

What the power sector budget should look like during a pandemic

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The budget for fiscal 2020-21 is said to be one of the most challenging financial bills in Bangladesh's recent history.

The severe fiscal constraints confronted by the government due to the pandemic would make it difficult to implement the budget as per target.

It is expected that each of the budget implementing agency will reprioritise their respective budget allocation and will rationalise their expenditure given the government's limited fiscal space.

Since the power sector is one of the most priority sectors in the national budget, it has a vital role to play in achieving the changing budget priorities.

Unlike the national budget for earlier years where allocative priorities are set for development of generation, transmission and distribution system of the power sector, this year's priority should be set for rationalisation of sectoral budget allocation and contribution towards revenue mobilisation.

The rationalisation of the power sector budget allocation has been further reinforced because of the growing financial burden on the power division owing to excess electricity generation capacity, which has increased further during the pandemic.

An analysis of the budget allocation for the power sector in fiscal 2020-21 will help to understand what kinds of reprioritisation of budget allocation and rationalisation of expenditure will be required during the year and beyond.

FINANCIAL CHALLENGES CONFRONTED BY THE POWER SECTOR

The growing financial burden is a major concern for the power division due to excess generation capacity (technically, it is reserve capacity) developed over the years.

For instance, on 16 June, the amount



Table 1: Budget Allocation for Generation, Transmission and Distribution related Projects

TYPES OF PROJECT	CARRY-OVER PROJECTS			CONCLUDING PROJECTS			CONTINUING PROJECTS			TOTAL PROJECTS		
	<90%	>90%	Total	<40%	40-90%	>90%	Total	<20%	20-40%	40%	Total	
Generation	5	1	6	2	4	1	7	1	1	4	6	19
Transmission	6	2	8	4	2	3	9	5	1	3	9	26
Distribution	9	4	13	2	10	5	17	3	3	3	9	39
Miscellaneous	-	-	-	1	0	1	2	0	1	1	2	4
Total	20	7	27	9	16	10	35	9	6	11	26	88

SOURCE: AUTHOR'S ANALYSIS COMPILED ADP FY2021

of overcapacity was 59 per cent (9,437 megawatts). As a result, a large number of power plants were sitting idle.

On 17 June, as many as 45 power plants were unutilised. Such underutilisation of power plants makes the Bangladesh Power Development Board (BPDB) pay a minimum capacity payment to individual power producers.

The capacity payment in fiscal 2017-18 was Tk 6,341 crore, which jumped to Tk 8,929 crore in fiscal 2018-19.

Within nine years, capacity payment has jumped as high as 398 per cent (it was only Tk 1,790 crore in fiscal 2009-10).

With the rise in capacity payment, the entire subsidy taken from the government was needed to spend on meeting that payment.

For example, during fiscal 2018-19, the amount of capacity payment was Tk 9,500 crore, which was almost equivalent to the amount of subsidy received by the power division in fiscal 2018-19.

A large share of BPDB's expenditure is associated with the purchase of electricity from independent power producers and quick rental power plants.

Purchase of coal is another major head of expenditure.

The financial burden has been increasing because of the huge amount of import of fossil fuel every year.

The import cost for petroleum has significantly increased in recent years, which was as high as \$4.5 billion in fiscal 2017-18 and \$4.1 billion in fiscal 2018-19.

However, during the pandemic, the prices of crude oil and petroleum products declined significantly, which would be a partial relief for the BPDB in lowering its import payments for primary energy.

Little effort is made to reduce dependence on fossil fuel-based power generation, which could significantly reduce import cost for primary energy.

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Printing and publishing sector in dire straits

MAHMUDUL HASAN

In early March, Md Yousuf, proprietor of Srabon Printing Press in the capital's Gopibagh area, thought business would return to normal the following month after a prolonged downturn marked by low work orders.

However, till date, his business remains in a nosedive.

Yousuf owns a small printer machine with a capacity to churn out 50,000 books monthly. Recently though, he printed only 5,000 to 7,000 books for each of the last four months.

"Three-fourths of my business has been lost due to the coronavirus," Yousuf told The Daily Star yesterday.

However, this is not to say that the ongoing pandemic has only affected small-scale companies as the coronavirus fallout did not even spare large operations like City Art Press.

Founded in 1984, City Art printed over 60 lakh textbooks last year.

"This year has been the worst year for my business since its inception," said Tofayel Khan, managing director of City Art.

Khan pointed out two reasons behind the industry's current situation.



The other reason, according to Khan, is bidding for textbook printing is now at an unprecedentedly low price.

"Some people are winning bids by offering far lower price than the market rates. This creates monopolies in the industry," he said, adding that many printing presses may go bankrupt as a result, leading to lower grade textbooks in circulation.

Khan also said that orders to print

diaries and calendars dwindled this year.

At the beginning of the year, local printing houses delivered more than 35 crore textbooks to the government for distribution.

The printing sector, comprised of more than 7,000 presses, has witnessed massive growth in the last decade thanks to the government's free book distribution initiative.

The collective industry currently has the capacity to print 100 crore books annually.

On the other hand, business for Orchid Printers, a major player and one of the oldest surviving firms in the sector, was less affected by the virus due to the firm's strong foothold in packaging.

"I have big clients like British American Tobacco Bangladesh, the UNDP and Unilever for packing. So, only 15 per cent of my business was affected by the pandemic," said Hasina Newaz, managing director of Orchid Printers.

However, most other presses, especially the small and medium ones, have felt adverse impacts brought on by the novel coronavirus.

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No reliable database to scout out the real needy

And so food aid disbursement remains a challenge, say experts

STAR BUSINESS REPORT

The absence of a reliable database on the poor has emerged as a major obstacle to the distribution of public and private food aid among the vulnerable, experts said yesterday.

An extensive study is needed to prepare a complete and flawless database such that initiatives can be taken in an effective manner to help the poor and ensure food security, said Mosammam Nazmara Khanum, food secretary.

She spoke while addressing a virtual programme to unveil the findings of a study—conducted by Right to Food Bangladesh, a platform of food security campaigners—on the "Impacts of Covid-19 on food intake and nutrition of poor people: a rapid appraisal".

The government provided 30 kilograms of food as aid to each of 50 lakh poor families during the pandemic, the secretary said.

"Providing only rice will not ensure nutrition of the poor. They need other foods as well."

About the next initiative, she

RECOMMENDATIONS

Disburse safety net handouts through mobile financial services

Provide nutritious food for poor children

Implement stimulus packages for MSMEs without delay

Improve supply chain of agricultural products

Punish people involved in misappropriation of safety net benefits

Increase coronavirus treatment facilities in rural areas

the vulnerable people and poor, which would be helpful for the policymakers to take any initiatives.

She acknowledged that the immediate assistance that was provided instantly during the general shutdown could not cover all the poor properly. However, she said the assistance will be continued in different modalities.

"We don't have a scarcity of food. If we ensure a distribution channel, then we will be able to solve the food crisis for the poor."

Food security cannot be ensured for the poor due to a lack of law on the right to food, said Qazi Kholiquzzaman Ahamed, chairman of the platform.

"So, we urge the government to enact a law for ensuring food security for all."

The government has given a number of incentives to the poor and vulnerable, but the target group did not get the benefit as there is no proper database, said Ahmad, also chairman of the Palli Karma-Sahayak Foundation (PKSF).

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Survive and thrive in the post-pandemic period digital transformation



SHAMEEM AHSAN

The ongoing pandemic has brought us one of the biggest crises we have ever faced in terms of health and safety, employment and the overall economy.

This is an unprecedented situation and to win this battle, our leaders in both public and private sectors need to think differently, go beyond the traditional means, and bring about digital transformation in both public and private organisations to survive and thrive in the aftermath of the coronavirus.

But what is digital transformation? Digital transformation is about applying technologies to drastically

change traditional processes, products and services into data-driven, highly connected solutions that can be monetised through extreme efficiency gains and new business models.

The pandemic has shown us that a business cannot wait for the transformation it knows it needs.

In a recent survey conducted by Forbes among the Fortune 500 companies, 75 per cent of their chief executive officers mentioned that this crisis will accelerate the pace of technological transformation in their companies and across industries.

We are already seeing a growing number of organisations investing in technologies -- from business intelligence and demand forecast to marketing, customer support, supply chain and back office transformation.

However, there is a caveat to optimise the return on investment of IT spending by the companies. Many IT departments work reactively.

They are executing ad hoc projects with short-term goals rather than proactively steering the strategic use of

technologies within the company.

Now that enterprises are dealing with more IT initiatives than ever, such a reactive approach is at best ineffective and at worst detrimental to growth.

Instead, there should be a comprehensive digital transformation strategy to guide different projects, providing a holistic and long-term vision to the organisation's

technological needs.

The transformation theme for the next era will be focused on six key areas of business: (i) understanding customers -- how we design and sell products; (ii) supply chain automation -- how supply chain networks become part of the digital ecosystem; (iii) operational efficiency -- how we improve operations and leverage new technology options; (iv) modern workforce -- how we re-energise and manage our people remotely; (v) accelerating digital investments -- how we prioritise and implement digital initiatives; and (vi) business model evolution -- how to leverage digitally modified business.

We have seen that as soon as physical distancing and home quarantine were enforced around the globe,

companies that were already utilising digital means of running operations or quickly adopted solutions like remote work tools stayed productive amid this pandemic.

On the other hand, companies without technological adoption struggled the most.

We are lucky to be living in the "Industry 4.0" era.

With the integration of tools, re-engineered processes, and emerging technologies such as internet of things, machine learning, artificial intelligence, cloud technologies etc., most of the businesses across industries can automate as much as 90 per cent of their workflows.

Short-sighted executives will still look for ways to cut down IT costs believing that it will help them survive.

However, it is the traditional way of thinking, and our traditional way of running a business has already failed us.

The giant mammoths could not survive the ice age with all their might by not adapting to climate change, but those who evolved did.

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