Pledges lofty

FROM PAGE 2

government is going to do in the next fiscal year is apparently missing.

This is largely because a hard lockdown in April last year had crushed the economy and doubled the poverty rate, but the government support was not at hand for those who needed it the most.

On the other hand, a more relaxed approach took the daily death toll from the virus to more than 100 for the first time in mid-April and tested the capacity of the weak healthcare system, forcing the government to reinstate a stricter lockdown.

So, neither a nationwide strict lockdown nor a complete easing of restrictions could be expected.

The allocation for the health sector has gone up by Tk 3,000 crore. But the overall allocation for the sector is still less than 1 percent of the GDP, in keeping with the trends in recent years.

There were calls for higher budgetary allocation for the sector given the ongoing health crisis. But the lacklustre implementation of the development budget for the sector prevented the government from allocating more funds.

The Tk 10,000-crore emergency fund for the health sector and the vaccination programme will continue in the next fiscal year as only Tk 3,500 crore could be spent from the block allocation in the outgoing fiscal year.

Though the budget deficit target was set at 6.2 percent, which will make more funds available for the government to spend, the fiscal plan could not be described as expansionary if the demand for the continuation of state support to all sectors of the economy is taken into account.

Kamal will look to plug the budget deficit by borrowing from the internal and external sectors.

Mobilising funds from domestic sources such as banks and sales of savings instruments is easy, but it comes at a higher cost.

Though funds from development partners are the cheapest, using them will require more dexterity in spending and project implementation.

The treasurer kept unchanged the revenue generation target for the National Board of Revenue, which raises 85 percent of the money for the government.

Though the outlay for the social safety nets has increased, successful delivery is a key challenge. About half of the support still go to the non-poor.

The new poor are not part of any of the social safety net schemes. The list of the old poor is already a faulty one.

Kamal has formed a Tk 7,300-crore fund primarily to protect the targeted population from coronavirus outbreaks, provide cash assistance and address health risks.

Another Tk 5,000-crore fund has been created for the day labourers, farmers, domestic workers and those affected by natural calamities such as floods, storms and cyclones.

Revenue generation target has been set at Tk 389,000 crore, up from Tk 301,000 crore in the revised budget and Tk 378,000 crore in the original budget. But the actual collection in the outgoing fiscal year could be around Tk 260,000 crore.

With a number of tax and duty cuts and lower tax collection, how the government would finance the expenditure is a matter of concern.

Unless there are serious reforms in the tax administration to raise the tax to GDP ratio, the government is set to encounter serious problems.

Kamal acknowledged that the government could not successfully complete the reforms in revenue management due to the pandemic throughout the outgoing fiscal year and said he would continue the initiatives in the next one.

How many reform initiatives would be completed remains to be seen as the country has not fared well in making the tax generation system efficient, preventing leakages and evasion, and expanding the tax net even before the pandemic.

Like in the current fiscal year, Kamal plans to continue deploying the necessary manpower, providing equipment and logistics, enhancing skills and building the institutional capacity of the NBR.

He plans to return the economy to a higher growth trajectory and set a 7.2 percent economic expansion, up from a projected 6.1 percent in the outgoing fiscal year.

The government has devised a plan to vaccinate 80 percent of the people in phases, meaning it would need 24 crore doses to inoculate 12 crore people.

So far, 41.73 lakh people have received both doses, which is 3.4 percent of the target.

Now the government plans to inoculate 25 lakh peopleeach month initially. Even if it doubles the number to 50 lakh a month, it will take at least two years to vaccinate 80 percent of the population.

"We will be able to overcome the ongoing crisis of the second wave through mass vaccination," he said.

In order to boost food production, he put emphasis on farm mechanisation, incentives for irrigation and seeds, agricultural rehabilitation, and retaining subsidies on fertilisers.

The deficit would be met through higher use of foreign aid on the back of growing support from development partners.

He plans to use $13 billion in aid money, including $10 billion in project loans and $3 billion in budget support. The government aimed to use $8 billion in foreign aid in fiscal 2020-21, and managed to spend $4.8 billion as of April.

It projected that the overall investment as a percentage of GDP would go up to 33.5 percent in fiscal 2020-21.

The public investment-to-GDP ratio rose to 8.2 percent from 8.1 percent. But the private sector's share fell by 1.1 percentage points to 24.2 percent.

The private investment to GDP ratio also seemed an exaggeration and disconnected from reality. One of the indicators is the private sector credit growth, which remained very low.

Kamal also talked about paying special heed to implementation.

"Besides, we will give priority to those expenditure programmes that facilitate economic recovery by combating the long-term impacts of the pandemic, and ensure basic needs of the people by protecting lives and livelihoods."

On the downside, Kamal could not provide updated data on the poverty rate. Instead, he maintained the 2019 estimated poverty rate of 20.5 percent.

At the height of the pandemic last year, poverty doubled because of the 66 days of lockdown to rein in the spread of the virus.

The finance minister also disappointed the mobile financial service (MFS) sector.

He, however, acknowledged the role of MFS in bringing banking services to the underprivileged in remote areas and the use of mobile banking in transferring cash support to the poor.

He proposed raising the corporate tax rate for the non-listed MFS service providers from 32.5 percent to 40 percent.

This will deal a blow to the growing sector at a time when they are investing heavily to expand the service, bring the latest technologies, upgrade distribution channel, and raise awareness.

People working in the sector have described it as an anti-digitalisation move.

The minister expressed his gratitude to development partners for standing by the country during the pandemic.

No shot in the arm

FROM PAGE 2

Most of the block allocation of Tk 10,000 crore in a previous fiscal is also unspent.

Despite an increase in the annual development programme (ADP) allocation during Covid-19 pandemic, the health sector failed to spend 71 percent of the funds for health in the first ten months of fiscal 2020-2021, according to the Implementation Monitoring and Evaluation Division (IMED).

Experts also observed some key issues were unaddressed -- like accelerating budget execution and release of funds to frontline services; giving rapid access to Covid-19 services for all those who need it; strengthening the core of the health system even as the immediate response takes priority, health security and universal health coverage (UHC).

However, in a positive move, the minister proposed tax exemption to general hospitals with a minimum of 250-bed capacity and also to specialised hospitals established in districts other than Dhaka, Narayanganj, Gazipur, and Chattogram.

Like the previous fiscal year, he also proposed allocation of Tk 100-crore Integrated Health-Science Research and Development Fund to finance the activities for the development of research on health education, and science and technology.

Of the overall health budget, 52.5 percent comprised operating costs while the rest has been allocated for development.

NOT FIT FOR PANDEMIC

Looking deep into the breakdown figures, it can be said that the government's health budget is not fit for the pandemic with no exception from the previous fiscals.

Dr Rashid-E-Mahbub, president of Bangladesh Health Rights Movement, told The Daily Star, "The budget proposal for health is unacceptable. There are some allocations for oxygen and ICU. But the health sector needs a reformation putting primary healthcare in the heart. There is no mention of it in the budget."

While the Covid-19 has claimed around 12,724 lives and infected 8,05,980 people as of yesterday, there is no sign the pandemic will end in the near future.

With a far reaching goal to vaccinate 80 percent of the population, the issue of Covid-19 transmission control as an immediate task is of paramount importance.

However, the finance minister in his speech only focused on testing capacity, oxygen supply and ICU and screening and isolation centre. He has not said anything about community mobilisation.

Besides, the healthcare allocation is far from what is necessary to ensure quality healthcare service for all irrespective of income and region, which has become even more important during the Covid-19 pandemic.

Every year, 7 percent of households in Bangladesh are pushed into poverty as a result of out-of-pocket spending on health, according to the 2019 joint report by the World Health Organisation and the World Bank.

The out-of-pocket spending on health is very high in Bangladesh, around 73.87 percent -- the highest among the South Asian countries after Afghanistan's 78.38 percent.

While all the South Asian countries spend $401 per capita as health expenditure, Bangladesh spends the lowest -- only $110.

"Look at the shares of different sectors in the total budget. It has been proved once again that the health sector is not a priority of the government. The government does not mean what it says," Dr Muhammod Abdus Sabur, adjunct professor at the Institute of Health Economics (IHE) of the University of Dhaka told The Daily Star.

He said the absorption capacity of the health sector is a "vague issue".

Dr Shafiun Shimul, associate professor of the IHE at DU said, "Since it is a huge deficit budget, ensuring the fund for the allocated budget for health could also be a challenge. Besides, the block allocation will be less effective due to procedural issues on spending.

"Increasing the capacity to Covid-19 tests, screening, isolation centres and setting up Covid-19 hospitals are not the only ways to control pandemic. The main challenge in controlling the pandemic is successful risk communication and community mobilisation. But there is no clear mention in this regard."

Sri Lanka braces for oil spill from sunken cargo ship

Reuters, Colombo

Sri Lanka yesterday braced for the possibility of an oil spill after a cargo ship laden with chemicals sank off its western coast, in what is already the country's worst ever man-made environmental disaster.

The Singapore-registered MV X-Press Pearl, carrying 1,486 containers, including 25 tonnes of nitric acid along with other chemicals and cosmetics, was anchored off the port city of Negombo when a fire erupted onboard after an explosion on May 20.

Flaming containers filled with chemicals tumbled into the sea from the ship's deck as emergency crews sought to contain the blaze over the ensuing two weeks.

Businesses

FROM PAGE 3

But there is bad news for Mobile Financial Service (MFS) providers. They are going to be in the league of financial institutions that have to pay 37.5 to 40 percent corporate tax depending on whether they are listed or not.

Knowing the major changes, you may wonder how the National Board of Revenue will achieve the income and corporate tax collection target in the next fiscal year, especially when businesses have suffered income losses and many have lost jobs; and when prospect of a rebound in the economy looks uncertain in the face of second wave of coronavirus pandemic.

The NBR collects 32 percent of the tax revenues though personal and corporate taxes. The rest comes from Value Added Tax and import tariff.

It has been tasked with collecting Tk 106,000 crore in direct taxes in the next fiscal year, up 10 percent from the revised goal of Tk 97,000 in the outgoing fiscal year.

Given the sluggish growth of income tax, questions may arise: from where the NBR plans to collect the increased amount of taxes? What are the measures to widen the tax net, bring people with taxable income under the net and catch evaders? Are the existing taxpayers going to face higher scrutiny and questions from taxmen?

The answer, apparently, is yes.

As per the proposed measures, taxpayers, particularly businesses, are going to face tougher scrutiny of their transactions. Transactions through mobile financial services (MFS) and other digital means have been acknowledged as bank transfers along with transactions through crossed cheques.

And transactions through bank transfers, including MFS, have been made mandatory for payment of over Tk 50,000 made by businesses. This applies to purchase of raw materials too.

MFS has also been included in the modes of payment for rent for use of commercial or residential space and salary payment of above Tk 15,000.

By introducing the new measures, the government aims to encourage transactions through formal channels and curb the scope for tax evasion.

The rules of transactions through MFS and banking channels are going to be introduced for payments to contractors by public agencies and private organisations.

Source tax collected from payments to contractors accounted for one-fifth of the total withholding taxes at Tk 41,800 crore in fiscal 2019-20. Total income tax collection was Tk 73,000 crore during the period, shows provisional data.

"By limiting the scope for informal payment and by introducing rules to formalise transactions for firms and contractors, we expect to get an increased amount of taxes," said a senior NBR official seeking anonymity.

Also, the tax authority wants to hike advance income tax on transfer of property to 10 percent from the existing 5 percent.

Besides, recruiting agencies will be brought under the tax net. They will have to pay Tk 50,000 for issuance or renewal of a licence.

Importers of alcohol and perfume are also going to face higher import taxes.

The NBR proposed reducing the rate of depreciation for ordinary buildings to 5 percent from 10 percent and to 10 percent from 20 percent for factory buildings. This is likely to erode the gains businesses are going to make from the 2.5 percent tax cut.

To expand the tax net, the NBR recommended introducing rules that anyone purchasing state-sponsored savings certificates of more than Tk 2 lakh and keeping over Tk 2 lakh of deposits at post offices will require to obtain Taxpayers Identification Number (TIN).

There will be higher taxes on incomes of over Tk 30 lakh a year from fish farming, poultry, shrimps and fish hatchery.

TINs will be required for approval of building designs and registration of cooperatives.

However, there is relief for certain sectors.

Turnover tax for firms has been reduced to 0.25 percent from the existing 0.5 percent.

Besides, tax-free turnover from businesses run by women entrepreneurs has been fixed at Tk 70 lakh, up from Tk 50 lakh forall types of entrepreneurs now. Advance income tax on import of ocean-going ships and raw materials of cement has been reduced by one percentage point.

Little done for SMEs, job loss

FROM PAGE 2

During a survey by Bangladesh Bureau of Statistics in September last year, it was found that 22.39 per cent of the respondents were unemployed.

Adding 30 lakh who were already unemployed before the pandemic, it can be concluded that about 1.35 crore people, which is about one-fifth of the labour force, became unemployed last year, said Rizwanul Islam, a development economist and former adviser to International Labour Organization (ILO).

Most of the job cuts were in the CMSME sector. Also, about four lakh Bangladeshi migrants returned home, having lost jobs abroad last year.

A nationally representative survey on 3,348 households by the South Asian Network on Economic Modeling (Sanem) conducted between January and February this year found that about 49 per cent of the pandemic-hit internal migrants lost jobs or faced non-payment and decrease of salary during the March-December period last year.

About 37.3 per cent of self-employed and 34.2 per cent of waged people have not been able to recover their income till February this year because of Covid-19 fallouts.

On the other hand, the number of overseas jobs experienced a decline to only 2.17 lakh last year, which was well above 7 lakh annually in the previous years.

In January and February, some 85,000 Bangladeshis went abroad but with the rise in coronavirus infections, most countries suspended flight operations and labour recruitment.

Economists said about 2.50 to 3 crore people became new poor from the fallouts of the Covid-19 and that jobs creation should be the number one priority in the coming fiscal year.

"Having liquid funds, especially during the crisis time, is very important to the owners of the CMSMEs for the revival of their business units and to retain the jobs of millions," said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue (CPD).

The tax cut measures will help businesses buy or import raw materials but the direct cash support or stimulus fund will help the CMSME owners revive businesses and retain and create jobs, he said.

So, the government should allocate at least Tk 30,000 crore additional stimulus funds for the CMSMEs, Moazzem said. Of the total Tk 50,000 crore, some 30 per cent should be meant for the new entrepreneurs, he said.

So far, the government allocated Tk 23,000 crore as stimulus for the CMSMEs, of which some 72 per cent was disbursed as some 15 per cent of more than one crore CMSMEs have been closed and some 50 per cent are struggling to survive, according to the SME owners.

Rizwanul Islam said one widely recognised means of addressing the unemployment situation in the face of economic crisis was to increase public investment in infrastructure.

"Priority should be for small-scale schemes that can be identified, designed and implemented quickly, thus creating jobs," said Islam.

Mustafizur Rahman, a distinguished fellow of the CPD, said a lot of people switched from services and manufacturing sectors to farm sectors and saw incomes go down. There has also not been decent wage recovery so far, he said.

He said the government generally subsidises export-oriented industries, but this was the time import-substitute industries should get subsidies. He added that domestic sectors' contribution to the GDP was 84 per cent.

"Overall, business environment should be improved, financially and institutionally, for all," Rahman said.

Selim Raihan, a professor at the economics department of the University of Dhaka, said job recovery began late last year with infections coming down, but joblessness again picked up when authorities enforced lockdowns since early March this year.

Raihan, also executive director of Sanem, suggested speeding up the mega infrastructure projects that could help create jobs and prioritising at least five special economic zones to draw foreign investors at the earliest.

Nazneen Ahmed, senior research fellow at the Bangladesh Institute of Development Studies, suggested incentives for the CMSMEs through NGOs for efficient handling of money.

She also recommended incentives, technical support and tax rebates and lowering of internet cost for the e-commerce sector to flourish, instead of imposing taxes.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), demanded a special low-cost fund of Tk 1,000 crore for the CMSMEs in the apparel sector.

A portion of the fund can be used to reopen the closed factories while another portion can help pay back the loans of owners of factories that had to close, who are unwilling to run their units anymore, he said.

Ali Zaman, president of the SME Owners Association of Bangladesh, demanded a second stimulus support for the CMSMEs, reasoning that without it, the sector's recovery was not possible.

He also demanded effective implementation of the first stimulus package and strict enforcement of the competition law for the survival of the CMSMEs.

According to Masudur Rahman, chairperson of the SME Foundation, of the total employment in the manufacturing sector, some 90 per cent was created in the CMSMEs and 80 per cent in the services sector.

"We will have to link the informal sectors with the formal sectors for a better economy and employment generation through meeting the demand for the fund," he said.

Tasneem Siddiqui, chair of the Refugee and Migratory Movements Research Unit of the University of Dhaka, said ensuring good governance and promoting market-based skills were the most important factors for promoting the overseas jobs sector.

"For long, we advocated for creating more nurses, caregivers and medical technologists for whom there is high demand all over the world, but there have been little initiatives," she said, calling for improving skills and teaching languages required in the developed countries.

Siddiqui suggested that vaccinating the migrants at this moment could help find them overseas jobs.

No hope for the new poor

FROM PAGE 3

107,614 crore, held out little or no hope for the new poor who are not used to seeking help.

It's a job that a very few in the world's ivy league of economists would have dared to do, announcing the back-to-back budget of a country caught in the middle of a pandemic that brought the economy and the healthcare system down to its knees in the last sixteen months. Mustafa Kamal is a feisty finance minister in that sense, especially when every hand extended in his direction is for help.

Indeed, he has done his best by setting aside a sizeable fund for social protection. On paper, like the last one, the implementation success of this budget is also going to show: over 80pc of the allocation is spent for providing social protection. But, given the ground reality the government is faced with, Kamal will know for sure, he is giving no good news to any of the new poor.

Aside from the issue of "known poor" and "new poor", an oblique line of the government's preferences will continue to keep separated the population in crisis: protected and unprotected. Protected are those who work for the government and unprotected are those in the private sector.

If we analyse the government response to the health and financial security for all in the pandemic so far, we can see the line of divide all too clearly. The government cared most, if not only, for the public staff and least for the private staff.

Kamal deserved big kudos for protecting public employees financially till to date. Proper medicare is understood to be off the list under the existing circumstances and with this sorry healthcare system; but he certainly did more than he could have to ensure financial security for 14 lakh government employees (Tk 5,125cr in salaries and benefits a month) and over 6.5 lakh pensioners (Tk 1,197cr a month). No austerity was called into practice. Even they were given the Baishakhi bonus (20pc of the basic salary) at a time when sale and celebrations for Pahela Baishakh were called off due to the second Covid-19 wave.

But the worries and uncertainties to grapple with are only for the 75 lakh people who are serving on the other side of the divide, in the private sector. It should have been a huge obligation for the government, the finance minister to be precise, to take extra care of the 22 lakh tax-payers, of whom 86 percent is from the private sector.

Private businesses and service-holders got no pandemic respite from the tax and VAT collection drives from the revenue collection authority. They're made to turn in the tax and VAT submissions even when the lockdown was in full force.

Isn't it very unfair of the government to shield the financial security of only the public employees, of whom only three lakh are tax-payers? But those who pay tax, working in the private sector or running private businesses, are left in a quagmire. They're the ones who faced the job cut, salary cut or went out of business. If the taxpayers don't get protection in their crisis, why would they pay the tax in the first place?

All of us are equal and entitled to equal rights in the eyes of law and under constitution. And, in a pandemic of this magnitude, equal right for all citizens is what matters most.

Sadly, equality in social protection is unreal, at least for now. The new poor and people outside the government have no choice: survive on their own or perish!

New safety net funds for poor

FROM PAGE 2

Around the same time, the government gave financial assistance to farmers who suffered losses of Boro crop due to the nor'wester and heatwave that swept the country in the first week of April. Each affected farmer received one-off cash support of Tk 5,000.

Economists, however, maintained that delivering the support to intended beneficiaries is the main challenge as there were previous examples of corruption and irregularities such as the selection of ineligible beneficiaries and other misuse of funds, which deprive many of the genuine poor and vulnerable from social protection benefits.

When the first Covid-19 wave hit the country in March last year, the government with input from field-level officials prepared a list of 50 lakh families in need of financial support with a view to providing one-off Tk 2,500 cash support under a Tk 1,258-crore stimulus package.

The target beneficiaries included rickshaw-pullers, day labourers, construction workers, farmers, shop employees, people working at small businesses, and transport workers.

As the distribution of money began in May last year, allegations of anomalies in the list of beneficiaries cropped up with names of solvent people found on it, forcing the government to halt it midway.

After cross-checking all the names, the finance division struck 14.32 lakh names off the list and finalised the list with 34.97 lakh names as beneficiaries.

On the basis of the list of 34.97 lakh beneficiaries, the government in April provided the same amount of financial support again this year.

SAFETY NET COVERAGE INCREASED

In the proposed budget, the government aimed to bring more of the country's marginalised and vulnerable population under protection.

"To protect the country's poorest segment from unemployment and loss of income due to the pandemic, our government has taken steps to widen the coverage of the social safety net," the finance minister said in the budget speech.

Presenting a set of proposals to widen the coverage of social safety net programmes, the finance minister said from the next fiscal year, coverage of 100 percent deserving poor elderly people will be extended to 150 most poverty-stricken upazilas, from the existing 120 upazilas.

This will add eight lakh new beneficiaries and an additional allocation of Tk 481 crore will be provided to this end.

Similarly, coverage is being increased for widows, deserted and destitute women, which will add 4.25 lakh new beneficiaries and an additional Tk 255 crore will be allocated for this purpose.

Although the number of recipients will increase, the individual amount will remain unchanged – with the women receiving between Tk 500 and Tk 750 a month based on their category.

The government proposed to increase the number of beneficiaries of the Insolvent Disabled Person Allowance Programme by 2.02 lakh as per the latest disability identification survey. As a result, the allocation of this program will increase by Tk 200 crore in FY 2021-22.

There will be an increase in the monthly honorarium of the freedom fighters from Tk 12,000 to Tk 20,000 in next fiscal year as per the promise made by Prime Minister Sheikh Hasina in February. This will require an increased allocation of Tk 1,920 crore.

Analysing the proposed social safety net schemes, it was found that nearly a quarter of the allocation or Tk 26,690 crore will be spent to provide pensions for 7.53 lakh government employees.

Also, a large amount of money has been allocated for interest subsidy, interest exemption, refinancing scheme for farmers and employment generation programmes of government banks, which mostly reached big businesses.

The budget for food assistance programmes such as vulnerable group development, vulnerable group feeding, test relief, and food for work programmes have also been increased.

Despite such an increase in allocation, there are concerns raised by experts and various studies that the real poor and vulnerable usually do not benefit from a large portion of social protection allocation.

In September last year, a Centre for Policy Dialogue (CPD) study found that 65 percent of the fund from the government's social safety net programmes went to the non-poor owing to nepotism, corruption and political consideration in selecting beneficiaries.

Titled "Efficiency of Delivering Social Protection Programmes in the North-West Region", the study conducted by CPD said the safety net programmes can only cover a fraction of the total poor population as just 32.5 percent poor households received some form of assistance.