

# star BUSINESS



## Leather and footwear export fall

JAGARAN CHAKMA

The exports of leather footwear from Bangladesh declined 4.28 per cent year-on-year in July-May of the ongoing financial year owing to lower orders from Europe, the main market, official figures showed.

Footwear is the largest contributor to the earnings generated by the leather sector in the country.

Bangladesh shipped leather footwear worth \$644 million during the 11-month period. It was \$756 million in July-May of 2021-22, according to the Export Promotion Bureau (EPB).

Leather exports also declined: it was down 18.11 per cent to \$114.59 million.

The shipment of leather products, however, increased 19.43 per cent to \$361.47 million. It was \$337.62 million during the identical 11-month period of FY22.

Overall exports from

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Workers move a cartload of wet blue leather, the unfinished hides that have been deaired and treated with chromium tanning agents as a means of preservation, hence inducing the light blue colour. The overall leather sector, the second-largest export earner after garments, suffered greatly during the pandemic as export orders took a sharp dive amid economic uncertainty. But, with buyers starting to source from Bangladesh to reduce dependency on China, the exports of leather, leather goods and footwear reached a 10-year-high of \$1.25 billion in 2021-22. The shipment, however, has slowed in the ongoing financial year. The photo was taken from the Savar Tannery Industrial Estate on Sunday.

PHOTO: PALASH KHAN

## Focus on developing waterways in budget

Saif Powertec Managing Director Tarafder Md Ruhul Amin says in interview

STAR BUSINESS REPORT

The government's budget should focus on developing inland waterways with a view to cutting goods transportation costs and reducing pressure on roadways, said the top executive of a logistics and container terminal operations management company.

A lot of goods are transported to and from the country's main seaport in Chattogram through waterways.

The budget should have laid emphasis on the development of inland waterways to enable businesses to transport goods at a cost lower than that when using roadways, said Tarafder Md Ruhul Amin, managing director of Saif Powertec Ltd, a container handler at the Chattogram port.

"The extent of goods being lost and stolen on the way would decline...It would also be beneficial for the environment," he said in an interview with The Daily Star while sharing his observations about the proposed budget for the fiscal year of 2023-24.

The length of Bangladesh's waterways varies depending on the season. They stretch to up to 6,500 kilometres during the monsoon and reduce to 3,800 kilometres during dry spells.

There are 44 inland vessel terminals, according to the Bangladesh Inland Water Transport Authority.

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Tarafder Md Ruhul Amin

## Private sector's foreign loan repayment to drop 42% in 2023

Projects central bank; economists say it might not bring major relief

AKM ZAMIR UDDIN

The Bangladesh Bank has projected that loan repayments against mid- and long-term foreign credits secured by the private sector might fall by 42.6 per cent in 2023, but the development might not bring about major relief for an economy reeling under the forex crisis.

The private sector will have to repay loans amounting to \$1.62 billion this year compared to \$2.82 billion in 2022. Debts worth \$1.77 billion will have to be repaid in 2024, data from the central bank showed.

Economists say there is no scope to feel complacent about the decrease in debt servicing as the new flow of foreign loans has reduced to a large extent.

On top of that, the private sector would have to pay \$16.41 billion in short-term loans this year.

The overall private sector foreign loans stood at \$24.30 billion as of December last year, up 5.3 per cent from a year ago.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, says that the financial account of the balance of payments has recently registered a large drop, creating a major

2022-23, the financial account registered a deficit of \$2.21 billion in contrast to a surplus of \$11.92 billion a year ago, data from the BB showed. The deficit was \$1.97 billion in July-February.

Historically the financial account of Bangladesh has experienced a surplus almost every year.

Mansur said that foreign lenders are showing reluctance to give out loans to the private sector in Bangladesh in some cases due to the ongoing unstable situation in the financial exchange market.

The reserves stood at \$29.91 billion on May 31, down about 29 per cent in contrast to \$42.20 billion a year ago.

The declining foreign exchange reserves have dented the confidence of foreign lenders when it comes to disbursing loans to businesses in Bangladesh.

Besides, many local businesses are also avoiding borrowing from external sources as the interest

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problem for the economy.

A widening deficit in the financial account means there is a large gap between the inflow and outflow of foreign exchanges.

A financial account covers claims or liabilities to non-residents concerning financial assets. Its components include foreign direct investment, medium and long-term loans, trade credit, net aid flows, portfolio investment, and reserve assets.

Between July and March of

## Higher growth not possible without healthy forex reserve

Says AmCham chief

STAR BUSINESS REPORT

No significant economic growth is possible in Bangladesh without a satisfactory level of foreign exchange reserves, said Syed Ershad Ahmed, president the American Chamber of Commerce in Bangladesh (AmCham), yesterday.

So, instead of restricting imports, the country should speed up the implementation of foreign-funded projects, he said.

He made the comments at a post-budget panel discussion organised by the AmCham Bangladesh in the capital's Sheraton Hotel.


His observation comes as the forex reserve dipped to \$29.92 billion on May 31, down nearly 29 per cent from \$42.20 billion recorded on the same day last year, Bangladesh Bank data showed.


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### MAJOR TAKEAWAYS BY CITIZEN'S PLATFORM FOR SDGS'


  
Income inequality is rising while poverty is falling

  
Budget implementation performance deteriorated


  
Tax collection remains low though economy grows

  
Huge dependence on indirect tax undermines equity concerns

  
No indication about accumulated external payment arrears

  
Social safety net allocation rose marginally

  
Low expenditure in health and education sector

  
Allocation for social safety net continues to remain artificially inflated

## Proposed budget not election-oriented

According to analysts

STAR BUSINESS REPORT

The government's plan regarding revenue collection in fiscal year of 2023-24 was decided from a bureaucratic standpoint as it will increase pressure on lower-income groups, according to analysts.

The government aims to collect Tk 450,000 crore in taxes in the upcoming fiscal year but there are inconsistencies in the data on how to achieve this target, said Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue (CPD).

So, although the proposed budget is for an election year, it cannot be called election-oriented as such budgets usually feature aspects related to improving public satisfaction, which is absent here, he added.

Bhattacharya made these comments at a media briefing on "National Budget 2023-2024: What did the disadvantaged people get?"

Chaired by Sultana Kamal, former adviser of a caretaker government, the event was jointly organised by the CPD and Citizen's Platform for SDGs, Bangladesh, at Brac Centre Inn in Dhaka yesterday.

Bhattacharya, also convener of the Citizen's Platform for SDGs, Bangladesh,

said inequality has worsened, with urban inequality increasing faster both in terms of income and consumption while wealth inequality is even higher.

He said the total fund for social safety net programmes (SSNPs) were increased marginally in the proposed budget but in actuality, it declined both as a share of the national budget and gross domestic product (GDP).

Bhattacharya alleged that the government shows the SSNP allocation together with its subsidies on agriculture, tax exemptions and different allowances to make the figure larger.

But as a share of the GDP, the SSNP's allocation for compatible programmes declined to 29.2 per cent in the proposed national budget for FY 2023-24 from 29.7 per cent the year before.

In terms of its share of the budget, the SSNP's allocation was reduced to 0.7 per cent for the next fiscal compared to 0.8 per cent in FY 2022-23, he said.

Bhattacharya went on to say that Bangladesh ranks 184th out of 186 countries in terms of general government health expenditure as a percentage of the country's GDP.

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STOCKS	
DSEX ▲	CASPI ▲
0.36% 6,338.98	0.19% 18,703.24

COMMODITIES	
Gold ▼	Oil ▲
\$1,958.89 (per ounce)	\$72.56 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.56% 63,142.96	▼ 1.82% 31,913.74	▼ 0.33% 3,179.58	▲ 0.07% 3,197.76

# Use of LC offers better defense against money laundering

Says a research paper presented at virtual roundtable of BIBM

## STAR BUSINESS REPORT

Extensive use of letter of credit and document collection at home offer relatively a better protection than open accounts and cash in advance when it comes to cutting the risk of trade-based money laundering, according to a research paper.

Shah Md Ahsan Habib, a professor of the Bangladesh Institute of Bank Management (BIBM), said it is well-recognised that trade payments and financing techniques used in cross-border trade transactions have implications for trade-based money laundering (TBML).

Using open accounts and cash in advance is relatively risky from the point

of TBML risks, he said in a press release.

Extensive use of LC and document collection in the country offer relatively better protection in the form of extensive control over the transactions by banks and regulators, he said.

He made the comments while presenting a paper at a virtual roundtable on "Safeguarding Trade Transactions and Prevention of Trade-Based Money Laundering: Role of Correspondent Banks."

While presenting a paper, Prof Habib said correspondent banking relationships have greater roles and engagements in these methods.

It is to be remembered that risk-prone correspondent banking relationships not

only destroy the advantage of using these methods but also facilitate illicit fund flows and TBML through correspondent banking channels.

Other members of the research team are Tofayel Ahmed, an assistant professor of the BIBM; Anila Ali, also an assistant professor of the BIBM; Kamal Hossain, additional director of the Bangladesh Financial Intelligence Unit; Md Rokon-Uz-Zaman, a joint director of the BFIU; Brigadier General Md Jahangir Alam of National Defense College of Dhaka; and ATM Nesarul Hoque, a senior vice-president of Mutual Trust Bank.

The paper suggested banks be aware of greater security and compliance

requirements.

Banks must regularly review their correspondent banking relationships, it said, adding that compliance is not only a technical but also an ethical issue.

Ahmed Jamal, chairman of the BIBM executive committee and deputy governor of the Bangladesh Bank, Md Akhtaruzzaman, director-general of the BIBM, Md Ali Hossain Prodhania, supernumerary professor of the BIBM, Syed Mahbubur Rahman, managing director of Mutual Trust Bank, Sazzad Anam, country representative of JP Morgan Chase, and Ashraf Al Mamun, director for research, development and consultancy at the BIBM, and also spoke.

## Meghna Bank gets four new directors



Javed Kaiser



Mahamudul Alam



Ishmam Raidah



Aresha Manami

## STAR BUSINESS DESK

Four new directors have been elected to the board of Meghna Bank Limited.

They are Ishmam Raidah Rahman, Aresha Manami Shafiq, Javed Kaiser Ally and Md Mahamudul Alam, said a press release.

Raidah Rahman is a director of Gold Bricks Ltd and an associate director of International Rescue Committee. She holds an honour's degree in English and legal studies from Scripps College, Claremont in California.

Manami Shafiq completed her graduation from the University of Toronto, Canada while Kaiser Ally is the managing directors of Aquamarine Limited and Lighthouse Navigation Limited and finance director of Navana Pharmaceuticals Limited and Agro Acres Ltd.

Alam is the deputy managing director of Labib Dyeing Mills Limited. He graduated from the University of Rajshahi.

## German industrial output disappoints in April

AFP, Frankfurt

German industrial production edged up in April but remained "subdued", official data showed Wednesday, adding to fears of a longer recession in Europe's largest economy.

Output rose by 0.3 per cent in April, seasonally adjusted figures from federal statistics agency Destatis showed.

But the uptick was smaller than the 0.6-per cent increase analysts surveyed by FactSet had forecast, and follows a decline of 2.1 per cent in March.

## Herlan Store opens in Banasree

## STAR BUSINESS DESK

Cosmetics brand Herlan launched a "Herlan Store" at Banasree in Dhaka yesterday.

This brand's cosmetics includes primers, foundations, concealers, lipsticks, gel eyeliner, mascaras and nail varnishes. Skincare products and colour cosmetics of brands such as Nior, Siodil, Blaze O' Skin and Lily's are also available in the outlet.

Inaugurating the outlet, actress Bidya Sinha Saha Mim said the products were of international standard and premium quality, according to a press release.

"Authentic products formulated in America... The products are known for their high quality and reliability. Herlan is expected to get a good response in the cosmetics industry," she said.

Abdul Alim Shimul, head of operations of Herlan Store, was present.



Actress Bidya Sinha Saha Mim cuts a ribbon to inaugurate an outlet of American cosmetic brand "Herlan Store" for local customers at Banasree, Rampura in Dhaka yesterday.

PHOTO: HERLAN STORE



Tarique Afzal, managing director of AB Bank, disburses agricultural loans to over 1,500 marginal farmers through smart cards at Sheikh Fazlul Haque Moni Memorial Auditorium, Kotalipara in Gopalganj yesterday. Among others, Nitul Roy, upazila agriculture officer at Kotalipara, and Aynal Hossain Sheikh, general secretary of Kotalipara Upazila Awami League, were present.

PHOTO: AB BANK

## Bangladesh's revenue

### FROM PAGE B1

Bangladesh's fiscal outcomes have often diverged significantly from budget forecasts, with persistent underspending against targets.

Revised figures for FY23 point to a budget deficit target equivalent to 5.1 per cent of GDP, compared with an original target of 5.5 per cent and Fitch's most recent projection of 5.7 per cent.

"This reflected weaker-than-expected spending on development, but also outperformance on revenue collection," said Fitch Ratings.

These effects more than offset the impact of additional subsidy spending, which rose to 2.2 per cent of GDP against the original budget target of 1.8 per cent amid high global prices for fertilizer, fuel and natural gas.

The government forecasts the deficit to widen marginally to 5.2 per cent of GDP in FY24. This is close to Fitch's current forecast of 5.3 per cent, though its projection was predicated on a significantly wider deficit in FY23.

The official forecasts remain broadly consistent with the projections of the International Monetary Fund under its Extended Credit Facility and the Extended

Fund Facility arrangements, which see the deficit stabilising at around 5 per cent of GDP over the medium term.

Risks to the deficit could increase if real GDP growth falls below the authorities' projection of 7.5 per cent in FY24, which could dampen the projected nominal growth in revenue of 15.5 per cent.

"We expect slightly slower economic growth of 6.5 per cent," Fitch said.

The projection is slightly higher than the 6.4 per cent economic growth forecast by the agency in September last year.

On Tuesday, the ratings agency said consumer price inflation, which was 9.94 per cent in May, is high and still rising, which may point to downside risks.

"If spending growth falls short of policymakers' forecasts, as it has done in the past, this could offset potential revenue underperformance or offer enhanced prospects for narrowing of the fiscal deficit if revenue growth meets or exceeds targets."

The government's medium-term policy approach is anchored by the goal of keeping the primary fiscal deficit, including grants, within

around 3.3 per cent of GDP to keep public debt below 45 per cent of GDP.

When the ratings agency affirmed Bangladesh's rating at 'BB-', with a stable outlook, in September 2022, it said increased confidence in the sovereign's capacity to deliver fiscal consolidation and debt stabilisation over the medium term, for example, through a sustained improvement in the structure of public finances in terms of a higher revenue base and lower contingent liabilities could lead to positive rating action.

In the medium-term macroeconomic policy statement presented with the budget, the government indicated that the Bangladesh Bank will reverse the temporary margin increases imposed on letters of credit for non-essential imports.

"This may signal an easing of external pressures," Fitch said. External pressures contributed to a decline in official reserve assets from a peak of \$48.1 billion in August 2021 to \$29.9 billion in May 2023.

"In September 2022 we said that a sustained drop in foreign-exchange reserves could lead to negative rating action."

Bank's International Development Association (IDA) and have a 30-year term, including a five-year grace period.

The PARTNER project will also receive a \$43 million co-financing from the International Fund for Agricultural Development (IFAD).

Currently, Bangladesh has the largest ongoing IDA programme totaling \$16.3 billion.

The World Bank was among the first development partners to support Bangladesh and has committed about \$40 billion in grants, interest-free and concessional credits to the country since its independence.

## Leather footwear export

### FROM PAGE B1

leather and leather products, the second biggest export-earning sector after garments, inched up 0.42 per cent to \$1.12 billion in July-May of 2023. Receipts stood at \$1.11 billion during the same period a year earlier.

Dilip Kajuri, chief financial officer of Apex Footwear Limited, said: "Our business had started to recover from the Covid-19 pandemic. But the war in Ukraine disrupted the rebound."

He said since the European economy has received a huge blow from the global energy crisis stemming from the war, orders continued to decline.

Europe is the biggest market for the leather and footwear sector in Bangladesh.

"Until the economic condition in Europe improves, our exports will not grow," Kajuri said, adding that his company's orders have fallen by 50 per cent.

According to Kajuri, another blow for the manufacturers is coming from the difficulty in opening letters of credit (LCs).

Amid the persisting US dollar crisis, manufacturers are unable to open LCs to import raw materials.

He said banks are delaying processing LCs even if importers give

a 100 per cent margin.

"The delay leads to a delay in production, resulting in the drop in local sales that we observed during Eid-ul-Fitr," Kajuri said.

Nasir Khan, chairman and managing director of Jennys Shoes, one of the top exporters of footwear, says the impact of the economic slowdown in Europe has contributed to the reduction in exports not just for Bangladesh but also for its competitors.

Export orders usually remain higher at this time of the year, but the situation is quite the opposite as European buyers are placing fewer orders.

Amid the lingering cost-of-living crisis, Europeans have cut consumption and the current trend in demand is expected to continue until normally returns to the economy in the bloc, he said.

"So, our exports might remain dull until the global crisis eases."

The latest blow has come from the power disruption the country is witnessing. The power crunch has turned severe as many power plants are either shut or not operating at capacity.

"Because of the lack of uninterrupted power supply, the

production in our factory has declined sharply. As a result, we are not able to deliver export-oriented items on time," Khan said.

He said it is challenging to maintain quality without a reliable power supply. Modern machinery requires a smooth supply of electricity.

The production at Jennys Shoes has declined by at least 30 per cent compared to normal times due to load-shedding, Khan said.

Abul Islam, general manager of SAF Leather, a concern of Akij Group, also blamed the lower orders from European buyers for the dip in exports.

"Owing to the economic slowdown, the export of shoes and leather products from Bangladesh has declined significantly."

He said the leather and footwear sector has fallen into difficulty driven by a rise in the production cost amid a spike in the cost of raw materials and labour whereas the prices of exported items have remained the same.

He said Japan is the second-biggest market for the leather industry. "But Japanese buyers have not raised the prices in the last one decade."

Islam does not see any possibility of exports in the leather sector rising significantly in the immediate future.

## \$858m World Bank loan

### FROM PAGE B4

"Bangladesh has made remarkable development and economic growth since independence. New frontiers of challenges, like increasing climate change impacts, now call for urgent actions. The World Bank is committed to helping Bangladesh overcome barriers to sustainable and inclusive green growth," said World Bank country director for Bangladesh and Bhutan.

The \$358 million Road Safety Project, which is the first dedicated road safety project in South Asia supported by the World Bank, will help the country improve road safety

and reduce deaths and injuries from road traffic crashes in selected high-risk highways and district roads.

In two national highways—N4 (Gazipur-Elena) and N6 (Natore to Nawabganj)—the project will pilot comprehensive road safety measures, including improved engineering designs, signing and marking, pedestrian facilities, speed enforcement, and emergency care.

"These two projects will contribute to the country's vision of achieving upper-middle income status by 2031," said the ERD secretary.

The credits are from the World

Bank's International Development Association (IDA) and have a 30-year term, including a five-year grace period.

The PARTNER project will also receive a \$43 million co-financing from the International Fund for Agricultural Development (IFAD).

Currently, Bangladesh has the largest ongoing IDA programme totaling \$16.3 billion.

The World Bank was among the first development partners to support Bangladesh and has committed about \$40 billion in grants, interest-free and concessional credits to the country since its independence.

## Interest rate cap

### FROM PAGE B4

If social spending is increased, inflation will cool down a bit, he also said.

Achieving a 7.5 per cent GDP growth should not be a priority, rather it now should be on maintaining macroeconomic stability, said Shawkat Hossain Masum, head of online on Bangla daily Prothom Alo.

The government's strategies for maintaining macroeconomic stability is not clear in the proposed budget, he said.

Excessive borrowing by the government from the banking system is a major concern for the

economy, said Ferdous Ara Begum, chief executive officer of Business Initiative Leading Development (BUILD).

Some Tk 16 trillion is needed to reach the targeted investment-GDP ratio of 33 per cent, she added.

M Abu Eusuf, executive director of the RAPID, suggested introducing a "remittance card" to encourage remitters to send money through formal channels.

The school feeding programme for children in the budget is laudable, he said.

The proposal for individuals, who are required to submit income tax

returns to avail of various government services, to pay a minimum tax of Tk 2,000 even if they do not have taxable incomes, may be considered for withdrawal, said Planning Minister MA Mannan.

Prices of some commodities has increased and lowering inflation to 6 per cent is next to impossible, he said, suggesting state-owned Trading Corporation of Bangladesh to have large stocks of goods to intervene in the market.

ERF President Mohammad Refayet Ullah Mirdha chaired the discussion while General Secretary Abul Kashem moderated the session.

## Gold price rises by Tk 1,749 a bhoori

STAR BUSINESS REPORT

The jewellers have increased pure gold prices by Tk 1,749 a bhoori for the local market with effect from tomorrow because of a rise in pure gold prices.

According to the new rates, each bhoori or 11.664 grammes of 22-carat gold will be sold at Tk 98,444.

The standing committee on pricing and price monitoring of Bangladesh Jewellers Samity announced the new rate yesterday, Bajus said in a press release.

## China's exports tumble in May as global demand falters

REUTERS, Beijing

China's exports shrank much faster than expected in May while imports extended declines with a grim outlook for global demand, especially from developed markets, raising doubts about the fragile economic recovery.

The world's second-largest economy grew faster than expected in the first quarter thanks to robust services consumption and a backlog of orders following years of Covid disruptions, but factory output has slowed as rising interest rates and inflation squeeze demand in the United States and Europe.

Exports slumped 7.5 per cent year-on-year in May, data from China's Customs Bureau showed on Wednesday, much larger than the forecast 0.4 per cent fall and the biggest decline since January. Imports contracted 4.5 per cent, slower than an expected 8.0 per cent decline and April's 7.9 per cent fall.

"The weak exports confirm that China needs to rely on domestic demand as the global economy slows," said Zhiwei Zhang, chief economist at Pinpoint Asset Management. "There is more pressure for the government to boost domestic consumption in the rest of the year, as global demand will likely weaken further in the second half."

Highlighting the extent of the weakness, the data shows trade was worse even than when the port of Shanghai, China's busiest, was shut down due to strict Covid curbs a year earlier. The figures also add to a growing list of indicators that suggest China's post-Covid economic recovery is quickly losing steam, bolstering the case for more policy stimulus.



**Jute being cultivated in Ramkantapur village of Saltha upazila in Faridpur district, one of the production hubs of the "golden fibre" of Bangladesh. Planting runs from early March to early May whereas harvests from July to September, according to the Bangladesh Bureau of Statistics. Around 14 maunds to 15 maunds (one maund equals around 37 kilograms) can be produced from one bigha of land investing Tk 20,000 to Tk 22,000 behind fertilisers, irrigation, weeding and labour. Currently, each maund is selling for Tk 2,500 to Tk 2,600 in the local market. Some 77,25,083 bales were produced around the country in fiscal year 2020-21, down 3.98 per cent year-on-year. The photo was taken on Monday.**

PHOTO: SUZIT KUMAR DAS

### DRAFT INCOME TAX LAW

## Who needs to file wealth statement?

STAR BUSINESS REPORT

The National Board of Revenue (NBR) is expected to place a new income tax bill in parliament today in an effort to modernise the direct tax system.

The new law, among others, is likely to seek mandatory submission of wealth and liability statements for taxpayers, including persons who have wealth of over Tk 40 lakh.

The draft law also seeks to make mandatory filing of wealth reports by those who became owners of any asset abroad at any time in a year in order to ascertain the total wealth of taxpayers in the country.

Submission of wealth statements are likely to be necessary for individuals who will travel abroad at any time of the year for purposes other than treatment or religious reasons, according to the draft law.

Asked, a senior official of the NBR said taxpayers would be required to submit their wealth statements along with tax returns once a year, just as many have to do now.

And they will not need to show proof of return filing at the immigration checkpoints while traveling abroad if the proposal gets

the nod from the parliament, he said.

"There is no provision in the law that seeks to empower immigration officers to check if any taxpayer has filed wealth statements, let alone gaining knowledge of the wealth of the person," said the official of the income tax department of the NBR.

Apart from this, owners of motor vehicles, persons investing in houses, property or apartment in any city corporation, and directors of companies will be required to file asset and liability statements, according to the draft law.

As per plan, all state employees will have to file statements of their assets and liabilities along with their tax returns.

The draft law also seeks to require taxpayers to mention their wealth and liabilities within and outside Bangladesh in their tax returns.

The official said this provision would be applicable for those having assets abroad but who have less than Tk 40 lakh in wealth in Bangladesh.

Non-resident Bangladeshis are also likely to need to inform of their assets inside Bangladesh in their returns too.

Foreigners staying in the country will need to show in the tax returns their assets and liabilities within Bangladesh, according to the draft income tax law.

A taxpayer is also likely to need to file statements of wealth and liabilities of their spouses and underage children if they do not have separate taxpayer identification numbers.

The new income tax law 2023, drafted in Bangla, will replace the existing Income Tax Ordinance 1984, which was formulated by amending the Income Tax Act 1922, once it is approved by the parliament.

The planned law seeks to reduce the discretionary powers of tax officials as much as possible.

The proposed law, among others, has included accounting methods, depreciation and amortisation rules, provisions related to capital gains, income from intangible assets, transfer pricing and alternative dispute resolution provisions.

Once it is passed in parliament, the number of returns that companies would need to file over tax deduction at source will reduce to 12 from 29 in the existing law.

## Proposed budget

FROM PAGE B1

The global median value for general government health expenditure as a percentage of GDP is 3.44 per cent while the government's allocation for the health sector is only 0.76 per cent for next fiscal year.

According to him, public expenditure in FY 2022-23 was to some extent, intentionally kept very low compared to the annual target.

He said attaining the public expenditure target in FY 2023-24 may require approximately 40 per cent growth over the actual achieved public expenditure by the end of the year.

Bhattacharya also said the budget did not increase in line with the growth of the economy.

In addition, the performance of budget implementation in terms of revenue mobilisation and public expenditure, such as spending under the Annual Development Programme, has deteriorated over the years.

The global median value for public expenditure is 32.2 per cent of GDP while Bangladesh ranks 119th out of 123 countries in terms of its tax-GDP ratio, he added.

Samir Ranjan Nath, head of the BRAC Education Programme, said the government allocated only 1.5 to 1.6 per cent of the GDP for the education sector against its commitment of 6 per cent.

"It is not possible to ensure quality education with such a limited budget," he added.

Fauzia Moslem, president of the Bangladesh Mahila Parishad, said women are always victims of inequality in both wealthy and low-income families.

So, even though the government allocations for women's development is very limited, it is still a positive initiative.

The government usually allocates more than Tk 32,000 crore for the skills development of women but it remains unclear how the budget is utilised.

Fahmida Khatun, executive director of the CPD, said allocations for climate change help mitigate the impacts of natural disasters while also

lowering carbon emissions.

According to her, climate change is a multi-sectoral problem that has direct implications for disadvantaged people.

She suggested the government invest in measures that address climate change as the private sector will not invest in this regard considering the lack of profitability.

Asif Ibrahim, chairman of the Chattogram Stock Exchange, said the private sector is worried about the energy crisis and continuous appreciation of US dollar and inflation, which were not addressed in the budget.

According to him, energy prices have increased around 60 per cent over the past year, increasing the burden of investment.

With this backdrop, it will be difficult to increase private investment to 27.4 per cent, said Ibrahim, also a former president of the Dhaka Chamber of Commerce and Industry.

"We create employment and contribute to government revenue, so we need quality infrastructure," he added.

Ibrahim also urged for enhanced political stability to ensure higher investment from the private sector along with investment friendly policies.

However, he said there is not a single word in the proposed budget regarding the development of the capital market, where people make long-term investments.

Mustafizur Rahman, a distinguished fellow of the CPD, said the economy is passing through a tough time and so, the government should come forward with investment.

As an example, Rahman said if the government invests Tk 1, then the private sector invests Tk 3.

Regarding the slow implementation of development projects, Rahman said there are a total of 288 projects that are aged between six to 10 years.

These projects have seen cost overruns in line with time extensions for slow implementation.

If a project faces delays in implementation, the people cannot reap the benefit, he added.

## Higher growth not possible

FROM PAGE B1

Ahmed also said: "It is a critical issue for developing countries that rely on external borrowing to drive economic growth."

"We recommend the adoption of prudent central bank management strategies that promote transparency, accountability and fiscal discipline in this sector."

The deficit in the financial account of the balance of payments is a matter of serious concern as it reduces the reserves of foreign exchanges and impacts the whole economy, said speakers.

A financial account is a component of a country's balance of payments that covers claims on or liabilities to nonresidents concerning financial

assets.

"A depletion of the exchange reserves has been a matter of concern throughout the current financial year despite compression in imports," said Ahsan H Mansur, executive director of the Policy Research Institute.

It is still uncertain if the end-June floor on the net forex reserves of \$24 billion established under the loan programme of the International Monetary Fund (IMF) can be achieved, he said.

"Are we there? Are we able to keep it? We don't know as the Bangladesh Bank does not publish the net foreign exchange reserve data."

Mansur said since the country is already facing a dollar crunch,

electricity outage is not unusual as adequate coal and oil could not be imported because of the USD crisis.

According to Mansur, the central bank is trying to keep the reserve at a certain level as international organisations and correspondent banks are looking at whether the reserve target can be achieved.

Planning Minister MA Mannan said both ongoing load shedding and inflationary pressure are intolerable.

"The prime minister has directed taking necessary measures to resolve these two problems."

Mannan said the government had expected that inflation would fall.

"Rather, it has increased. It is disappointing."

## Focus on developing waterways

FROM PAGE B1

"Improvement of waterways is necessary to cut logistics costs. We need to keep our waterways navigable throughout the year so that all types of goods can be transported through rivers," said Amin.

The contribution of Bangladesh's waterways to the economy was 2.5 per cent in 1980. Its share in the gross domestic product (GDP) declined over the last four decades, reaching 0.7 per cent in 2018-19, according to the government's 8th Five-Year Plan.

Amin, chief of the company with an annual turnover of over Tk 1,000

crore, also talked about carrying international freight through the seas.

Foreign shipping operators carry most of Bangladesh's over \$100 billion exports and import freight for a shortage of Bangladeshi ships, he said.

A good amount of freight payments made by businesses could be retained if Bangladesh had more ships, he said, urging the government to provide support to local entrepreneurs to buy vessels.

The government can take initiatives so that Bangladeshi

ships carry more of the country's freight in order to preserve foreign currency reserves, said Amin, also the senior vice-president of the Chittagong Chamber of Commerce & Industry.

On the budget proposing to cut tariff on container imports to 20 per cent to encourage local entrepreneurs to invest in the business of renting out containers, Amin said it would not bring any significant benefit.

"However, any tariff reduction is better than no tariff reduction."

"But overall budgetary measures are not bad. There are efforts to

## ADN buying 10pc of Shohoj Ltd

STAR BUSINESS REPORT

ADN Telecom Limited is acquiring a 10 per cent share of online ticketing platform Shohoj Limited.

The board of directors of ADN Telecom Limited approved the proposal for an investment of Tk 12 crore to acquire 10 per cent shares of Shohoj Limited yesterday, according to an executive of ADN Telecom Limited.

ADN Telecom is known for its expertise in the telecommunication ecosystem, and Shohoj is a prominent digital service provider in Bangladesh, according to a statement by ADN.

"We have mutually agreed. Shohoj is a prominent online ticketing platform and we think it will drive the Smart Bangladesh vision," said Azim Hossain, head of brand and communication of ADN.

With this partnership, ADN Telecom and Shohoj will work together to develop and deploy innovative solutions.

Shohoj Limited was valued at around \$45 million when Vostok New Ventures invested about \$7 million for a 15.6 per cent stake in the first quarter of 2019, according to Vostok New Ventures' financial report for the first quarter of 2019.

Shohoj Limited first ventured out as an online ticketing platform in Bangladesh under the brand name of "Shohoz". It holds the number one position in terms of the use of its ticketing software by long-distance bus operators in counters nationwide as well as use of its web-based ticketing systems.

Also, "Shohoz" exclusively sells and manages the online integrated ticketing platform of Bangladesh Railway.

Earlier, "Shohoz" closed its reshedaring, online food delivery and truck hiring services.

ADN Telecom Limited is a leading telecommunications service provider in Bangladesh, offering various connectivity solutions, including internet services, data centre services, and network infrastructure.

Shohoj did not immediately respond to request for comment.

## Energy efficiency investments need to triple: IEA

AFP, Paris

Investments in improving energy efficiency must triple this decade if the world is to keep the goal of limiting global warming to 1.5 degrees Celsius (2.7 Fahrenheit) within reach, the IEA said Wednesday.

The investments would allow a doubling of annual gains in energy efficiency to four percent, resulting in a drop-in energy demand and fuel consumption that would benefit consumers and provide greater energy security to nations.

The efficiency gains would "deliver vital reductions in greenhouse gas emissions and at the same time create jobs, expand energy access, reduce energy bills, decrease air pollution, and diminish countries' reliance on fossil fuel imports -- among other social and economic benefits," the International Energy Agency said in a report.

Inflation in Bangladesh surged to 9.94 per cent in May, which is the highest in the past one decade, according to the Bangladesh Bureau of Statistics.

The previous high in recent times was recorded in August last year when the Consumer Price Index soared 9.52 per cent. The minister hoped that inflation would come down gradually.

"Everything that has fuelled the inflation is not under the control of the government."

Mansur said inflation is accelerating in Bangladesh at a time when global commodity prices are declining.

"No monetary policy measure has been taken to fight inflation as of now."

provide support to local industries."

Amin also talked about the banking sector.

He said there were business houses that have several units and if any business unit sinks into losses and becomes a loan defaulter, their sister concerns also do not get loans from banks.

"This is causing many businesses to die silently. The authorities should allow lending to the other business units in order to enable them to operate and make a profit so that they can help the weak unit recover and repay loans."

the forex reserve.

The dollar traded at Tk 108.3 on Tuesday, a year-on-year increase of 18 per cent against the local currency.

"Under such a situation, the businesses that took loans two years ago have to pay more due to the sharp fall in the value of the local currency," Rahman added.



A trader is seen selling litchis at a local market in Dinajpur city. The juicy tropical fruit has long been exported from Bangladesh but for the first time, a single orchard in Biral upazila of Dinajpur is directly shipping 300 kilogrammes of litchi to France.

PHOTO: KONGKON KARMAKER

# Litchi from local orchard going global

Experts forecast higher shipments this year

KONGKON KARMAKER

This year, a litchi orchard in Biral upazila of Dinajpur has started shipping the tropical fruit to France, indicating the growing volume of agricultural exports from Bangladesh.

The first 300 kilogramme consignment of litchi was brought to Dhaka for shipping earlier this week, according to the deputy commissioner's office and Department of Agricultural Extension (DAE) in Dinajpur.

And while the country has been exporting litchi to different markets across the globe since 1999, this is the first time that a single orchard was able to directly ship its fruits.

Dinajpur is famous for its litchi, which are grown in the perfect soil and climate conditions given its geographic location.

The local administration of Dinajpur with support of Md Habibur Rahman, the divisional commissioner of Rangpur, took the initiative to export litchi after discussing the issue with relevant parties.

Shakil Ahmed, the deputy commissioner of Dinajpur, inaugurated the shipment at his office on Tuesday.

At the programme, Ahmed told reporters that the first consignment comprised about 16,000 pieces of litchi of the Bedana variety.

"All the standards for ensuring that the litchi is of export quality was maintained throughout the production process," he said, adding that adequate packaging was used to avoid any damage.

The litchis are expected to reach



France within 72 hours of their departure from Dhaka on Tuesday.

Growers had been demanding such facilities for several years and now, their dreams have finally become reality through this small effort.

Afzal Hossain, who owns the orchard that is exporting litchi, said it gives him great pride to be directly exporting fruits to a European country.

Besides, another 0.5 million pieces, or 9,500 kilogrammes, of the China-3 variety will soon be exported to France in the next consignment, which will be directly collected from different litchi orchards, said Dinajpur Deputy Commissioner

Ahmed.

According to DAE officials, around 2 lakh tonnes of litchi of various varieties are produced annually on 26,000 hectares of land across the country.

As such, litchi from Pabna was also exported to different countries in the Middle East.

However, the demand for litchi from Dinajpur is particularly high for its exceptional quality, taste, colour and size.

Until June 7 this fiscal year, exporters shipped 112 tonnes of the fruit, said Md Rezaul Karim, director of the Plant Quarantine Wing under the DAE.

"We expect the volume of litchi export

will cross last fiscal year's mark," he added.

Mohammad Monsur, general secretary of the Bangladesh Fruits, Vegetables and Allied Product Exporter's Association, said around 30 exporters are shipping litchi to different countries.

So far, they got orders amounting to 2.5 tonnes from different countries, he added.

Mitul Kumar Saha, joint director of marketing and managing director (additional charge) at Hortex Foundation, said Bangladesh shipped 149 tonnes of litchi fiscal year 2021-22.

"This was the biggest shipment till now. But we see new exporters have come to export mango and other fruits. We expect a good amount of litchi export this year too," he added.

As per data from the International Society for Horticultural Science (ISHS), China, India and Vietnam are major producers and exporters of litchi.

China is in top rank followed by Vietnam and India.

Vietnam is the second largest litchi exporting country even though it has a smaller output compared to China and India.

The US, Canada and countries in the EU are major importers of litchis from different countries with China supplying around 80 per cent of total demand.

Meanwhile, other South Asian countries supply the remaining 20 per cent, according to the ISHS.

In 2021, China exported \$63.2 million worth of litchis to different countries.

## Interest rate cap withdrawal to affect investment: FBCCI

STAR BUSINESS REPORT

If the bank interest rate cap is withdrawn and left to be decided by the open market, inflow of investment will be affected, said Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday.

However, a large number of economists have been suggesting over many months to withdraw the interest rate cap for lowering the high inflation in the domestic markets.

Previously, bank interest rates were increased to reduce inflation but the result was the opposite, as inflation could not be contained while investment was affected, said Jashim.

The government should increase the allocation for improving energy supplies as the industries have been suffering from low gas pressure in the supply lines and frequent power cuts, he added.

If the government wants to maintain macroeconomic stability, investment in energy is very important, he told a roundtable on the proposed budget for fiscal 2023-24.

Production in industrial units has been affected for the ongoing low gas pressure and frequent power cuts although gas prices were doubled to Tk 30 per unit from Tk 16 per unit, said Jashim.

Expressing resentment, he said the government has been amending the banking companies act but the FBCCI does not know anything about it as this important stakeholder was not consulted.



Moreover, although a taskforce exists comprising representatives of the National Board of Revenue (NBR) and the FBCCI, meetings are not taking place for consultations on different disputes related to tax issues, he said.

Jashim demanded that the government withdraw a 15 per cent VAT on the sale of recycled fabrics and yarn and suggested on not imposing advanced income tax as surplus amounts are not returned to businesspeople as per the rules.

The proposed budget is not ambitious but it will be difficult to implement, he said.

He also suggested automating services of the NBR and for expanding the tax net up to rural areas for generation of more revenue.

The discussion was organised by Economic Reporters' Forum (ERF) in collaboration with the Research and Policy Integration for Development (RAPID) and The Asia Foundation at the ERF office in Dhaka.

Abdur Razzaque, chairman of the RAPID, suggested increasing direct tax, mainly to reduce income inequality.

Currently, direct tax accounts for 35 per cent of the total revenue generated by the government and the government plans to take it up to 42 per cent in a few years. If it can reach 50 per cent by 2030, it will be laudable, he said.

He also suggested increasing the allocation in three important sectors, even if it means reducing that for others, to benefit the low-income segment of the population.

The proposed budget reduced allocations to some extent in these three sectors from that last year, said Razzaque.

Of them, the allocation for open market sales of commodities by state agencies was reduced by some 10 per cent, vulnerable group feeding by 30 per cent and job creation for financially insolvent people 15 per cent, he said.

Highlighting that macroeconomic stability is very important, Razzaque suggested withdrawing the interest rate cap and letting it be decided by the open market to curb inflation in the markets.

READ MORE ON B2

## \$858m World Bank loan for climate resilient agri growth, road safety

STAR BUSINESS DESK

Bangladesh and the World Bank yesterday signed two financing agreements totaling \$858 million to enhance climate-resilient agricultural growth, food security and improve road safety.

Sharifa Khan, secretary to the Economic Relations Division of the ministry of finance, and Abdoulaye Seck, country director for Bangladesh and Bhutan at the World Bank, signed the agreements, said a press release.

The \$500 million programme on Agricultural and Rural Transformation for Nutrition, Entrepreneurship, and Resilience (PARTNER) will help transform the agriculture sector by promoting crop diversification, food safety, and climate resilience across agri-food systems of Bangladesh.

The programme will support sustainable and nutritious food production through greater efficiency in input use, good agricultural practices, and the promotion of stress-tolerant and nutrient-dense varieties.

It will help increase entrepreneurship and access to services by expanding access to digital agricultural services tools, improved food safety processes, and increased female and youth entrepreneurship.

It will also help modernise institutions and policies through improved data management, increased research and development activities, and partnerships with global agricultural research institutions and with the private sector.

READ MORE ON B2



This aerial photo taken on June 6 shows shipping containers stacked at Zhoushan port in Ningbo, in China's eastern Zhejiang province.

PHOTO: AFP

## China trade with Russia hits highest level

AFP, Beijing

China's total trade with Russia in May soared to levels not seen since the beginning of Moscow's war in Ukraine, official data showed Wednesday, as Beijing steps up support for its sanctions-hit ally.

Trade between the two countries last month was worth \$20.5 billion, data from Beijing showed, with Chinese imports from Russia worth \$11.3 billion.

There was no official breakdown of the figures, which also showed China's exports more broadly falling for the first time since February -- breaking a two-month growth streak as a post-Covid rebound.

Rising global inflation, the threat of recession elsewhere and geopolitical tensions with the United States have weakened demand for Chinese products.