A view of Thakurgaon Sugar Mills. Bangladesh Sugar and Food Industries Corporation incurred losses of Tk 678 crore in FY2022-23. PHOTO: QUAMRUL ISLAM RUBAIYAT

State enterprises may see higher losses next fiscal year

Finance ministry says

JAGARAN CHAKMA

State-owned enterprises (SOEs) in Bangladesh will likely incur collective losses of Tk 14,703 crore in the coming fiscal year, according to the finance ministry.

This projection is 7 per cent higher than the provisional estimate of Tk 13,740 crore for the outgoing fiscal year, shows a summary of the proposed budget for SOEs in FY2023-24.

As per the document released by the Finance Division on June 1, the Bangladesh Power Development Board (BPDB) recorded the highest loss of Tk 6,969 crore in FY 2022-23.

The Bangladesh Sugar and Food Industries Corporation (BSFIC) came in second with losses of Tk 678 crore while the Bangladesh Jute Mills Corporation (BJMC) placed third with Tk 284 crore.

Meanwhile, the Bangladesh Road Transport Corporation faced net losses of Tk 84.83 crore while it was Tk 49.31 crore for the Bangladesh Inland Water Transport Corporation.

The Finance Division proposed allocating funds of Tk 824,565 crore for all 48 SOEs in the next fiscal year against projected earnings of Tk 409,862 crore.

Regarding the BPDB's losses, the finance division said the organisation aimed to earn Tk 51,516 crore against expenditures of Tk 97,698 crore in the outgoing fiscal.

But in the coming fiscal year, the BPDB is targeting revenue of Tk 59,172 crore against operational costs of Tk 109,179 crore, with which the government estimated advance net losses of Tk 4,959 crore.

Similarly, the Finance Division projects that the BSFIC will face losses of Tk 762 crore against earnings of Tk 879 crore and expenditures of around Tk 1,009 crore.

As per the provisional estimate, the total cumulative debt service liabilities (DSL) of the SOEs in Bangladesh stood at about Tk 183,170 crore as of February 28 in FY 2022-23.

Out of this amount, classified loans accounted for Tk 184.76 crore.

The SOEs that have classified loans are: the BJMC with Tk 132.12 crore, Bangladesh Agricultural Development Corporation (BADC) with Tk 27.21 crore and Bangladesh Textile Mills Corporation (BTMC) with Tk 24.9 crore.

Md Arifur Rahman Apu, chairman of the BSFIC, said the government is giving support to the SOEs so that they can recover their losses, which is better than nothing.

"We are trying to reduce losses and have taken initiatives like diversifying products and modernising operations," he added.

Apu went on to say that production at their mills would increase within the next two years as they are providing high-yield sugarcane seeds

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with the help of British American Tobacco.

"Then, the losses will come down continuously," he said, adding that it is possible to recover the losses through an effective action plan that can save the local industry.

Khondaker Golam Moazzem, research director of Centre for Policy Dialogue, said losing concerns of SOEs should be closed, handed over to the private sector or utilised through leasing.

He then said the government should postpone the feasibility studies for reviving loss-making SOEs as there is no need to run a losing enterprise considering how the private sector has developed over the past 50 years.

Also, the government does not need to give subsidies or stimulus to save these enterprises as it is a waste of public money, added Moazzem, who is popularly known as an industrial economist.

Consider properties' current market value for wealth surcharge

Suggests International Business Forum of Bangladesh

STAR BUSINESS REPORT

Valuation of properties when determining surcharge on net minimum wealth should be based on current market value, not their purchase value, according to research and advocacy platform the International Business Forum of Bangladesh (IBFB).

For instance, anyone who had bought a house in Gulshan 40 years ago now pays surcharge on its market value at that time, which is not reasonable, said Humayun Rashid, president of the IBFB.

They have to pay surcharge on the estimated value at present, he said, adding that this would help generate more revenue for the government.

Rashid, also managing director and CEO of Energypac Power Generation Limited, was addressing an event styled "Proposed National Budget 2023-24: Expectations and Achievements" at National Press Club in Dhaka yesterday.

National BUDGET FY2023-24

Finance Minister AHM Mustafa Kamal proposed the budget of Tk 761,785 crore for fiscal year 2023-24 in parliament on June 1.

Total revenue earning has been estimated at Tk 500,000 crore. Of this, the National Board of Revenue (NBR) will collect Tk 430,000 crore, and the rest will be collected from other sources.

There is no good news for the fixed income group and there is almost no significant step towards improving the process of doing business in the budget, he said.

The budget mentions of Bangladesh's upcoming United Nations country status graduation from a least developed to a developing country but does not specifically mention any reform except a promise to bring reforms to the tax structure, Rashid said.

There are no steps to reform the financial or banking sector, the backbone of the economy. If the financial sector does not make a turnaround, the entire economy will become more fragile, he thinks.

The budget speech contains the country's development journey of the past one and a half decades and mentions of praise of the government by foreign leaders, said the IBFB.

But since there is no explanation of the context of the challenges currently visible, the government appears to be helpless in dealing with those difficulties and there is no roadmap to implement strategies to deal with those, it said.

Can we afford a dream budget?

MAMUN RASHID

The finance minister last Thursday presented a budget of Tk 761,785 crore, which is 15.33 percent higher than this fiscal's revised budget. Like any other usual ones, it has been portrayed as expansionary and future-oriented. However, one could barely see any reflection of the current challenges being faced by most in the country.

Two positives that can be noticed from the budget is the environmental tax (may be construed as carbon tax) – possibly influenced by the World Bank's loan conditionalities – imposed on owners of more than one car, and the allocation for startups that the government hopes can transform the country. This may not hold much water for the common people struggling for the hike in the prices of essentials.

The budget proposed increasing the tax-free income threshold, but only slightly, while the real income of most taxpayers at the lower echelon has gone down significantly. It increased the surcharge-free limit of wealth from Tk 3 crore to Tk 4 crore, though only few rich even pay wealth surcharge.

It also proposed increasing the monthly allowance for the elderly, widowed, deserted, and destitute women which is still a very negligible amount. It proposed the imposition of a minimum tax of Tk 2,000 for individuals who are required to submit income tax returns to avail themselves of 38 government services, even if they do not have taxable incomes.

This budget continued to rely more on indirect taxes, thought to be an easy way out having failed to expand the direct tax net for years.

It has also come up with an inflation target of 6 per cent although the prices of essentials in the local market do not show any signs of rationalisation despite international price reduction.

Most of the budgetary measures give little hope of achieving it especially in an election year and without effective reforms.

The budget also set a highly ambitious revenue collection target of Tk 500,000 crore, with Tk 430,000 crore to be collected by the NBR. Though there is IMF loan terms pressure, most believe given that the NBR has failed to meet its tax collection target in the past 11 consecutive years, and that the newly proposed target will be its greatest challenge to date, we see no reason to believe that it will be different this time.

The budget says the government expenditure will be financed by significant borrowing from the banking sector which may lead to depriving the growth sector operators, not to mention increase of the government's debt burden. Like in the recent past, it may be financed by borrowing from the central bank ending up with more note printing, which will obviously create a further pinch on inflation.

The government also plans to finance the deficit via foreign borrowing despite squeezing bilateral or multilateral aid or loan pipeline.

It is said that the IMF had quite a bit of influence in the budgetary process, but that has not been echoed in the allocation for the healthcare and education sectors, with both sectors receiving lower percentages of the total outlay as compared to last year. The IMF is also opposed to government subsidies. Yet it is unclear what the government plans to do about its energy subsidies.

Understandably with a lot of external and internal challenges, the overall lack of initiative and courage pretty much sums up the proposed budget, which was neither pro-poor nor national nor international private sector friendly.

It has been observed for the last several years that the people related to putting up the budget start with many hopes or reforms agenda but end up with a very ordinary budget, constrained, maybe, by political realities, lack of accountability and ability to go beyond the box through innovation.

The author is an economic analyst

Opec+ may go for further output cuts

REUTERS, *London*

Opec and its allies begin two days of meetings on Saturday which may culminate in further production cuts of as much as 1 million barrels per day, Opec+ sources told Reuters, as the organisation faces flagging oil prices and a looming supply glut.

Opec+, which groups the Organization of the Petroleum Exporting Countries and allies led by Russia, pumps around 40 per cent of the world's crude, meaning its policy decisions can have a major impact on oil prices.

Three Opec+ sources told Reuters on Friday cuts were being discussed among options for Sunday's session, when Opec+ ministers gather at 2 pm in Vienna. Before then, Opec ministers will meet at 11 a.m. on Saturday.

The sources said cuts could amount to 1 million bpd on top of existing cuts of 2 million bpd and voluntary cuts of 1.6 million bpd, announced in a surprise move in April and which took effect in May.

If approved, this would take the total volume of reductions to 4.66 million bpd, or around 4.5 per cent of global demand.

"This number is premature, we didn't go into these things (yet)," Iraq's oil minister Hayan Abdel-Ghani told reporters on Saturday when asked about a possible cut of 1 million bpd.

Typically, production cuts take effect the following month after they are agreed, but ministers could also agree a later implementation.

Farmers collect Aman saplings from nurseries for transplanting into bigger fields. The photo was taken in Baishtila area of Khadimnagar union in Sylhet sadar upazila recently. PHOTO: SHEIKH NASIR

Sri Lanka's economic recovery remains challenging

Says IMF

AFP, *Colombo*

Cash-strapped Sri Lanka's economy showed "tentative signs of improvement" but recovery remains challenging and Colombo must pursue painful reforms, the IMF said Friday.

The International Monetary Fund's Deputy Managing Director Kenji Okamura said the country was emerging from its unprecedented crisis thanks to reforms including the doubling of taxes, spending cuts and the scrapping of subsidies.

A currency crisis since late 2021 led to severe shortages of food, fuel and medicines and triggered months of protests that led to the toppling of former president Gotabaya Rajapaksa in July.