," he said, adding that GDP growth-centric focus needed to be changed.

"It did not take place. Still, I think we should focus on Covid-19 control, livelihood support and implementation of the Tk 103,117 crore stimulus package. If we can't do so, the economy will not rebound," he said.

The former economist of the International Monetary Fund requested the government to be ready for the worst-case scenario as the coronavirus has continued

not economic growth, said lawmaker Saber Hossain Chowdhury.

"Instead of focusing on GDP growth, the priority should be to save life, livelihoods and jobs," said Saber, also the chairman of the parliamentary standing committee on the ministry of environment, forest and climate change.

He echoed others for a review of the budget for every two months during the pandemic.

"The budget is not the Bible and we have to

people but also for the state of the economy and how it actually functions."

He proposed a task force among civil society organisations to monitor and evaluate how the Covid-19 pandemic is addressed and how the budget is spent to battle the disease.

"We should be monitoring the ways social protection programmes are implemented. We need a task force to monitor the work of the incentives programmes."

The review of the budget should be done at least in six months, if not three months, according to lawmaker Nahim Razaq. "Proper implementation and monitoring of the stimulus package and massive reforms in the banking sector are needed."

Despite demands and expectations among the people for increased investment, the allocation in the health sector remains low, said Amir Khasru Mahmud Chowdhury, a former commerce minister and a leader of BNP.

"The context of the Covid-19 crisis was not taken into consideration during the formulation of the budget. I feel that it is just a little bit of a variation of the template of traditional budget," he said.

"What is cited is the lack of capacity of the health ministry to implement the budget. But why doesn't it have the capacity?" he asked, demanding ensuring accountability.

He questioned the scope to whiten black money at only nominal tax and added conditions should have been slapped that the money to be whitened should be invested in trade and industry.

Nihad Kabir, president of the Metropolitan Chamber of Commerce and industry, opposed the scope to legalise the untaxed income. "We have always opposed this because it discourages compliant taxpayers."

Changes brought to the VAT rules for the next fiscal year would hurt businesses, she said.

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## RECOMMENDATIONS AT CPD DIALOGUE:

Focus on Covid-19 control, livelihoods and stimulus packages

Revisit, take corrective measures during budget implementation

Reform revenue administration

Increase allocation for safety nets

Discard plan to increase supplementary duty on mobile phone use



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Analysts and stakeholders from various sectors attend a virtual discussion organised by the Centre for Policy Dialogue (CPD) to discuss measures taken in the proposed budget.

budget," he said.

He said Tk 10,000 crore block allocation has been kept in the proposed budget but it is not clear how it would be spent.

Ahsan H Mansur, executive director of the Policy Research Institute (PRI), said two budgets -- each six months -- should have been framed instead of formulating a one-year budget.

"The first six months should have focused on Covid-19 control, social safety net particularly for those who became unemployed and

to infect more people.

Reforms of the NBR have become urgent and one of the steps would be to separate revenue administration from policy instead of appointing revenue officials to frame policies, he said.

"Unless we can't shift our focus to reforms in the revenue administration and increased revenue collection, the government will have to print money to pay salaries in future in absence of fiscal space."

China focused on employment generation,

revise it if the Covid-19 lingers," said Planning Minister MA Mannan.

"We had expected that the effect of the Covid-19 would be gentler and that is why we framed the budget in optimistic and expansionary perspective," he said.

He, citing criticism over the increased supplementary duty on mobile phone usage, said it must be under review.

"This is not a business-as-usual year," said CPD Chairman Prof Rehman Sobhan.

"This is not only a life and death issue for

# Entire stock trading will be automated: BSEC chief

STAR BUSINESS REPORT

The trading platform of the stock exchanges is being wholly digitalised and automated by the stock market regulator so that all activities can be run without human assistance, said Shibli Rubayat Ul Islam, chairman of Bangladesh Securities and Exchange Commission.

Settling share trade in the platform currently requires manual intervention, he said.

"We will hire people who have experience at working in the international level so that all the infrastructure of the stock market becomes automated and market activities can be carried out easily in a smooth manner."

He spoke while addressing a webinar yesterday titled "Impact of budget on capital market and other development initiatives" organised by City Bank Capital.

"I have been in conversation with Dhaka Stock Exchange (DSE) since I become the BSEC chairman asking why they have not implemented their plans for an automated IT platform and why people are not availing the online trading platform because it would be easier for investors."

Only 2 per cent of beneficiary owner (BO) accounts registered for online trading, according to DSE data.

The tax gap between listed and non-listed companies was suggested to be reduced from 10 per cent to 7.5 per cent in the proposed budget for fiscal year 2020-21, Islam said.

"This tax gap reduction will be a discouraging factor when it comes to bringing good companies to the market."



*"To avoid the practice of publishing several financial reports for several purposes by a company, there would be only one platform of the Financial Reporting Council to upload the reports," says Shibli Rubayat Ul Islam, the BSEC chairman*

Another proposal on allowing undisclosed money to be invested in the stock market on condition of a three-year lock-in period will only drive investors towards the money market where there are no such restrictions and the tax rate is the same, he said.

They will invest in the money market instead of the speculative stock market because the former requires no prior knowledge but some idea is needed for making investments in the stock market, he said.

"We have informed the government of these issues," said Islam.

There are, however, some positive initiatives towards developing a bond market, said the professor of the finance department at the University of Dhaka.

"Bond market is one of our areas where we would put the most emphasis for development. It can play a vital role in long-term infrastructure financing. On

the other hand, banking sector also will not face the problem of financing long-term industry with short-term deposits."

The BSEC is scrutinising nine perpetual bonds for approval, he said, adding that they were also working on Sukuk bonds to bring Islamic banks into the bond market.

Replying to a question, Islam said they would not give approval to any company with a bad performance record to go public. "I will approve companies in which I would have personally invested in," he said.

Instead of a company having multiple financial reports based on their purposes, the financials will be uploaded on a single platform of Financial Reporting Council Bangladesh, accessible by the BSEC and other regulators like Bangladesh Bank and the National Board of Revenue (NBR), he said.

On the ongoing tussle between Grameenphone and Bangladesh

Telecommunication Regulatory Commission (BTRC), Islam said he had already talked to the BTRC chairman as it was having a huge impact on the capital market.

"You will see a result within one month."

The dispute is over the BTRC's audit claim of Tk 12,579.95 crore in revenue sharing, taxes and late fees accumulated until December 2014 from the mobile phone operator.

The capital market needs a strong bond market to increase its depth, said Ershad Hossain, managing director of City Bank Capital.

The bond market can be an easy way out for sustainable long-term financing and a source of revenue in the coming days, but initially some incentives need to be provided to popularise it, Hossain added.

Faruq Mainuddin, managing director of Trust Bank, also spoke.

# GP brings VoLTE to offer better 4G services

STAR BUSINESS REPORT

Grameenphone yesterday introduced voice over long term evolution (VoLTE) technology, saying that it would help its 4G users enjoy enhanced audio, wider data coverage and better telecom services across the country.

"Now launching VoLTE service all across Bangladesh has enabled us to unlock possibilities in serving our customers better over 4G/LTE network," said Mohammad Sajjad Hasib, chief marketing officer of Grameenphone.

"We have been working tirelessly to ensure widest 4G/LTE coverage for our customers."

In an ideal scenario with this technological advancement, user experience in voice calls will take a momentous leap under 4G/LTE coverage areas, said the market leader carrier in a press release yesterday.

To enjoy the service, both the caller and recipient will need to have VoLTE enabled handset, 4G SIM and coverage, it said.

The VoLTE is a technology that enables voice calls over 4G/LTE networks. With this service, users can experience high definition standard voice calls with a 50 per cent improved call setup time between VoLTE users to VoLTE users, reads the release.

The VoLTE will allow users to stay on the 4G network during voice calls and enjoy un-interrupted high-speed 4G internet simultaneously and it will also improve indoor coverage, the operator said.

Grameenphone users may avail of the service with a regular call rate, according to the statement.

"We believe the benefit of technology must reach the remote most corner of the country, especially in this new normal era, where communication technology plays a critical role in ensuring socio-economic well-being," Hasib said.

With this technological advancement, Grameenphone's responsibility in connecting Bangladesh with quality services will become more meaningful, he said.

In the meantime, the Grameenphone website has published a list of eligible VoLTE supported handsets, and it will be updated continuously when new handsets are launched.

If the customers have the 4G SIM, 4G coverage and VoLTE handset with necessary settings, they will automatically enjoy the VoLTE service.

Earlier on February 12, the second largest carrier, Robi, became the first to launch the VoLTE service in the big cities of the country.

# Keep local components VAT-free till 2027: motorcycle makers

JAGARAN CHAKMA

Motorcycle makers have urged the government to continue exempting VAT on sales of locally-made parts until 2027 to keep prices low as the purchasing power of people has seen a sharp fall due to Covid-19 pandemic.

The exemption provided by the Motorcycle Industry Development Policy 2018 is set to expire in the outgoing fiscal year. At least 30 per cent of the components used in building motorcycles are manufactured locally.

"In the proposed budget for fiscal 2020-21 the government did not incorporate the VAT exemption," said Hafizur Rahman Khan, president of the Bangladesh Motorcycle Manufacturers and Exporters Association and chairman of Runner Group.

"If the government does not provide the exemption of VAT, the rapidly growing motorcycle industry will not be able to survive as the industry has been severely affected due to the pandemic of Covid-19," he said.

"I on behalf of the association wrote a letter to Bangladesh Trade and Tariff Commission to protect our local industry," Khan said in a

statement.

Local motorcycle manufacturers have been able to bring prices down and have even started exporting to international markets, said the association.

Without the VAT exemption, they will not be able to survive in the domestic market competing with imported motorcycles, it said.

The 2018 policy was formulated by the government to attract foreign investment in this sector.

The aim was to increase the sector's contribution to the gross domestic product from the present 0.5 per cent to 2.5 per cent by 2027 and expand the industry's capacity, now dominated by the assembling of imported components.

The government set a target to enable the local manufacturers to produce around 5 lakh motorcycles annually by 2021 and 10 lakh by 2027.

Apart from that, the policy also set a target to increase the employment opportunity provided by the sector to 15 lakh from existing 5 lakh.

This light engineering sector with its supply of original spare parts is a very important enabler

MOTORCYCLE INDUSTRY AT A GLANCE			
Total investment of the sector: Tk 8,000 cr	Contribution to GDP: 0.5%	Govt earns revenue per year: Tk 3,000 cr	
Employment target: 15 lakh by 2027	Motorcycle sales in 2019: 5 lakh units	Sales target: 10 lakh units by 2027	

for the local motorcycle industry, said Khan.

Once the policy was formulated, Honda, Bajaj, Yamaha, Hero and TVS started manufacturing motorcycles in Bangladesh, bringing together foreign and local investors.

Local manufacturers like Runner, New Grameen and Roadmaster are also trying to improve their technology and going for exports to Nepal, Bhutan and other countries.

According to Khan, investment in the sector currently stands at around Tk 8,000 crore.

The policy support from the government helped to significantly cut back import of motorcycle components, saving foreign currency and enriching domestic reserves, he said.

But the industry is under the threat of economic activities being almost paralysed due to the pandemic of Covid-19.

It faced revenue losses of some Tk 1,200 crore due to the prolonged shutdowns, leading to uncertainties, including apprehensions and panic among employees over losing their jobs, said the association.

Against this backdrop, the industry needs policy support from the government to protect itself alongside foreign investment, it said.