

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.79%	▲ 0.62%	\$1,955.93	\$40.35	▲ 1.69%	▲ 0.88%	▼ 0.29%	▼ 0.61%	83.95	98.18	108.14	12.06
5,011.29	8,602.59	(per ounce)	(per barrel)	38,840.32	23,235.47	2,492.09	3,234.82	BUY TK	SELL TK	84.95	101.98
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State enterprises hand govt Tk 16,746cr of their surplus funds

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

State-owned enterprises have deposited Tk 16,746 crore to the national exchequer since laws were passed in the beginning of the year to make it mandatory for them to hand over the idle and surplus funds to the government.

The parliament passed the Deposit of Surplus Funds of Autonomous, Semi-Autonomous, State-Owned, and Public Non-Financial Corporations into the Government Treasury Act 2020 in January.

Since then, 13 SoEs have deposited funds to the national treasury, according to the finance ministry. Nine SoEs deposited a total Tk 16,046 crore in the last fiscal year.

Of them, Bangladesh Petroleum Corporation deposited Tk 5,000 crore against its bank

deposits of Tk 29,162 crore as of January.

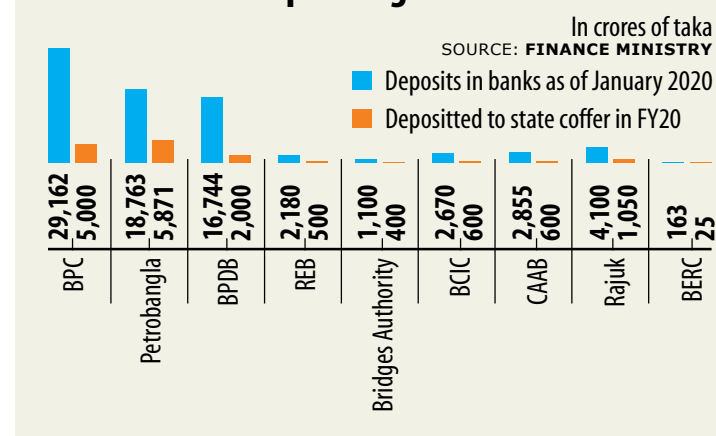
Petrobangla paid Tk 5,871 crore against Tk 18,763 crore parked with banks, Bangladesh Power Development Board Tk 2,000 crore against Tk 16,744 crore and Bangladesh Rural Electrification Board Tk 500 crore against Tk 2,180 crore.

Bangladesh Bridges Authority had a deposit of Tk 1,100 crore with banks as of January and it handed over Tk 400 crore to the government.

Bangladesh Chemical Industries Corporation (BCIC) and the Civil Aviation Authority of Bangladesh handed over Tk 600 crore each, out of their bank deposits of Tk 2,670 crore and Tk 2,855 crore respectively.

Rajdhani Unnayan Karttripakkha (Rajuk) had a deposit of Tk 4,100 crore with banks in January and it handed

SOEs started depositing funds to state coffer



over Tk 1,050 crore to the government.

In Bangladesh, there are 68 state-owned autonomous organisations, which hold Tk 212,100 crore in combined deposits in banks. The corporations have kept the money as deposit or investment.

According to the new law, the surplus funds have to be deposited to the state coffer after keeping aside the operational cost, additional 25 per cent of the operational cost as emergency funds, money for general provident fund and pension.

The respective organisation would estimate its operational

cost. The agencies will have to deposit the funds within three months after a fiscal year comes to an end.

If an organisation does not provide correct information about the funds, legal actions will be taken against it, according to the law.

Four more SoEs started depositing funds to the national coffer from the new fiscal year.

Of them, the Mongla Port Authority deposited Tk 100 crore as of August and the Chattogram Port Authority (CPA) Tk 500 crore. The Export Promotion Bureau (EPB) deposited Tk 100 crore as of September.

The Mongla Port Authority, the CPA and the EPB would have to deposit another Tk 100 crore, Tk 2,500 crore and Tk 200 crore respectively in FY21.

The National University is due to deposit Tk 1,000 crore in the current fiscal year.

The availability of funds from the SoEs would provide some breathing space to the government at a time when it is facing fund shortage because of the squeezing revenue collection caused by the coronavirus pandemic and rising expenditure to protect the economy and save lives.

Overall, revenue collection dipped 20.5 per cent to Tk 200,248 crore last fiscal year, largely due to the two-and-half-month-long countrywide general shutdown put in place to stop the spread of the virus.

This is first-ever negative growth in Bangladesh's history.

The government has given the National Board of Revenue the target to generate Tk 330,000 crore this fiscal year.

The government has unveiled several stimulus packages amounting to a total of Tk 103,117 crore to pull the economy out of the pandemic-induced wreckage.

The government hopes to receive Tk 20,000 crore from SoEs in the current fiscal year, said an official of the finance ministry.

BoP returns to black

Thanks to falling imports, rising remittance

REJAUL KARIM BYRON

Bangladesh's balance of payments (BoP) returned to the black in July on the back of a sharp decline in imports and a rise in remittance and exports.

The BoP, which states all transactions made between one country and the rest of the world, stood at a deficit of \$77 million in July last year.

But it climbed to a surplus of \$1.127 billion in the first month of the current fiscal year, data from the central bank showed.

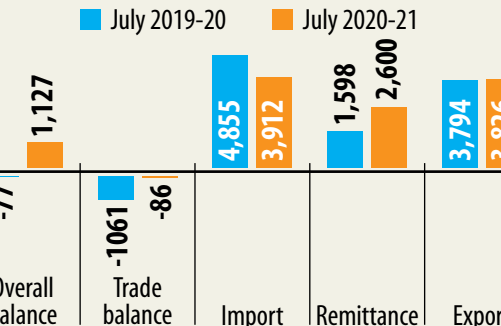
Similarly, the current account balance was \$108 million in the negative in July last year, but it jumped to \$1.965 billion in the positive in the same month this year.

The current account includes a country's net trade in goods and services, its net earnings on cross-border investments, and its net transfer payments.

In July, import fell by 19.42 per cent year-on-year to \$3.912 billion as the domestic economic activities are yet to pick up because of the coronavirus pandemic.

Balance of Payments situation

In million \$; SOURCE: BB



Remittance inflow was up 62.7 per cent year-on-year to \$2.6 billion. Export rose 0.84 per cent to \$3.826 billion.

This narrowed trade deficit sharply: it was \$1.061 billion in July last year but it came down to \$86 million in July this year.

Foreign direct investment declined 28.87 per cent to \$170 million.

"There has been a major change in the balance of payment in July, signalling both strengths and weaknesses in the economy," said Zahid Hussain, a former lead economist at the World Bank's Dhaka office.

He said the current account registered a surplus of nearly \$2 billion. This was due to the sharp decline in the trade deficit and a significant spike in remittances.

As a result, the overall balance had a surplus exceeding \$1.1 billion despite a deficit in the financial account. This contributed to an increase in official foreign exchange reserves as Bangladesh Bank purchased dollars to prevent exchange rate appreciation.

"Thus, the comfort on the financial side has increased," Hussain said.

The concern is about the strength of recovery on the real side of the economy: the balance of savings and investments.

A current account surplus implies an excess of savings over investments. Such excess can arise if domestic demand is weak.

Private consumption and investments together account for more than 90 per cent of domestic demand in Bangladesh.

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Pandemic may cast a pall on FDI

JAGARAN CHAKMA

The rising trend in foreign direct investment (FDI) for Bangladesh may slow down this year due to the economic fallout of the coronavirus outbreak, experts believe.

"The ongoing Covid-19 pandemic will definitely hamper the inflow of FDIs for the country," said Sirazul Islam, executive chairman of Bangladesh Investment Development Authority (BIDA).

The total value of FDIs made across the globe will witness a 20 per cent fall by the end of 2020 because of the emergence of the deadly contagion, according to a projection of the United Nations Conference on Trade and Development.

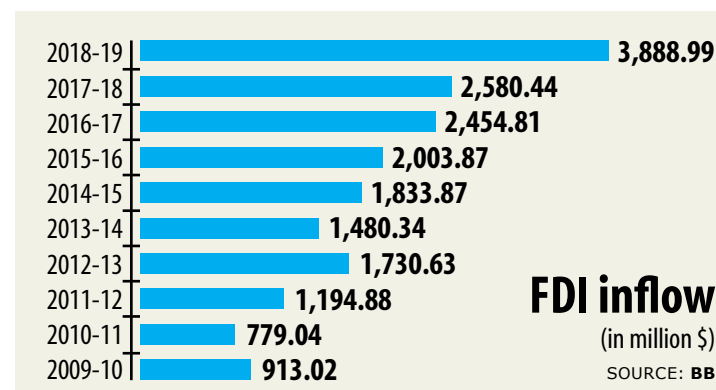
Policy discussions on long-term solutions to attract more foreign investment are needed to take place, Islam said.

BIDA has already taken some initiatives in this regard and recommended a number of amendments to some regulations that are directly related to FDI, he added.

The prime minister already sat with a few senior secretaries from the General Economic Division, Finance Division and the National Board of Revenue to find a solution to the matter, Islam added.

The Covid-19 outbreak will slow the rate of investment in general, but it will be particularly detrimental to FDIs as foreign investors are worried about the health risks, said Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue.

Investors who were previously keen to invest in Bangladesh may reconsider their plans due to the recent economic uncertainty brought on by the pandemic as well, he said.



"Investors definitely avoid taking risks and so, the whole world will suffer because of this."

There is no way to recover the amount of FDIs lost during this period either, he said.

Similarly, Ahsan H Mansur, executive director of the Policy Research Institute, said there would be a shortage of FDIs this year due to the global economic

impact of Covid-19.

"We have to accept this reality as protecting human life is the top priority at this moment," Mansur said.

The executive director also said a lack of proper infrastructure is a major barrier for attracting more FDIs to the country.

There are several mega infrastructure projects in various

stages of implementation across the country but even those are now enduring slow progress due to the pandemic.

Foreign investment in Bangladesh fell over 40 per cent year-on-year to around \$2.15 billion in the January-September period in 2019, according to Bangladesh Bank data.

Of the \$2.15 billion, \$602.79 million went to equity, \$999.78 was for reinvested earnings and the remaining \$551.29 million was in intra company loans.

However, it is worth mentioning that FDIs worth \$2.58 billion came to Bangladesh in fiscal year 2017-18, which jumped to \$3.88 billion in the next fiscal year, registering a 50.71 per cent increase, according to Bangladesh Bank data.

Since achieving independence, Bangladesh has received a total of \$17.31 billion in FDIs, the central bank data shows.

BB clears confusion over remittance incentives

STAR BUSINESS REPORT

Bangladeshi nationals working at foreign offices related to the country's shipping and airline sectors, including local mariners and aircraft pilots, will enjoy a 2 per cent cash incentive for remittances sent home on and after July 1, 2019, according to a Bangladesh Bank circular issued yesterday.

The central bank had initially widened the net for cash incentive on remittance on March 12 earlier this year in a bid to encourage the use of legal channels for sending money home from abroad.

The country's scheduled banks were instructed to follow the order with immediate effect. However, the move puzzled bankers as it was left uncertain from which date the incentives were to be given.

This prompted Bangladesh Bank to issue yesterday's circular, where it reiterated the guidelines to provide cash incentives on remittance and announced July 1, 2019 as the start date.

On August 6, 2019, the banking regulator declared that 2 per cent cash incentive would be given to individuals working at certain foreign offices that send remittance through official channels.

On March 12, it widened the criteria for incentives to include the shipping and airline sectors.

The government has allocated a Tk 3,060 crore fund to provide such incentives in the ongoing fiscal year.

For a person to avail a cash incentive of up to \$1,500, the submission of various documents will not be required and the incentive will be disbursed almost instantly.

However, if remittance crosses the \$1,500 mark, the receiver will have to submit an appointment letter from the sender's respective foreign company.

Meanwhile, businesspeople will have to submit a copy of their trade licence.

Policies on e-commerce operations, complaints this month

Consultative committee decides in first meeting

MD FAZLUR RAHMAN

The government has decided to draw up policies on the operations of e-commerce firms and complaint settlement by this month as it looks to pave the way for the expansion of the fast-growing sector.

The decision was taken at the first meeting of the newly formed digital commerce consultative committee yesterday.

Md Hafizur Rahman, director-general of the WTO Cell and also the convener of the committee, presided over the meeting, which was held virtually.

"The draft of the policies is ready. We will organise a seminar this month where we will discuss the policies with stakeholders. We will finalise the policies on the basis of the recommendations," said a senior official of the commerce ministry who attended the meeting.

In a circular on Monday, the commerce ministry said it has established the committee to help the sector reach its potential.

The meeting decided to bring e-commerce under trade

licence norms. An e-Commerce Complainant Cell would be formed through the coordination of the committee and the e-Commerce Association of Bangladesh (e-CAB) to protect the rights of consumers, said the association in a press release.

"This is a good move and it would help establish coordination in the sector," said Muhammad Abdul Wahed Tomal, general secretary of the e-CAB, about the formation of the committee.

The committee includes representatives from the Export Cell, the FTA Cell, the Administration Cell, the IIT Cell and the DTO Cell of the commerce ministry, the Export Promotion Bureau, the Bangladesh Trade and Tariff Commission, the Registrar of Joint Stock Companies and Firms, the Office of Chief Controller of Imports and Exports, the Directorate of National Consumer Rights Protection, the Business Promotion Council, the National Revenue Board, the ICT Division, the Posts and Telecommunications Division, the central bank, the e-CAB and the Business Initiative Leading Development.



BY THE NUMBERS

- ▶ E-commerce firms: 1,300
- ▶ Facebook-based units: 1 lakh
- ▶ Market size: Tk 10,000cr
- ▶ Annual growth: 50pc

The committee would work to implement National Digital Commerce Policy 2018, attract investment and support e-commerce firms to secure loans from banks and non-bank financial institutions.

It would identify supports that would take the sector forward and the risks and obstacles facing the sector and take measures to remove them.

Safeguarding the rights of consumers, putting in place secure payment systems and improving delivery system would also be its focus.

The consultative committee would make recommendations to formulate policies on cross-border retail e-commerce and take initiatives so that such exporters can send out products legally.

Bangladesh's online business industry is worth more than Tk 10,000 crore and has been growing at about 50 per cent annually, according to the e-CAB.

After the coronavirus reached the shores of Bangladesh, people's perception about e-commerce has accelerated in recent months. More and more people are now buying things online.

The exact number of e-commerce firms in Bangladesh is hard to get by. The e-CAB has about 1,300 members. There are more than 1 lakh Facebook-based entrepreneurs.

Some local groups have begun their e-commerce ventures to reach out to customers during the

pandemic. In Bangladesh, three types of e-commerce firms are prevalent: business-to-business, business-to-consumer, and consumer-to-consumer.

The committee was formed at a time when the sector is going through a transformation as the pandemic forced people to shop online and companies to sell online.

Zahid Hussain, a former lead economist of the World Bank office in Bangladesh, said steps have to be taken to integrate the vast number of cottage, micro, and small industries spread across the country.

They face challenges in marketing their products even during normal times and their profits get squeezed because of the middlemen, he said.

"The integration can help producers get fair prices, which would, in turn, help them grow further and create more jobs."

He said other countries such as China have successfully integrated their cottage and micro firms through e-commerce. "We can study the success stories and formulate our strategies."

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