

Budget shows fault lines, not a path out of the crisis

ARUN DEVNATH

Finance ministers don't possess crystal balls to captivate the audience with mystical allure. They don't have magical foresight. They are real-world agents of economic policy. In times of crisis, which often repeats itself in modern capitalism, they chart a path out of the dark abyss. Sometimes they prove to be successful, sometimes not.

How does Abul Hassan Mahmood Ali measure up to these norms as the new finance minister of Bangladesh? He did try to leave an imprint on our minds, at least by showing the fault lines in the economy and eventually admitting weaknesses, but he blamed almost everything on the global crisis. It was akin to a PR exercise designed to mask the government's own wrongdoing. Economists suggest the new budget is a bland continuation of the past and has failed to carve a way out of the crisis.

Mahmood Ali acknowledged that the government unsuccessfully tried to tame inflation. Efforts to bridle budget spending alongside a contractionary monetary policy were futile. He attributed stubborn inflation primarily to import-induced price increases and disruptions to the domestic supply chain. But his goal to bring inflation down to 6.5 percent in the fiscal year starting in July from more than 9 percent raised eyebrows.

Bangladesh looks to fiscal consolidation by reducing the budget gap to 4.6 percent of GDP, the narrowest in a decade. The administration vowed to

continue belt-tightening, a term hardly used in government circles, in a country perpetually obsessed with growth. This is not to say the government will follow an austere path for too long, as it fears this approach may slow the growth rate.

"Therefore, our goal will be to increase government spending gradually in the second half of the upcoming fiscal year. This will be possible if the revenue realisation increases. To this end, we will lay emphasis on removing tax exemptions gradually," the finance minister said.

The GDP growth target, 6.75 percent, appears to be a decent goal as rating agencies and multilateral lenders have kept the forecast closer to this number. The medium-term growth outlook is favourable, supported by garment exports and stable remittance inflows. In the near term, however, growth may be affected by a lingering dollar shortage.

Amid persistent worry over the economy, the government raised the national budget by 4.6 percent year-on-year to Tk 7,97,000 crore, the slowest pace since Sheikh Hasina's party returned to power in 2009.

Can the budget win back the confidence of local and foreign investors? Very unlikely. That is evidenced by a 14 percent drop in foreign direct investments in 2023 from a year earlier. The trust deficit has also been exposed by the massive sell-off by foreign and local investors. The market lost 1,000 points in just three months, just before the budget, once it allowed investors to sell their shares at will.

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Solutions not offered

Say economists; some businesses term it time-befitting

JAGARAN CHAKMA and A M JAHID

The proposed budget for 2024-25 lacks creativity and offers no solutions to the many complex challenges facing the country's economy, economists have said.

In their instant reaction yesterday, they also termed the outlay "traditional".

Rizwanul Islam, former special adviser for the employment sector of the International Labour Organization, Geneva, said the budget has been presented at a time when the country's economy is experiencing major challenges like low foreign reserves, high inflation, fluctuating exports, and stagnant remittance inflow through formal channels.

"But one does not see any new thinking and recalibration of the policy approach that was needed to reduce inflation, boost employment and to protect the vulnerable," he said.

According to him, the targets for GDP growth and inflation rate appear to be unrealistic due to the internal inconsistency between GDP growth and restrictive monetary policy, the precarious state of foreign reserve and import compression.

"The goal of reining in inflation through reduction in import duties of some items hinges critically on the transmission of such reduction to the domestic market. Previous record on this does not generate much hope," he added.

Rizwanul said a more realistic approach should have been taken for macroeconomic stabilisation with a lower rate of GDP growth, gradual reduction of the inflation rate, adoption of job creation programmes, and greater support to the poor and vulnerable.

Zahid Hussain, former lead economist of the World Bank's Dhaka office, said the proposed budget has a few positive features, but overall it falls well short of being consistent with the immediate needs and the medium-

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Old malaise flaring up

DEBAPRIYA BHATTACHARYA

The budget for the upcoming fiscal year, presented in the context of inordinately complex economic circumstances, reflects both the government's restraint and limitations.

The broad macroeconomic framework for the next fiscal year provides a moderate GDP growth rate of 6.75 percent, a public investment rate of 6.0 percent of GDP (less than that of the earlier year), and an inflation rate of 6.5 percent (down from 10 percent). The tax-GDP ratio is expected to remain static at less than 10 percent.

The trade-off between growth and inflation is pretty apparent. It implies loss of employment and income. The critical factor in this respect is the availability and effective

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WHITENING BLACK MONEY 'Unethical, unjust and unacceptable'

Economists blast the provision

MD ASADUZ ZAMAN

Backtracking on its promise to eliminate black money, the government has once again made room to allow both individuals and companies to whiten money without facing scrutiny and by paying a 15 percent tax, a move that drew sharp criticism from economists and civil society.

The government hopes the initiative will increase the flow of money into the economy despite such measures failing to yield any fruitful benefits in the past.

According to the new provision, no authority can raise any question if a taxpayer pays tax at fixed rates for immovable properties such as flats and land and 15 percent tax on other assets, including cash, irrespective of the existing laws of the country.

The scope to whiten black money will remain in place till June 2025.

Before the last national election, the Awami League's election manifesto promised strong measures against those hoarding undisclosed money as well as those engaged in corruption.

But economists and corruption watchdogs said that successive governments allowing the whitening of black money was akin to "licencing corruption".

"This scope shouldn't be allowed at all," said Prof Mustafizur Rahman,

a distinguished fellow at the Centre for Policy Dialogue, a think tank. "It's unacceptable, ethically and financially."

When countries such as India and Indonesia provided the scope to whiten black money, they only did so for a certain period and with the warning attached that they would penalise anyone who failed to whiten money within the deadline.

"Bangladesh, however, continues to provide amnesty year after year. As a result, the objective remains unachieved," said Mustafizur.

Since independence, schemes to legalise undeclared money have been introduced at least 22 times. But the response has been lukewarm.

According to data from the National Board of Revenue (NBR), nearly Tk 45,522 crore was whitened between 1972 and 2022, with the collector getting Tk 4,641 crore in taxes in total.

A record Tk 20,600 crore was legalised in 2020-21, when the government offered a full amnesty similar to yesterday's provision. This helped the NBR collect Tk 2,064 crore in taxes in FY21.

In 2006-07, the caretaker government offered the scope to legalise black money after paying a penalty, which is not normally levied. In that year, Tk 9,682 crore was whitened.

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AL MANIFESTO Budget passes over some key promises

PARTHA PRATIM BHATTACHARJEE

In its first proposed budget after assuming power for a fourth consecutive term, the Awami League government skirted round some of the promises the party made in its election manifesto for the January 7 parliamentary polls.

The proposed budget for 2024-25 fiscal year outlined a vision for marching towards a smart and prosperous Bangladesh by 2041.

To achieve the goal, it listed 14 key areas, which closely align with the party's manifesto.

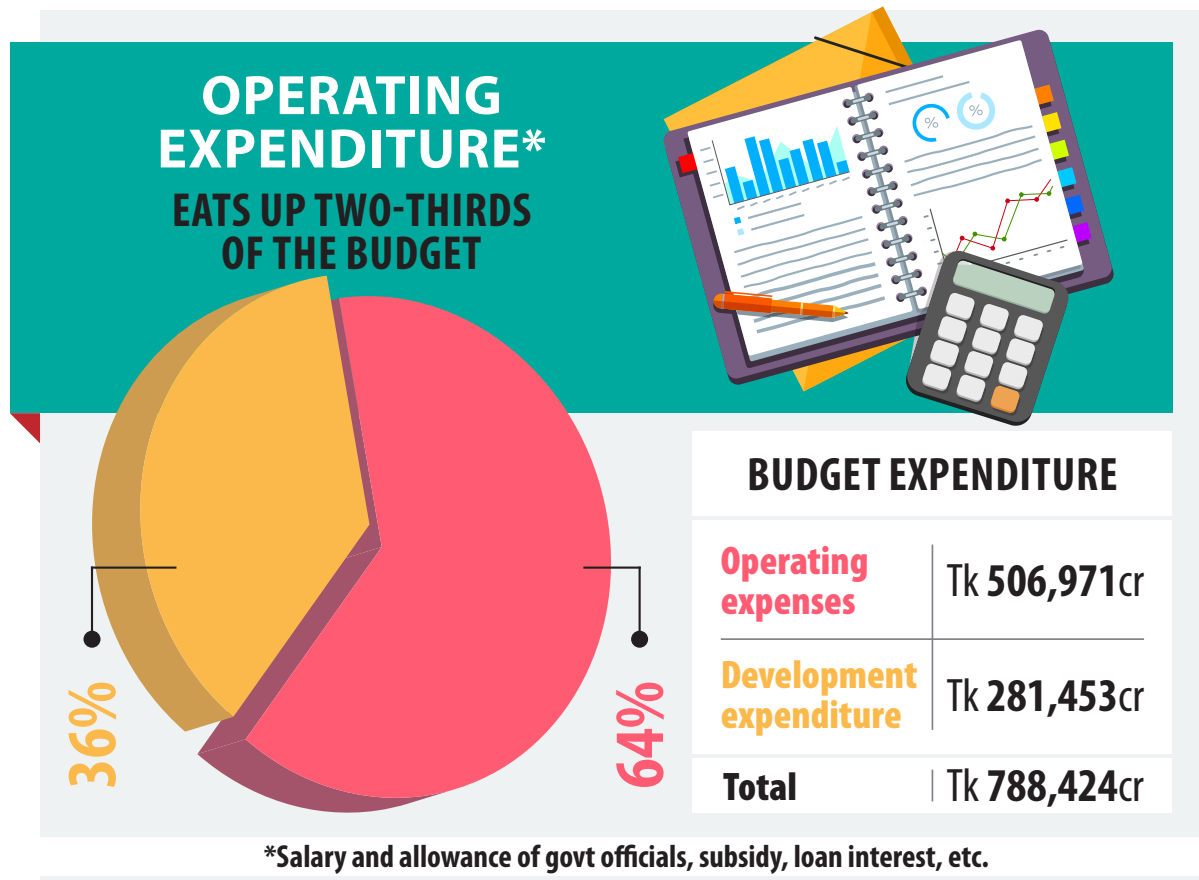
Keeping the prices of essentials within people's reach was stated as a top priority in the manifesto, but it did not make it to the finance minister's list of priorities.

When the AL unveiled its manifesto in December last year, it had vowed to cut inflation and ensure a smooth supply chain to bring down commodity prices.

The food inflation, which was 9.58 percent at that time, went up to 10.76 percent last month, a seven-month high.

However, the finance minister in his budget speech yesterday expressed optimism that the inflation will come

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PRICES UP

- TOBACCO/CIGARETTES
- CONSTRUCTION MATERIALS
- CASHENUTS
- FURNACE OIL
- LED BULBS

PRICES DOWN

- CNG CONVERSION KITS, CYLINDERS
- CAPITAL MACHINERY
- WATER FILTERS
- POWER PLANTS
- CARPETS
- RICE
- CHICKPEAS
- MOTORCYCLES (UNDER 250CC)
- EDIBLE OIL
- SUGAR
- CHOCOLATE