Mirza Salman Ispahani, chairman of Ispahani Tea, receives a BT-23 tea plant sapling developed by Bangladesh Tea Research Institute from Commerce Minister Tipu Munshi at a programme organised by Bangladesh Tea Board at Osmani Memorial Auditorium in Dhaka recently marking National Tea Day.

'Malaysia keen to invest in Bangladesh'

STAR BUSINESS DESK

Malaysia has showcased keenness on investing in Bangladesh for being one of the fastest growing economies amidst the pandemic, said discussants at an online event jointly organised by Standard Chartered and Bangladesh Investment Development Authority yesterday.

The "Showcase Bangladesh 2021: Bangladesh-Malaysia Investment Summit" shed light on emerging strategic potentials in a shifting global landscape, says a press release.

"(The) Relationships…are characterised by a number of complementarities. It is time to take advantage of these complementarities and begin our respective journeys to become high income economies," said Commerce Minister Tipu Munshi.

"Malaysia and Bangladesh have historically had extremely good relationships and I believe any kind of cooperation…is a win-win situation," said Salman F Rahman, the prime minister's private sector and investment adviser.

"As we ascend to the next level, we realise the need to pick up the pace. An important part of this process is digitalisation," he said.

"Our relationship with Malaysia has common grounds on human resources, trade, investment culture and tourism and there are significant opportunities to further enhance the ties," said Md Golam Sarwar, Bangladesh high commissioner to Malaysia.

"I urge the Malaysian investors who are already established in Bangladesh to encourage and invite their investor friends to invest in our rapidly growing economy," he said.

"In terms of the close economic relations, our investment in Bangladesh cumulates to more than $3 billion on various sectors like telecommunication, infrastructure, education and so on," said Haznah Md Hashim, Malaysian high commissioner to Bangladesh.

"To make this already established relationship even stronger, I would suggest the consideration of tax incentives in the short run and to reduce trade barriers and implement FTA to help trade relations grow even stronger," she said.

"International investors have an excellent track record of operating in Bangladesh and are recognised as the leading taxpayers in sectors such as telco, insurance, financial sector, and FMCG," said Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh.

"These profitable opportunities will only grow as the country continues its remarkable development trajectory," he said. "We've witnessed Bangladesh evolving rapidly to become a force to be reckoned with — it is one of the fastest-growing economies in the world – and Malaysia is the 9th largest investor in Bangladesh," said Abrar A Anwar, managing director and CEO of Standard Chartered Malaysia.

"A free trade agreement…would be immensely beneficial," he said.

Datuk Md Nor bin Ali, chief investment officer of Edra Energy; Mahtab Uddin Ahmed, CEO of Robi Axiata; and Rupali Chowdhury, president of the Foreign Investors Chamber of Commerce & Industry, also spoke at the programme.

Govt plays down poverty, job, vaccination: Sanem

FROM PAGE B1

"Emphasis must not only be placed on financial recovery, but also on social recovery," said Raihan, a professor of economics at the University of Dhaka.

The recovery of social issues such as education, health, social security, poverty, and inequality needs to be addressed.

"The solutions presented [in the budget] seem to be on an ad hoc basis," he said, calling for overall planning on the crisis.

Budget implementation is a major issue, according to the think-tank.

Sanem's research found that actual spending stood around 75-78 per cent in the past 10-12 years compared to the proposed budgets.

"Increased spending does not imply that policies are being properly implemented."

The monitoring and evaluation process of the goals stated in the budget was not clear, so discussions of budget implementation were dependent on spending figures only, the Sanem said.

It said the budget deficit of 6.2 per cent could be higher.

To meet the budget deficit, it is important to ensure an "honest use" of the loans to be taken from the banking sector, Raihan said.

The government targeted a 40 per cent higher amount of funds to be mobilised from external sources compared to the current year.

"I have a huge doubt whether it is possible to receive such a higher amount of external sources," Raihan said.

Despite two waves of Covid-19, the government estimated the growth of the private investment to be 8.8 per cent in real terms at the end of FY21, up from 5.5 per cent a year ago. A 10.8 per cent growth has been set for the upcoming fiscal year.

"I want to be optimistic, but the reality does not give such hope. To reach the targeted growth, we need a historically high amount of investment in the private sector. But our recent research shows 15 major sectors are reluctant to invest now and are trying to restore their business amid the pandemic."

The Sanem said there was no mention of new poor, although about 2.5 crore to 3 crore people slipped below the poverty line.

"How they would be incentivised or receive benefits was not mentioned in the budget although it said the poverty rate would reduce and jobs will be created."

The duty benefits on imports also pose a risk as it may discourage businesses to expand exports, it said.

Prof Sayema Haque Bidisha, research director of the Sanem, said there had been an increase in allocation in the social security and health sectors, which was certainly positive.

"The budget is, overall, business-friendly, which is positive, and there is a visible effort in reviving the economy."

But it was not clear how much the general public, the low-income people and the middle class would benefit from the efforts made to boost businesses, she said.

"It is also not clear how many small and medium-sized enterprises will benefit from the concessions, and it is also not clear whether the kind of incentives given to stimulate businesses will actually spread to the labour market. Therefore, a real roadmap is needed."

She said there was a need for major reforms in health and education, especially in the face of the pandemic.

"There was an expectation for something different, which we did not observe."

India cenbank says focused on growth as inflation not 'persistent'

REUTERS, *Mumbai*

The Reserve Bank of India (RBI) kept interest rates at record lows on Friday and announced additional bond purchases to support the economic recovery, at risk of being derailed by a devastating second wave of Covid-19 infections.

The RBI's monetary policy committee (MPC) voted unanimously to hold the repo rate, its key lending rate, at 4 per cent and kept the reverse repo rate, the borrowing rate, unchanged at 3.35 per cent as predicted in a Reuters poll.

The central bank also promised to keep its policy accommodative for as long as necessary, as it downgraded the growth forecast for the 2021/2022 fiscal year and said current inflation pressures would likely be transient.

"At this point of time the MPC has very consciously taken the decision to focus on growth," said RBI Governor Shaktikanta Das during a press briefing.

"The MPC was of the view that at this juncture policy support from all sides is required to gain the momentum of growth that was evident in the second half of 2021 and to nurture the recovery," Das said earlier in a statement.

India's annual economic growth rate picked up in January-March compared with the previous three months, but economists are increasingly pessimistic about the June quarter after a huge wave of Covid-19 cases triggered lockdowns in several states.

Das said RBI will buy 1.2 trillion rupees ($16.44 billion) worth of bonds in the September quarter on top of the quantitative easing programme announced in April. The RBI said then it would buy 1 trillion rupees worth of bonds under the G-SAP 1.0 programme.

Economists said the government would also need to step up and announce fiscal measures in an effort to aid the recovery as monetary policy alone will not prove adequate.

"We believe that expecting the RBI to do all the heavy lifting for an economy suffering from massive demand destruction, is rather unfair on the central bank," said Kunal Kundu, India economist at Societe Generale.

When asked about the need for fiscal stimulus, Das said it was the government's prerogative but added that the capital expenditure provisions made in the budget should aid in creating demand.

Indian financial markets showed little reaction to the monetary policy announcement, which was widely expected.

The RBI's monetary policy committee downgraded its growth forecast for the 2021/22 fiscal year to 9.5 per cent from 10.5 per cent previously but did not expect the fallout from the current coronavirus restrictions to be as bad as the impact of a national lockdown last year.

"The sudden rise in Covid-19 infections and fatalities has impaired the nascent recovery that was underway, but has not snuffed it out. The impulses of growth are still alive," Das said.

Das said normal monsoons will augur well for the agriculture sector and, alongside supply side interventions from the government, should help keep inflationary pressures in check.

But supply constraints due to coronavirus curbs and rising input costs, on the back of higher commodity prices, could fuel inflation, the RBI said.

Retail inflation is seen at 5.1 per cent in 2021/2022 and RBI deputy governor Michael Patra said the MPC's view is that inflation is not "persistent".

"Their insistence on ignoring the inflationary build up due to rising commodity and food prices is extremely intriguing and could pose financial stability risk at some stage," said independent adviser and market expert Sandip Sabharwal.

The central bank has slashed the repo rate by a total of 115 basis points (bps) since March 2020 to soften the blow from the pandemic, following 135 bps worth of rate cuts since February 2019.

Continue 0.5pc source tax for 5yrs

FROM PAGE B1

Globally, the fashion industry has been shifting to manmade fibre thanks to their environment-friendliness, functionality and durability.

However, Bangladesh is still very weak in the trade of manmade fibre and clothing items while competing countries have been making strides in this regard.

Manmade fibre garments occupies 78 per cent of the global business while cotton fibre holds the remaining 22 per cent.

However, some 74.14 per cent of Bangladesh's garment export earnings come from cotton made items.

So, Bangladesh is lagging behind in the mainstream business of manmade fibre garments, which is worth a few hundred billion dollars globally.

New investments will come and a lot of jobs will be created if the government gives 10 per cent cash incentive on export receipts of manmade garment items, Hassan said.

The manmade fibre garment manufacturers will also be able to create new job opportunities and bring back the workers who lost their jobs because of the severe fallouts of the Covid-19 pandemic, he added.

Hassan welcomed the proposed budget for continuing different facilities for the garment exporters and cutting the corporate tax and value-added tax.

He also said the garment sector has already reemployed the workers who became jobless after the Covid-19 outbreak.

However, he could not exactly say how many workers have lost their jobs and how many were re-employed with the opening up of the economy and global supply chain after a pause for lockdowns.

By October and November this year, the sector will witness a full recovery of business, the BGMEA chief said.

However, Hassan urged the government to take measures to remove bureaucratic tangles for the ease of doing business.

Currently, Bangladesh is the global leader in green garment factories and the country's production system has improved to a great extent since the Rana Plaza disaster in 2013, he said.

Of the 100 global Leadership in Energy and Environment Design (LEED) certified garment factories, about 39 are in Bangladesh.

Bangladesh has 143 LEED certified buildings and 40 of them are platinum rated factories.

Ten years ago, the amount of apparel shipments to new markets stood at $700 million, which was 6.88 per cent of Bangladesh's total apparel shipments per year. Now the rate has increased to 17 per cent to over $6 billion a year.

So, it is indicating that the government's four per cent stimulus for the new markets worked well.

During the 2008-09 fiscal year, the government gave four per cent incentives on export to new markets. Bangladesh considers all the markets as new ones except the EU, US and Canada.

Hassan also said the EU should extend its generalised system of preferences (GSP) to Bangladesh for more than 10 years.

After 10 years, the EU should grant Bangladesh the GSP plus as the south Asian economy was hit hard by the pandemic, he added.

Marico to invest Tk 227cr in new unit

FROM PAGE B1

Marico began its journey in the country around 20 years ago with 36 brands across 10 categories under the Parachute Advanced, Saffola, Nihar, Parachute Just for Baby, Parachute Skinpure, Parachute Naturale, Livon and Studio X franchises.

Even despite the Covid-19 pandemic, the company enjoyed good business during the last financial year as its revenue grew by 15.4 per cent and profitability increased 17.5 per cent.

With Marico showing resilience amid the second wave of infections and the government's prudent measures in the form of movement restrictions and vaccination efforts, the company is hopeful of continuing to deliver growth in profits for its shareholders in fiscal 2021-22.

Randolph went on to say that construction on the new unit would begin as soon as Beza hands over the plot.

"We plan to accelerate the pace of development and hope to go into commercial operations by mid-2022," she added.

Marico Bangladesh commenced exports to South Asian markets in 2018, primarily, Nepal and India.

Since last year, the company has also commenced exports to Middle Eastern markets and will look to further expand its export potential.

"We are proud to be ambassadors of "Made in Bangladesh" and enhance this equity in both domestic and international markets," Randolph said.

Through the company's efforts, Bangladeshi consumers can be assured of availing the best-in-class quality products, made right here in their own country.

Regarding the project's financing, she said that their primary plan is to self-finance the project.

"We are, however, exploring other financing options as well and will avail external financing if the terms and rates are feasible," she added.

According to the investment proposal, Marico will create 2,500 opportunities for direct employment at the new production unit.

Beza Executive Chairman Paban Chowdhury said Marico is a renowned company that is doing very well in Bangladesh and is capable of ensuring quality investment.

FBCCI backs money whitening for specific period

FROM PAGE B1

The current provision to legalise untaxed money on payment of 10 per cent tax on the disclosed amount expires on June 30.

The special treatment drew flak from various quarters as it discourages compliant taxpayers and encourages corruption.

However, people with undisclosed wealth will be able to invest their income to buy real estate and land by paying tax. The scope to invest the untaxed money in economic zones and hi-tech parks will also continue in the next fiscal year.

Jashim said people who paid taxes regularly would feel discouraged if the government extended the opportunity to invest undisclosed money for a long time.

Budget implementation has long faced challenges in the areas of governance, monitoring, investment, revenue collection, and ensuring business-friendly tax administration, the FBCCI said.

"Increasing administrative and executive efficiency, transparency and accountability in these areas and upgrading monitoring quality were crucial to overcoming the challenges."

The federation expressed dissatisfaction over the hike in advance income tax (AIT) from 5 per cent to as much as 20 per cent for businesses. The increase might bring businesses to a standstill, it said.

As business operating expenses rose due to the AIT, the FBCCI had earlier placed a proposal demanding its withdrawal.

In the proposed budget, the rate of business turnover tax for individual taxpayers has been reduced from 0.50 per cent to 0.25 per cent. The FBCCI urged the government to make the rate effective for all businesses.

The advance tax on imports was cut from 4 per cent to 3 per cent even though the FBCCI had earlier recommended that the tax be withdrawn.

The federation urged the government to meet the budget deficit by borrowing funds from foreign sources and issuing special local bonds instead of taking it from local banks. It called for withdrawing the 15 per cent tax imposed on private universities, medical, dental and engineering colleges, citing the education system was greatly affected by the pandemic.

The federation appreciated the government moves taken to attract investment and protect local industries. It applauded the focus on skills development and the tax cuts for companies where 10 per cent of the employees belonging to the third gender.

Metropolitan Chamber of Commerce and Industry President Nihad Kabir, Dhaka Chamber of Commerce and Industry President Rizwan Rahman, and Bangladesh Textiles Mills Association President Mohammad Ali Khokon were present during the media briefing.

Corporate tax cut won't pay off

FROM PAGE B1

The institute, however, said tax exemption in various industries, particularly for agriculture and agro-based industries and on building hospitals outside the major cities would ultimately help create new jobs.

It also welcomed proposed tax breaks for cloud services, system integration, e-learning platforms, e-book publishing, mobile application development services and IT freelancing providers until 2024.

But the body did not support the move to increase tax on mobile financial service providers.

The ICAB lauded advance tax applicable on imported goods for production purposes being reduced to 3 per cent from 4 per cent, saying it would reduce the producers' current capital requirements.

Tax cuts for cement industry nominal, won't lower prices

FROM PAGE B4

The annual demand for the key construction material is about four crore tonnes against a production capacity of 8.4 crore tonnes. Around Tk 42,000 crore has been invested in the industry till date.

Moreover, millions of construction workers and officials are both directly and indirectly employed by the industry, which deposits roughly Tk 5,000 crore to the state coffer through customs and taxes.

With a surplus in supply, locally produced cement has been exported to many destinations for more than 15 years now.

The per capita consumption of cement in the country currently stands at 210 kgs while it is a whopping 1,700 kgs in China, 690 kgs in Malaysia, 620 kgs in Thailand, 517 kgs in Vietnam, 412 kgs in Sri Lanka, and 305 kgs in neighbouring India.

Vaccination challenge to budget implementation

FROM PAGE B1

Given the pandemic-induced economic slowdown, the revenue collection target for the National Board of Revenue (NBR) has been revised downwards for the ongoing fiscal year, Rahman said.

The target is Tk 330,000 crore, the same as that of last fiscal.

He opined that attaining the target would be very challenging for the NBR and they must show utmost efficiency.

The proposed tax on mobile financial service (MFS) providers is not acceptable as it may have an adverse impact on the growing sector, said Rahman, also a former governor of the central bank.

Many poor people are highly dependent on the MFS providers to settle their transactions of small amounts, he said.

As per the proposed budget, the corporate tax levied on listed MFS providers may soar by 5 percentage points.

If the MFS provider is not listed, a 7.5 per cent increase in corporate tax has been suggested.

If the tax is imposed, the MFS providers may levy an additional charge on clients to adjust the cost, Rahman said.

The government agencies dedicatedly implementing social safety net programmes should strengthen their capacities to materialise the schemes efficiently, he said.

The government has allocated Tk 107,610 crore for the social protection schemes for the upcoming fiscal year, which is up 12 per cent but lower than the average 17 per cent growth of allocation between fiscals 2009-10 and 2021-22.

There is no list for the poor and the government should prepare a list of the urban ones immediately such that they can be brought under the social protection scheme, Rahman said.

AK Enamul Haque, an emeritus fellow of the organisation, said the social safety nets conventionally targeted those living below the poverty line.

Considering the current situation, safety nets are required for those living just above the poverty line, he said.

A universal pension scheme could be a good way to do so, he said.

Khondoker Shakhawat Ali, another emeritus fellow, said the budget proposal should have presented a clear timeframe for vaccinating the population.

The government should aim to vaccinate 70-80 per cent of the population within the coming fiscal year, he said.

To do so, the government should initially prioritise importing vaccines and then move to producing those, Ali said.