



United Commercial Bank signed a memorandum of understanding with Bangladesh Economic Zones Authority (Beza) at the latter's head office yesterday to establish a new branch at Bangabandhu Sheikh Mujib Shilpa Nagar. Beza Executive Chairman Paban Chowdhury and UCB Managing Director Mohammed Shawkat Jamil were present.



Walton's Digital Campaign Season-11 winner Selim Mia from Arahazar upazila of Narayanganj received a cheque worth Tk 10 lakh at Bantibazar Walton Plaza. Abul Kalam Azad, deputy CEO of Walton Plaza Trade, was present.

Digital database key to safety net for poor

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Safety net programmes must be planned and centred towards the broad objective of employment generation of those at the bottom of the distribution, said Prof Bidisha. Unemployment benefits, even for a short period of time, can have important implications -- it can help the unemployed and also boost demand, she added.

She also stressed for a detailed roadmap on employment generation.

For maintaining stability of prices, greater monitoring and rationing in the short term while establishing a price commission in the long-term are needed, Bidisha added.

Rashed Al Mahmud Titumir, a professor of the department of development studies at the same university, said the pandemic has dealt a mighty blow to the life and livelihood of people, resulting in a poverty rate rise of the level seen three decades ago.

"The lack of precise planning and proper measures increases poverty in any disaster. The lack of a national household survey-based database, the assistance does not reach the right population," he said.

He said although the allocation for social security programmes has been increased in this year's budget, the per capita allocation has decreased.

"Allocations to the social safety net programmes were most needed for the security of life and livelihood," he said.

He said social safety net programmes' allocations have increased by 13 per cent year-on-year and 14 lakh new people have been brought under it in the budget.

However, it is insufficient for two-and-a-half crore new poor, including the urban poor. In addition, most of the allocated money will be spent on providing pensions, interest on savings certificates, etc., to government employees.

Citing a government report, he said 46 per cent of the beneficiaries received social safety net benefits even though they were not eligible. Due to a lack of a proper

database of population and irregularities, many eligible people are being excluded from these programmes, he said.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, said allocations were reduced in 14 sub-sectors of social safety net programmes, where allocation could have been increased easily.

Some fast-track projects got safety allocations, which should not get so much importance considering immediate demand, he added.

For example, the Rooppur nuclear power plant project, which is definitely an important project, was allocated Tk 18,400 under the annual development programme, he said.

"But, we don't have the demand of using the electricity generated from the plant right now. We are now only using 52 per cent of the total electricity generated and the remaining 48 per cent remains unutilised. So, how will we use the electricity that will be generated from the plant," he added.

In the current situation, there is a need to increase open market sale (OMS) programmes to ensure food rights of the poor, increase imports of products to stabilise the food market, and create a database of occupational poverty, he said.

Planning Minister MA Mannan said information and data were under his ministry. "We have inherited some systems which we are trying to improve. I believe it's important to disseminate information more timely," he said.

"Poverty and justice have been given priority in this year's budget, which reflects the needs of the people," he said.

Qazi Kholiquzzaman Ahmad, chairman of the Palli Karma-Sahayak Foundation, said the economy of the country, which was not stable, would not recover if people who fell behind could not be helped to move forward.

Mohsin Ali, general secretary to the Right to Food Bangladesh, moderated the event.

Tk 20,000cr fresh stimulus needed for small businesses

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Uddin is scheduled to sit in a meeting with the chief executive officers (CEOs) of banks to discuss the progress of the disbursement of the stimulus money among the CMSMEs.

Some 70 per cent of the money has been disbursed so far from the first stimulus fund of Tk 23,000 crore for CMSMEs in more than one year.

The chief of the FBCCI also said the local business chambers and trade bodies can also be used for disbursement of the fund as most of those units are registered with the local trade bodies.

The businesses would be greatly benefited from the corporate tax cut of 2.5 per cent across the board, Jashim Uddin told The Daily Star over the phone.

However, the FBCCI demanded withdrawal of the 5 per cent Advanced Income Tax (AIT) and 4 per cent VAT. The finance minister did not withdraw these and thereby business operation costs will increase, he said.

Although the corporate tax cut at 2.5 per cent will have a positive impact on the revival of the businesses, the AIT and VAT will remain a burden, he said.

Some local industries will grow because of the tax holiday in the proposed budget while other sectors will face difficulties,

he said. For instance, even two years ago the import of dredging machinery used to enjoy 1 per cent duty as it was counted as capital machinery.

However, since last year the government imposed 31 per cent duty on import of dredging machinery although it is capital machinery and very vital to excavating rivers. Many private companies have been involved in importing dredgers to excavate the rivers to ensure water flow.

Uddin said not a single dredger was imported last year due to the high import duty and the government kept the 31 per cent import duty in the proposed budget for fiscal 2021-22.

The government has a target to increase the private investment and GDP ratio to 25 per cent from 23 per cent in the proposed budget by improving the business environment during the pandemic.

It would be a bit difficult to achieve the target only with some tax benefits to business and if the government wants to achieve the target of 25 per cent, it needs to do some more, he said.

Uddin is expecting more investment from both domestic and foreign entrepreneurs with a focus on electronic goods and home appliances as a lot of benefits have been provided to them in the proposed budget.

\$25b export to China possible by 2030

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Li Jiming, Chinese ambassador to Bangladesh, said it was high time to consider the signing of an FTA as bilateral trade was growing alongside Chinese investment in Bangladesh.

Bilateral trade decreased by 30.6 per cent year-on-year in 2020 because of the Covid-19 pandemic, the ambassador added.

A discussion is underway for joint production of Chinese Covid-19 vaccines in Bangladesh, said Li Jiming, recalling Bangladesh's medical support to China last year.

China has shown a resilient recovery from the fallouts of Covid-19, said Mahbub

Uz Zaman, Bangladesh's ambassador to China.

In 2019, bilateral trade was \$18.5 billion. In pre-pandemic times, it annually grew by 24 per cent, he said.

Since China is the largest raw material supplier for the industries in Bangladesh, so the trade balance is heavily tilted towards China, he added.

BCCI President Gazi Golam Murtoza chaired the discussion, moderated by ERF General Secretary SM Rashidul Islam.

Sharmeen Rinvy, president of the ERF; Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority; and Al Mamun Mridha, general secretary of the BCCI, were also present.

High-flying insurance stocks may put market in trouble

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The decision to fix the commission for agents at 15 per cent also boosted insurers' profits," he said. In 2012, the Insurance Development and Regulatory Authority banned insurers from paying more than 15 per cent of the premium as commission to their agents.

However, most insurers disregarded the directive, prompting the regulator to issue a notice in 2019 that ordered them to comply for the sake of the sector's wellbeing.

Subsequently, in a meeting with the Bangladesh Insurance Association the same year, insurance companies collectively agreed to follow the order.

Many companies previously offered as much as 60 per cent of the premium as commission to secure business, which hurt the insurers' profits.

However, the steps cannot justify the jump in the stock prices as their profits rose at a slower pace, Hossain said.

Twenty-five of 30 listed insurance companies saw higher profits rise in 2020 than a year ago, according to data from the Dhaka Stock Exchange (DSE).

The profits of three insurers grew more than 50 per cent last year, whereas the stocks of 12 companies surged more than 300 per cent, DSE data showed.

"There are companies that are already giving

higher dividends although their prices are at a lower level," said Hossain.

But investors are more focused on insurance stocks as the price has risen over the past few months. "If these stocks see corrections, the sector will drop, and the overall market will be impacted," added Hossain, also the managing director of Md Sahidullah Securities.

Insurance stocks had been undervalued for years, but investors did not invest in them back then. Now they are rushing to the sector even though the stocks have surged, said Sayedur Rahman, president of the Bangladesh Merchant Bankers' Association (BMBA).

"We have no right to bar them. But investors should be careful because insurance stocks have already risen a lot," he added.

However, insurance companies have potential because of the cut in commission payments and the efforts of the government and private firms to expand coverage.

Only 0.3 per cent of Bangladesh's population was covered by life insurance in 2019, when the average for emerging countries was 1.7 per cent, according to data from Swiss Re, a global reinsurer.

When it comes to non-life insurance, the coverage was 0.1 per cent in Bangladesh compared to 1.5 per cent in emerging nations.

The insurance penetration slipped below 0.5

per cent in 2019. It was 0.57 per cent in 2018 and 0.55 per cent the year before, data from Swiss Re showed.

"Many investors seek companies with higher profits and lower paid-up capital. But these risks could yield profit or loss, so they need to be cautious," Rahman said.

There are many companies that are selling at lower prices, but they provide good dividends.

"Investors could invest in these stocks. But people are not following the basics of the stock market, which has to be seen as an investment tool rather than a business place," he added.

Mohammad Rezaul Karim, a spokesperson of the BSEC, said that the market regulator was not concerned about any stock's upward or downward trend.

Instead, it monitors whether there have been any wrongdoings in trading, such as insider trading or price manipulation.

The DSE has already reported some irregularities, and the BSEC is working to address them.

"But the hearing process has been slow amid the pandemic, so it cannot take any steps against the people who are involved in the wrongdoings," he said.

"We have enhanced our surveillance, which includes monitoring social media pages that spread rumours," Karim added.

Steel prices unlikely to cool off despite source tax cut

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steel rod rose to Tk 74,000 per tonne, up from Tk 54,000 just 14 months ago, data from the state-run Trading Corporation of Bangladesh showed.

The price of steel scraps has increased by \$260 per tonne in the international markets recently, said Tapan Sengupta, deputy managing director of BSRM, the largest steelmaker in Bangladesh.

Scrap is selling at \$530 per tonne currently. It was \$270 per tonne in April 2020.

"The impact of the 1 per cent cut in the source tax on steel will not be felt at the consumer level. The cost of infrastructure and construction projects will not fall," said Sengupta.

The average production cost of steel products is Tk 72,000 per tonne.

The government can reduce steel price by cutting the import duty to Tk 500 per tonne from the existing Tk 1,500 and withdrawing the Tk 2,000 value-added tax, Sengupta said.

Another way is bringing down the advance income tax to Tk 200 per tonne from the existing

Tk 500 during the release of the raw materials from ports.

Md Shahidullah, secretary-general of the Bangladesh Steel Manufacturers Association and managing director of Metrocem Steel, said the government had thought that the cut in the tax at source would lower the price of steel to some extent and reduce the cost of infrastructure and construction projects.

The steel price has increased as melted steel has become costlier in the international market in the last year, he said.

India, China, and the US use melted steel as raw materials to manufacture steel products. Earlier, manufacturers would produce steel from iron ores.

Now Chinese steelmakers use scrap steel to make the finished products. India has withdrawn the duty on scrap import to save the steel industry.

So, there is no possibility for the steel price to go down, Shahidullah said.

The shipping cost has risen to \$3,600 per

container, way higher than \$1,200 a year ago. A container can carry 26 tonnes of scrap steel.

In Bangladesh, 90 per cent of the raw materials for steel products are imported from the US, Canada, Italy, the UK, and Australia.

Bangladesh imports 45 lakh tonnes of scrap steel annually. Another 10 lakh tonnes is collected locally.

There are about 40 active manufacturers with a combined capacity to produce nine million tonnes of steel a year.

Mohammed Mohsin, vice chairman of PHP Family, feared the steel price might go up further in the future due to the scarcity of scrap steel globally.

He said scrap steel production had decreased in Japan and other countries. The automobile industry is a major source of the key raw material.

Now, millers are using the raw materials that were imported earlier. But they will have to import costlier raw materials.

"So, the price of steel will not come down immediately in the local market," Mohsin said.

After soybean, mustard oil to become dearer

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If the regulatory duty is levied on mustard imports, the duty would be about 15 per cent per kg of mustard oil since one kg oil is extracted from 2.5 kg of mustard seed, he said.

Nowadays, many people use mustard oil for cooking purposes as the price of soybean oil is skyrocketing.

The Bangladesh Vegetable Oil Refiners and Vanaspati Manufacturers Association hiked the price of branded canned soybean oil to Tk 153 per litre because of the rising prices in the international markets.

The new price, which is more than 42 per cent higher than a year ago, came into effect on May 2. The price of loose soybean oil was set at Tk 129 per litre, up from 43 per cent a year earlier.

"Because of the regulatory duty, the price of mustard oil will go up," said Saha. The Bangladesh Oils Mills Association wrote a letter to the National Board of Revenue on Sunday, requesting it to withdraw the regulatory duty.

"The regulatory duty will increase the price of mustard oil produced locally. On the other hand, the reduction of the import duty on cake

oil will lead to the destruction of the domestic industry."

No regulatory duty has been imposed on the import of sunflower seed and cotton seed. "This is discriminatory to any industry," the association said. Therefore, in the interest of the domestic industry and keeping the price of mustard oil at a tolerable level, it is necessary to withdraw the proposed tax on the imported mustard seed, the millers said.

Millers buy mustard from local farmers and import rapeseeds to produce oil, cutting the reliance on the imported soybean and palm oil.

They also produce poultry and fish feed during the extraction of mustard oil. The domestic industry creates jobs for about 5,000 people, millers say.

Mohammad Jahangir Alam, an agriculture economist, said the proposed regulatory duty on mustard import might increase the price of mustard oil a bit.

"But it will not have much impact. Rather, it will encourage local mustard growers, and they will benefit somewhat," said the professor of the department of agribusiness and marketing at the

Bangladesh Agricultural University.

A 5 per cent regulatory duty on mustard oil was imposed earlier, said a senior official of the National Board of Revenue.

The duty was slapped on rapeseed import as a section of importers brought in mustard seeds by declaring those as rapeseed.

Dhaka Bank arranges \$40m in foreign financing

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The move enabled Dhaka Bank to expand its footprint in the international financial market and widen its spectrum of operation in structured financing, according to Emranul Huq, the bank's managing director.

"The client has also availed the fund at a cheaper rate than the rate offered by local banks," he said. Chandpur Power Generations is a 115 MW heavy fuel oil based power plant which is now under implementation in Chandpur.

The project will be an IPP (independent power producer) for 15 years.

Kamal rejects new poor data of think tanks

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during the pandemic and it maintains the poverty rate of the population to be at 20.5 per cent. The finance minister did not respond to questions over inconsistencies in macroeconomic data used by the Finance Division and Planning Commission in the budget documents, Medium Term Macroeconomic Policy Statement 2021-22 to 2023-24 and 8th Five Year Plan.

The CPD, SANEM and Citizen's Platform for SDGs Bangladesh raised the issue of data and the platform's convener, Debapriya Bhattacharya, earlier termed the mismatch "data anarchy".

Asked, Kamal suggested that the media submit questions in writing.

He also said economy would grow at a higher pace than not only what the government

estimated but also from what the World Bank projected.

He said given the current trends, the economy would expand higher than the target of 6.1 per cent in the current fiscal year of 2020-21.

However, the World Bank in a report released on Tuesday estimates that the growth would be 3.6 per cent this fiscal year.

For fiscal 2021-22, it projected a 5.1 per cent growth. The government targets to achieve 7.2 per cent. "Amid the recent pace of the economy, we will be on top of the rest of South Asia and Southeast Asia in terms of GDP growth. We believe that we will be able to achieve the projection we have made in FY 2021-22," said Kamal.

He said if the budget was implemented, apprehension about the new poor would go away

as then they would become the beneficiaries.

"This budget has been formulated keeping poor people in mind. There is no weakness in this budget, but strength only. This government is working to bring up the bottom 20 per cent of the people," he said.

The purchase committee gave approvals to a total of 11 projects involving Tk 2,579 crore.

Of the total project cost, the government will provide Tk 890 crore and the rest will come from foreign sources, including Asian Development Bank and European Investment Bank.

Of the projects, Bangladesh Computer Council will implement a project to set up optical fibre cables for high-frequency telecommunication network in the hilly Bandarban, Rangamati and Khagrachhari districts.