

# Bureaucrats not smart enough to execute budget on time

Planning Minister MA Mannan says; analysts stress faster vaccination

STAR BUSINESS REPORT

Bureaucrats, despite being well trained and educated, are not smart enough to implement the budget in a timely manner, for which this perennial difficulty may persist, Planning Minister MA Mannan said yesterday.

The ministry alone cannot take down this bureaucratic barrier as the solution lies in inter-ministerial coordination.

Besides, the Implementation Monitoring and Evaluation Division (IMED) is not at its required proficiency.

"So, we have to carry out more reforms in the

bureaucracy," he added.

Mannan was addressing a webinar on "Budget and Business Outlook of Bangladesh During 2021-22: Strategic Priorities", organised by the American Chamber of Commerce in Bangladesh (AmCham).

The government needs to get 70 per cent of the population vaccinated as soon as possible for a V-shaped economic recovery from the Covid-19 fallout, said Atiur Rahman, a former governor of Bangladesh Bank.

Getting such a large number of people their jabs fast is important to bring back confidence among businesspeople.

"Forget the implementation and deficit issues in the budget, we need vaccination for the people and to take more care of partnerships between the government and private sector to turn around and to fight back against the disaster," Rahman said.

Vaccination has not been prioritised in the proposed national budget for fiscal 2021-22 and now there is no alternative to vaccination.

"The social safety net allocation will not serve the purpose for the new poor stemming from the Covid-19 fallouts," he added.

The former central bank governor also said a budget deficit of 6.2 per cent and 40 per cent loan-GDP ratio was okay for the economy and such issues would not affect the budget's implementation.

However, the budget is growth oriented as allocation has increased for the power, transport and communication sectors, which will generate growth in the economy.

# Finance Bill 2021: a few welcoming moves



MAMUN RASHID

## OPINION

tax (tax deduction/collection at source) is higher than their regular tax payment.

The business turnover tax rate for individual taxpayers has also been proposed to be reduced to 0.25 per cent from 0.50 per cent. Furthermore, the current budget proposes to provide tax exemptions for companies that are engaged in the manufacturing of automated vehicles, three- and four-wheelers, home and kitchen appliances, and engineering products as long as certain conditions are met.

There is also a five-year extension for the exemption from VAT for makers of motor vehicles, sending a very good message to the automobile industry that would like to assemble or manufacture locally.

The finance minister also proposed a 10-year tax exemption for certain IT hardware manufacturers as long as they are produced in Bangladesh. The term "Made in Bangladesh" has been a key focus of the budget with the intention of boosting local manufacturing and discouraging imported products.

These rate cuts and exemptions are a welcome follow-up from the previous year's finance bill, which also extended similar tax cuts to business enterprises. The cuts are certainly highly welcome by the corporate sector and the cash-rich potential investors, especially foreign ones.

June 3 marked a remarkable date for Bangladesh as the finance minister presented the country's 50th budget in parliament on the occasion of the 50th year of independence. As expected, the Tk 603,681 crore budget is the largest that has ever been proposed.

The proposed revenue collection target is Tk 389,000 crore. Economic growth goal has been set at 7.2 per cent, expected inflation 5.3 per cent, and overall deficit Tk 214,681 crore.

Tk 10,000 crore has been set aside for Covid-19 response, Tk 71,900 crore was allocated towards education and Tk 225,324 crore for the annual development programme. The finance minister plans to borrow Tk 76,452 crore from the banking sector and Tk 37,001 crore from the sales of savings certificates.

Like last year, this year's budget is once again seen as a business-friendly one.

The tax rate for non-listed companies has been proposed to be cut from 32.5 per cent to 30 per cent, and for listed ones, from 25 per cent to 22.5 per cent. However, it may not please the companies whose advance



The government needs to get 70 per cent of the population vaccinated as soon as possible for a V-shaped economic recovery, says an expert.

PHOTO: STAR/FILE

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# Regulatory environment needs improvements: experts

STAR BUSINESS REPORT

The proposed budget's tax exemptions and corporate tax reduction are welcome moves for job creation but regulatory environment improvements and ease of doing business are also important to attract investment in manufacturing, said a webinar's discussants.

The Ernst & Young Advisory Services Bangladesh organised the event on the budget.

Finance Minister AHM Mustata Kamal unveiled the Tk 603,680 crore budget, offering a 2.5 percentage point cut in the corporate tax rate for listed and non-listed companies.

He also proposed full tax exemption for eight manufacturing sectors for up to 10 years, including home appliances, fruits and vegetable processing, dairy and dairy product making and light engineering products.



Bangladesh was languishing at the 168th position in the 2020 ease of doing business ranking of World Bank Group, reminded Masud Khan, chairman of Unilever Consumer Care.

Private investment remains stagnant while an enabling environment is necessary to encourage investment which is highly needed to create more jobs as only 2.5 lakh of youths get employed out of 22 lakh who join the workforce annually, said Prof Abu Eusuf of development studies at the University of Dhaka.

He said initiatives to address the issue of the

"new poor" and entrepreneurs of small and medium businesses through fiscal measures were expected.

"We did not see that initiative. We now need to think beyond growth, beyond average," said Eusuf, also director of the university's Centre on Budget and Policy.

The event was moderated by Harish Agarwal, partner and location leader (Bangladesh) of the Ernst, while AKM Mahbubur Rahman, commissioner of Customs Bond Commissionerate, Chattogram, and Ruhul Amin, chief strategy officer of Robi Axiata, also spoke.

EY Partners, Tax & Regulatory Services Rakesh Saha, Dinesh Agarwal and Senior Manager Tax & Regulatory Services Momtaz Aziz Ahmed jointly shared a paper on the changes made in the indirect and direct taxes.



The finance minister has proposed corporate tax rate cuts and tax exemptions in the budget for the next fiscal year to boost the economy during the coronavirus pandemic.

STAR/FILE

## GLOBAL BUSINESS

# Biden rejects new Republican infrastructure offer

REUTERS

President Joe Biden and Republicans entered the weekend sharply at odds over how to craft an infrastructure deal that could satisfy their camps, imperiling the odds of a bipartisan deal.

Democrat Biden shot down a new proposal from the main Republican negotiator on infrastructure, Senator Shelley Moore Capito, that increased spending by about \$50 billion over their last offer, the White House said.

Biden rejected the offer, saying it "did not meet his objectives to grow the economy, tackle the climate crisis, and create new jobs."

Republicans had previously offered roughly \$257 billion in new spending, short of the \$2.25 trillion Biden initially offered and suggested he might bring down to as low as \$1 trillion.

And while the two sides agreed to speak again on Monday, the White House also strongly signaled that they may seek a path forward with other Republican lawmakers or even with only Democrats.

"He indicated to Senator Capito that he would continue to engage a number of Senators in both parties in the hopes of achieving a more substantial package," White House spokeswoman Jen Psaki said in a statement.

Up until now, Capito has been Biden's primary negotiating partner. Monday's conversation will be their third in a week.

Biden is eager to show that he made a good-faith effort at a bipartisan deal, sources said, but he risks creating division among Democrats, some who believe he is giving up too much to Republicans. Democrats hold narrow majorities in both the House of Representatives and Senate.

A Capito spokesperson offered scant detail of what was discussed on the call, saying that they "continued negotiating" and discussed both sides' views.

Friday's call showed serious hurdles remain to bipartisan negotiations even just two days after Biden floated his biggest concession yet.

Biden offered to drop his plan to raise corporate tax rates as high as 28 per cent during an Oval Office meeting with Capito, sources said, replacing it with a minimum 15 per cent tax rate aimed at ensuring all companies pay taxes.

Republican leaders see corporate tax

hikes to finance the construction of roads, bridges, water pipes and other projects as a non-starter.

Biden could now choose to strike a deal including most of his wish list that might, at best, only secure the backing of his fellow Democrats.

Doing so would require seeking a party-line "reconciliation" vote. Reconciliation circumvents Senate rules that effectively require 60 votes to pass most legislation.

But Biden's one-on-one sessions between Biden and Capito are increasingly testing liberal Democrats' patience by watering



US President Joe Biden

down their goals and delaying legislative action in the period before Congress goes into recess for summer vacation.

Senator Bernie Sanders, a liberal courted by the White House, said Republicans have passed massive tax cuts without bipartisan support and that he saw no reason Democrats couldn't move forward in similar fashion.

"Please don't tell me we can't use the same tools to help working people," Sanders wrote on Twitter.

A group of young activists from the Sunrise Movement, which wants to halt climate change and create jobs, gathered in front of the White House on Friday to protest what they called Biden's broken promises and pandering to Republicans.

"We are demanding that he stops working with the GOP, that he meets with us instead and that he passes the biggest, most robust infrastructure package that he can," said 24-year-old Ellen Sciales, one of the members of the Sunrise Movement that was consulted by Biden's presidential campaign.

# Reckitt to sell China baby formula business for \$2.2b

REUTERS

British consumer goods maker Reckitt Benckiser Group Plc said on Saturday it was selling its infant formula and child nutrition (IFCN) business in China to investment firm Primavera Capital Group for an enterprise value of \$2.2 billion.

The Lysol disinfectant and Dettol soap maker will retain an 8 per cent stake in the IFCN China unit and anticipates net cash proceeds from the sale to be about \$1.3 billion, it said in an emailed statement.

Reckitt expects to incur a net loss of 2.5 billion pounds (\$3.5 billion) on the disposal, mainly due to the re-measurement of goodwill and intangible assets, it said.

Reuters in March reported that the Slough, England-based company was considering the sale of the business.

The sale closes a strategic review of IFCN China launched in February as a result of sluggish sales caused



REUTERS/FILE

Mead Johnson's product Enfamil baby formula is displayed on a store shelf in New York City, US.

by intense competition from local Chinese baby formula brands and slowing birth rates in China.

Reckitt executives have also attributed Hong Kong border closures during the Covid-19

pandemic as weighing on the business, which it acquired as part of its \$16.6 billion purchase of US-based Mead Johnson in 2017.

In the same sector, French dairy group Danone sold its 9.8 per cent stake in China Mengniu Dairy in May for about \$1.6 billion euros.

Reckitt's Greater China infant formula business represents 6 per cent of group sales, which were almost 14 billion pounds (\$19.82 billion) in 2020, up 11.8 per cent year-on-year. On Saturday, Reckitt said the deal included the sale of its manufacturing plants at Nijmegen in the Netherlands, and in Guangzhou, China, and a royalty-free perpetual and exclusive license of the Mead Johnson and Enfa family of brands in China.

After the deal's close, expected in the second half of 2021, Reckitt will own and operate the Mead Johnson and the Enfitas, Enfamil and Enfa brands in the rest of the world.

# Indian airline IndiGo reports fifth straight quarterly loss

REUTERS, New Delhi

Interglobe Aviation Ltd, which runs India's biggest airline IndiGo, reported its fifth straight quarterly loss on Saturday, as the Covid-19 pandemic kept air travel well below normal levels.

The company reported a net loss of 11.47 billion Indian rupees (\$157.43 million) in the three months ended March 31, compared with a loss of 8.71 billion rupees a year earlier. "This has been a very difficult year with our revenues slumping hard due to Covid, showing some signs of recovery during the period December to February and then slumping again with the second wave of the Covid," IndiGo CEO Ronjoy Dutta said in a statement.

The coronavirus pandemic is a period of great trial for IndiGo



REUTERS/FILE

An IndiGo Airlines Airbus A320 aircraft takes off in Colomiers near Toulouse, France.

shareholders and staff, Dutta said, adding that the carrier was strengthening its core to emerge stronger when the sector recovers from the current situation.

India's aviation sector is reeling under losses with air travel brought to a halt for several weeks last year. The country's airlines are expected to lose a total of \$4 billion this fiscal year, aviation consultancy CAPA estimated - similar to their losses last fiscal year through to March 31.

Just as air travel in India was beginning to recover earlier this year, a second more deadly wave of the pandemic hit the nation, killing hundreds of thousands of people.

Most Indian states were under lockdown in April and May, and the government has restricted airlines to fly only 50 per cent of their total capacity.