

# STAR BUSINESS

Cut expenses since tax receipts won't go up overnight

Economist Wahiduddin Mahmud urges govt

STAR BUSINESS REPORT

The government should reduce expenditures to free up funds for the implementation of development projects since accelerating revenue collections is not possible overnight, said a noted economist yesterday.

"Implementation of development projects by borrowing money from home and abroad is not a good decision," said Wahiduddin Mahmud, a former adviser to a caretaker government.

The economist was speaking at a debate competition on revenue collection at the Bangladesh Film Development Corporation in Dhaka. The Debate For Democracy (DFD) organised it.

In Bangladesh, the tax-to-gross domestic product (GDP) ratio is not growing. Rather, the ratio is declining. Today, the country has one of the lowest tax-to-GDP ratios in the world.

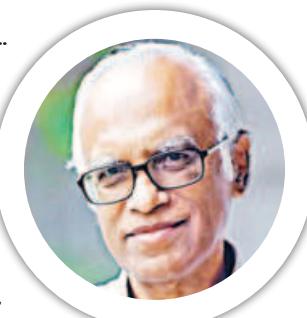
Therefore, it is difficult for the government to execute development projects from the current level of revenue collections. Similarly, the government needs to spend a lot of money on the salaries of its employees and on pensions.

"The reduction of this type of fixed costs is not possible," said Mahmud.

Amid the lower revenue receipts, one of the options that the government is left with is printing money to meet the budget deficit and expenses.

"It is also not a good decision since it is harmful to

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the economy," said Mahmud.

Source: BB

REJAUL KARIM BYRON and SHEIKH TAJUL ISLAM TAJ

US ratings agency Moody's has projected that Bangladesh's foreign exchange reserves position will stabilise over the next few months despite repeatedly failing to fulfil the IMF's target and the drastic fall in international currency holdings over the past two years.

It will be supported by the recent improvement of the current account balance to modest surpluses partly reflecting ongoing import restrictions, narrowing financial account deficits as business uncertainties gradually

ease following the conclusion of the general elections in January, it said.

The continued disbursements of concessional financing by international financial institutions will also contribute to the improvement, the ratings agency said in a report.

The latter also reflects progress on benchmarks and targets specified by the current \$4.7 billion loan programme of the International Monetary Fund (IMF).

Before June 2022, the country's reserves were more than \$40 billion. But since then, it has been gradually declining owing to higher outflows driven by an elevated level

of commodity prices against lower inflows in the form of remittance and export receipts.

On May 21 this year, the reserves stood at \$18.61 billion, central bank data showed.

The report comes as Moody's completed a periodic review of the ratings of Bangladesh. It said the ratings, including its B1 long-term issuer rating, with a stable outlook remains unchanged.

"The stable outlook reflects Bangladesh's continued access to concessionary financing and support from international financial institutions."

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Shanta begins to sell space at Dhaka Tower

STAR BUSINESS REPORT

Shanta Holdings Limited (SHL), a real estate developer, began to sell commercial space at Dhaka Tower, as it broke ground on the 500-foot skyscraper project along the Gulshan-Tejgaon Link Road on Friday.

"After the completion of the project, Dhaka is going to see a transformative addition to its skyline," said Saif Khandoker, director at SHL.

The tower will be designed by the Office of Metropolitan Architects (OMA), Netherlands, a renowned studio.

Irma Van Dueren, ambassador of the Netherlands to Bangladesh, inaugurated the sales event at the Radisson Blu Dhaka Water Garden on Friday night.

Khondokar said, once built, the high-rise office building would become one of the country's tallest buildings and is destined to be the next iconic landmark of the city, akin to the Empire State Building of New York City.

Featuring six basements that can accommodate 724 cars, Dhaka Tower will also ensure convenient parking.

According to him, Dhaka Tower will boast an exhibition space extending to a height of 130 feet. On the top level will be a fine-dining restaurant, adjacent to a publicly accessible two-tier observation deck

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## Social safety net allocations inflated

Nearly a third spent on civil servant pensions, savings certificate interest payment

SOHEL PARVEZ

The government's allocation for social security programmes has increased over the last 15 years.

However, an increasing portion of the fund is going for the payment of pensions for retired public servants and their families and for interest payments on savings certificates -- allocations which economists contend are in the wrong category.

Data by the finance ministry showed that the allocation for the pensions and interest payments account for 30 percent of the total social security programme fund of Tk 126,090 crore for the current fiscal year of 2023-24.

The ratio of the funds earmarked for the payment of the pensions was 26 percent in fiscal year 2008-09, according to the data over safety net allocations by the finance ministry.

Economists say the allocation for the pensions and interest payments should not come in the category of social security programmes.

Social safety net is meant for the protection of people who are vulnerable for being financially insolvent. Hence, the inclusion of such items in the list inflates the size of the total allocation instead of serving the people in need.

Mohammad Abu Eusuf, professor of development studies at the University of Dhaka, said the idea of the social safety net was to protect people in need of financial assistance.

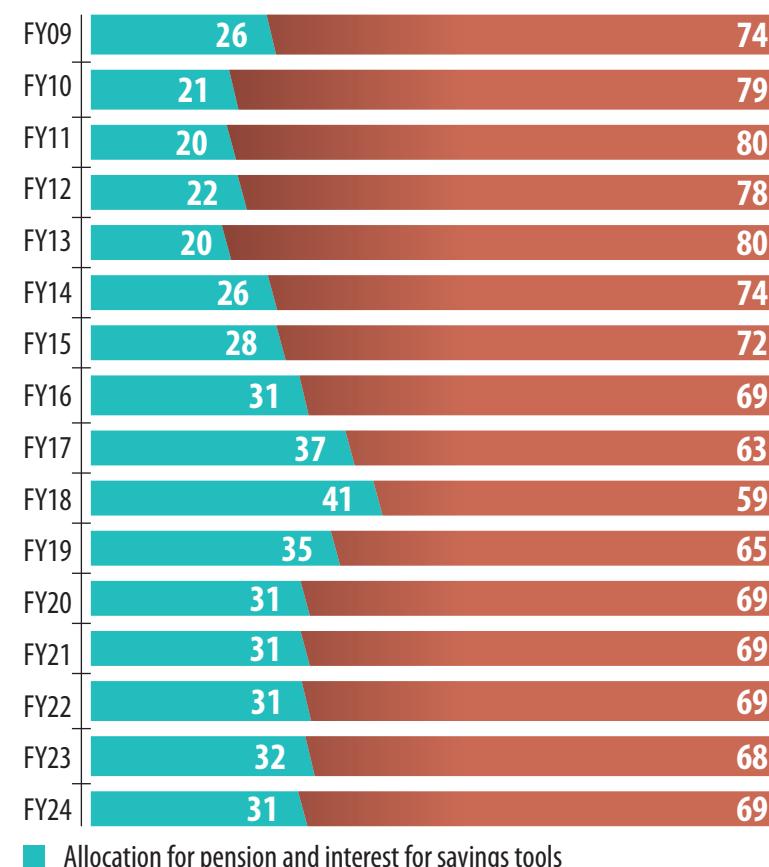
Schemes such as old age allowance, employment generation

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### GOVT ALLOCATION FOR SAFETY NET

In % of total outlay for such schemes

SOURCE: FINANCE MINISTRY



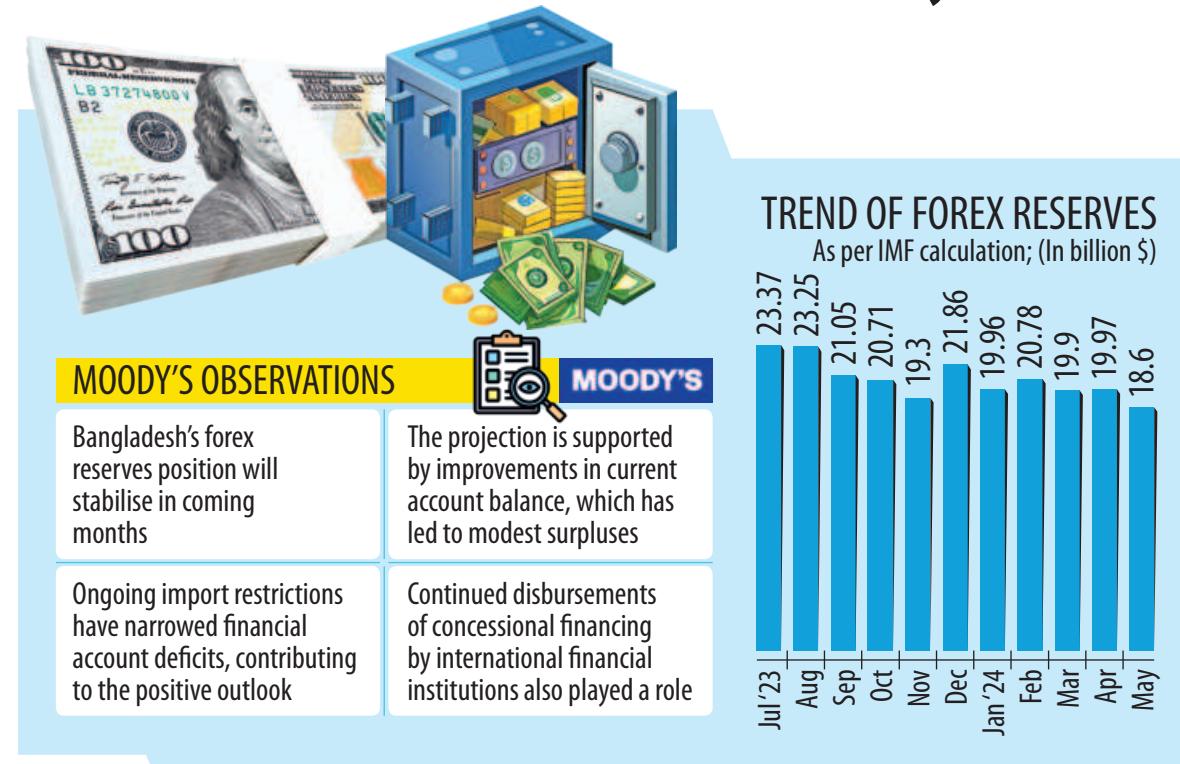
programmes for the most financially insolvent people, and food distribution among low-income people fall into the category well, he said.

"Non-poor people get pensions

and interest on savings certificates. So, the allocation for these areas should be shown separately from the allocation for the social safety programmes," he said.

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## Forex position to stabilise in next few months: Moody's



Locally assembled cars and a range of electric vehicles offered by Mercedes-Benz were the main attraction at the 17th Dhaka Motor Show

Story on B4



## How much of SME potential have we realised?

SUKANTA HALDER

Small and medium enterprises (SMEs) have played an important role in Bangladesh's economic development, but their full potential remains untapped.

With businesspeople and experts opining that the next few years will be more volatile due to geopolitical tensions and a global economic slowdown, the over 1 crore SMEs in Bangladesh can provide a welcome boost to the economy if an environment that allows them to prosper is created.



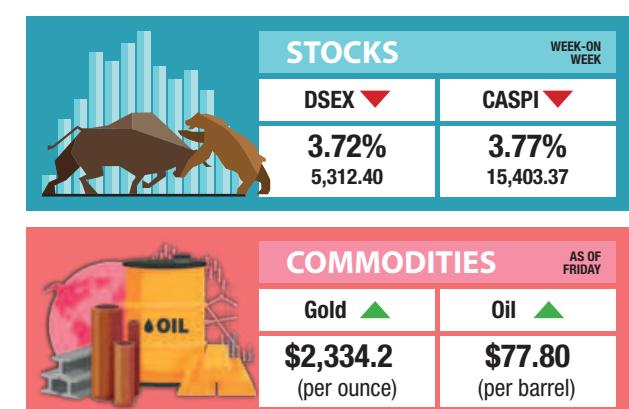
**THE WEEKLY VIEW**

Therefore, policymakers must work together in harmony and place a special focus on SMEs, which accounted for almost 25 percent of Bangladesh's gross domestic product (GDP) in 2018, according to a Planning Division report.

There were 78.8 lakh business establishments in the country, according to an Economic Census 2013 conducted by the Bangladesh Bureau of Statistics. Of them, 87.52 percent were cottage, 1.33 percent micro, 10.99 percent small, 0.09 percent medium and 0.07 percent large enterprises.

These modest operations churn out hundreds of products, including ornaments, agricultural machinery, processed agricultural products, jute

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