

# It'll facilitate corruption

**Says TIB about scope for whitening black money, calls for scrapping it**

STAFF CORRESPONDENT

Allowing the scope for whitening black money in the name of economic recovery, increasing revenue, investment, and creating jobs will legalise money laundering and facilitate corruption, says Transparency International Bangladesh (TIB).

Such scope is unethical, discriminatory, and unconstitutional, it said in a statement yesterday, calling for revoking the provision proposed on Thursday by Finance Minister AHM Mustafa Kamal in the budget for fiscal 2020-21.

TIB also expressed frustration as the proposed budget mentioned no steps to check graft and ensure good governance in the health sector, which has weakened because of irregularities, corruption, and mismanagement for long.

The allocation for the sector is also inadequate, it said.

The graft watchdog said the government added two provisions in the income tax ordinance, creating the scope for whitening black money in buying land, buildings, flats, apartments, and for bank deposits, savings certificates, share and bonds, ignoring the conventional law and anti-corruption commitments.

At the same time, the government proposed revoking of the provision that allowed the Anti-Corruption Commission or other authorities to question the source of black money or assets, it said.

In the statement, TIB Executive Director Dr Iftekharuzzaman said, "Such provisions are contradictory to the prime minister's zero tolerance policy against corruption. This is unacceptable. Such provisions have never benefited our economy -- neither in terms of collecting revenue nor increasing investment."

Rather, he said, such policies made the government's anti-corruption stand questionable and promoted unethical practices. These provisions, according to the section 20 (2) of the constitution, are discriminatory against those who earn legally.

Through this, the government, in other words, is issuing licence to illegal income and corruption, he added.

The finance minister also proposed a provision in the income tax ordinance -- 50 percent fine to check money laundering through over and under invoicing.

Iftekharuzzaman said such

imposition of fines was nothing but a small punishment for a big crime like money laundering. Those who prepared the budget have not thought of its impacts on rule of law and the government commitment towards the international community.

"This will create the scope for a festival of money laundering, instead of controlling it," he said, adding that the government has announced a "corruption-facilitating budget".

He expects the government to step back from the "suicidal provisions".

TIB said there was expectation that the government would significantly increase allocation for the health sector in the wake of the coronavirus pandemic. Apart from a special allocation of Tk 10,000 crore as an emergency fund to address the pandemic, the health budget has been conventional, it said.

"There has to be a policy framework to ensure that there is no way for any corruption in managing the emergency fund," Dr Iftekharuzzaman said.

There has been no reflection of a strategy to reform the health sector, which is why the rate of allocation for the sector has come down to 5.1 percent of the total budget for the next fiscal year from 5.8 percent in the current fiscal year, TIB said.

The same way, there was expectation that the government would take up a wide range of programmes to create jobs and widen safety net programmes to include those who have become jobless and went below the poverty line due to the pandemic, but the government has focused mostly on avoiding VAT and TAX in various industries sectors, it said.

The government should be congratulated for withdrawing duty benefits for importing furnace oil as oil-based power plants are expensive, but there was no announcement on stopping subsidy for the rental power plants, TIB said.

Also, Bangladesh Climate Change Trust Fund should have received more allocation to address the rising number of natural disasters and increasing climate change impacts, but only Tk 100 crore has been allocated. The disaster management and relief ministry also should have received more allocation given the impacts of Cyclone Amphan, but that has actually decreased.

"We expect the government to consider these aspects before passing it [budget]," Dr Iftekharuzzaman added.

# Budget aimed at economic recovery

**Quader terms it 'balanced', 'realistic', says it will help turn existing crisis into opportunity**

UNB, Dhaka

Road Transport and Bridges Minister Obaidul Quader yesterday said the budget proposed for fiscal 2020-21 is a balanced one to recover the country's economy hit by Covid-19 pandemic.

He made the remark at a post-budget briefing via video conference from Awami League president's political office in the capital's Dhamondi.

Mentioning that the budget was prepared in a different reality and context, Quader, also the ruling Awami League general secretary, said, "This is a realistic charter of transforming the existing crisis into possibility."

He added that this budget was the result of time-befitting and brave

thought of Sheikh Hasina government to take the country forward by maintaining balance between lives and livelihoods.

Different countries are conducting research to find a Covid-19 vaccine, and as soon as it is prepared will be brought to the country, Quader said, adding that a plan was included in the budget proposal in this regard.

Social safety net has been considered the third priority sector in the budget to ease sufferings of working people affected by general holidays and lockdown, he added.

Finance Minister AHM Mustafa Kamal on Thursday proposed the national budget of Tk 568,000 crore for fiscal 2020-21 at parliament.

# Heavy bank borrowing

FROM PAGE 1

The majority of the businesses, ranging from cottage to large, are now in dire straits due to the ongoing economic fallout emerging from the pandemic, said Fahmida Khatun, executive director of the CPD.

The businesses will have to take loans from the banking system. But the excessive bank borrowing by the government will narrow the credit space for them."

Besides, the stimulus packages worth more than Tk 100,000 crore will have to be implemented largely by banks.

So how would banks be able to fund the government's enormous bailout efforts and also lend to the state?

If the government borrows heavily from them, banks will face a difficult situation in implementing the packages, Fahmida said.

The government had initially set a borrowing target of Tk 47,364 crore to manage its deficit financing for this fiscal year, but it was later forced to raise the target to Tk 82,421 crore.

Also, the government has estimated that the private investment to GDP ratio would double to 25.3 percent in the upcoming fiscal year -- a farcical projection, by all accounts.

A staggering Tk 802,330 crore will be required to achieve that projection.

"The private investment ratio to GDP for the upcoming fiscal year is unrealistically high compared with that in fiscal 2019-20 at a time when the economy is burdened with significant underutilised production capacity," the

CPD said.

Mustafizur Rahman, a distinguished fellow of the CPD, raised questions over the high bank borrowing, saying the target is opposite the government's appetite to give a boost to private investment.

Besides, the finance minister had committed to forming a banking commission while delivering his budget speech for fiscal 2019-20, Mustafizur said. Kamal had also said actions would be taken against the habitual defaulters.

But what transpired during the fiscal year was the exact opposite. The central bank earlier allowed banks to reschedule defaulted loans by way of taking 2 per cent down payment from delinquent borrowers, Mustafizur said.

"This has decreased defaulted loans in the banking sector for the time being. But, the programme will not bring any solution," he added.

Fahmida said the government should emphasise on mobilising foreign loans and grants to manage its deficit financing.

If the government can implement the foreign-funded projects of the annual development programme swiftly, more foreign loans and grants will be bagged, she said.

As per the budgetary target, the government will mobilise Tk 80,017 crore in foreign loans and grants and Tk 20,000 by selling national savings instruments in fiscal 2020-21.

The government could widen the borrowing target from the savings tool as well, Fahmida said.



**Holding a stop sign in his hand, a staff of Bashundhara City shopping mall on Panthapath in the capital asks shoppers to maintain social distancing as they are about to step on escalators. The mall opened yesterday after remaining shut for over two months due to the Covid-19-forced lockdown.**

PHOTO: FIROZ AHMED

# Budget flexible, implementable

FROM PAGE 1

"As our usual path was obstructed, we had to use alternative ways to come up with the budget."

The budget proposals may seem inconsistent to some but the government had no way but to formulate it to run the country.

"If we don't have any budget, we can't take money from the state coffers."

The way it has been designed, the government would be able to implement the Tk 568,000 crore-budget, Kamal said.

Kamal recognised that the revenue-to-GDP growth of 10 percent is very low and it could be raised to 15 percent if the country tries a little harder and also hastens tax automation.

The pandemic has delayed the procurement of electronic fiscal device -- a sales register used to monitor the transactions at shops -- that would aid in curbing the scope of evasion of value-added tax. The purchase of the equipment is under process and it would not be delayed much, he said.

Kamal said nobody knows for sure how long the coronavirus pandemic would be. But the government has taken steps if it prolongs.

"We hope it would not prolong. If it prolongs, we are flexible. This is a flexible budget."

The debt-to-GDP ratio is around 34 percent and this would allow the government to borrow more.

The health ministry would be given funds if it wants more.

"But the health ministry would have to ensure effective health services. Nominal health service would not work," Kamal added.

The government would have to look at addressing the management weakness in the health sector, said Mashur Rahman, economic affairs adviser to the prime minister.

The agriculture sector would get more attention after the health sector and the government would design the farm sector in such a way so that it can contribute more to the economic progress, the finance minister said.

The government has set sights on addressing the impairment facing various sectors to put the economy again on its higher growth trajectory.

If the situation warrants, the government would increase the tax-free income limit, Kamal said.

He hopes that private investment would accelerate and it has to be increased further.

Foreign investors are also looking to pour money into Bangladesh.

"Previously, we did not know how to attract foreign investors. Now, we know," he said, adding that the government has set off to establish 100 economic zones and 17 of them are nearing completion to attract foreign direct investment to further his point.

He was backed by the finance minister.

"As a result, it put pressure on existing taxpayers and tax evasion increased. We have to widen the tax net," he said, adding that tax evasion can't be prevented without automation.

The government has set sights on addressing the impairment facing various sectors to put the economy again on its higher growth trajectory.

If the pandemic does not last long, it would not be difficult."

He pointed out that the country could not collect more revenue because of its traditional focus on raising tax rates instead of expanding the tax network and bringing in more people under the coverage.

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