Star BUSINESS

Govt may miss IMF's revenue collection target

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Bangladesh is unlikely to fulfil the revenue collection target set by the International Monetary Fund (IMF) as part of its conditions for the fourth tranche of a $4.7 billion loan programme.

The target is measured through the performance of both revenue collection by the National Board of Revenue (NBR) and non-NBR taxes.

As per the IMF target, the government was supposed to collect Tk 394,530 crore in taxes in fiscal year 2023-24.

According to the NBR's provisional data, the tax administrator collected Tk 371,842 crore in FY24 against a collection target of Tk 410,000 crore in the revised budget.

On the other hand, the collection target for non-NBR taxes was Tk 19,000 crore in the revised budget.

Although data for non-NBR tax was not available for the entire fiscal year, finance ministry statistics showed that only Tk 5,109 crore was collected as non-NBR taxes in the first eight months of the last fiscal year.

This means that even if the target set in the revised budget is met, it will still not be possible to meet the revenue collection target set by the IMF.

In FY23, only Tk 7,978 crore was collected as non-NBR taxes.

Finance ministry officials said the country may fail to meet the target for revenue collection but it had already met the target for forex reserves.

Bangladesh was tasked with keeping net international reserves (NIR) of $14.79 billion on June 30. On that date, Bangladesh had an NIR of $16.7 billion.

According to the NBR's provisional data, the tax administrator collected Tk 371,842 crore in FY24 against a collection target of Tk 410,000 crore in the revised budget.

Prior to that, the country had failed to fulfil the NIR target ahead of each instalment of the loan.

The country could achieve the target for the first time after record budgetary assistance from global creditors as several bilateral and multilateral lenders approved $4.8 billion in June alone.

The IMF approved the $4.7 billion in January last year.

In its first review, Bangladesh failed to fulfil the conditions for both revenue collection and NIR.

As a result, Bangladesh sought a waiver from the global lender's board against the two key conditions.

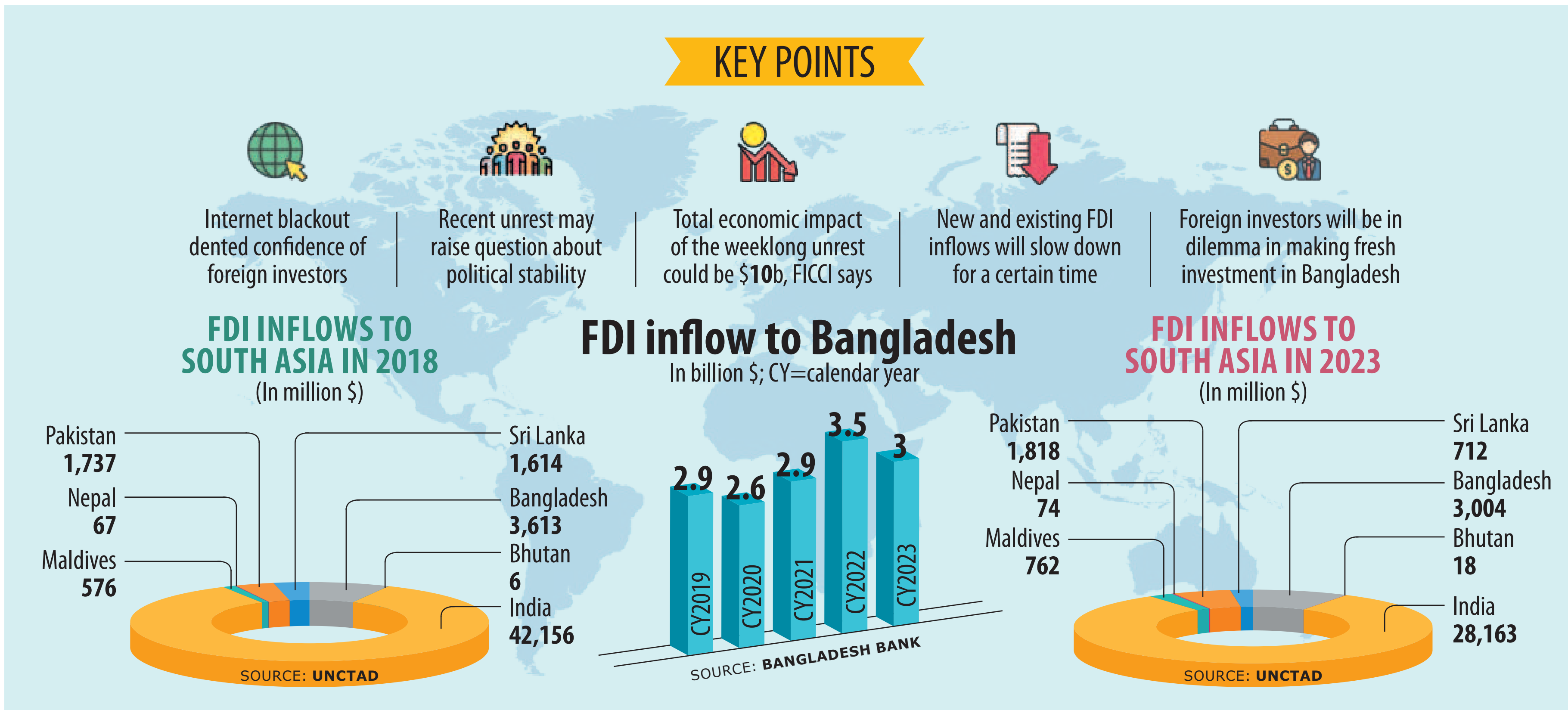
In the IMF's second review, which was based on the performance of December last year, Bangladesh successfully fulfilled both targets as the NIR target was revised down to $14.78 billion from $20.10 billion.

In May this year, Bangladesh also requested the IMF to revise down the revenue collection target but the lender did not do it.

An IMF mission is likely to visit Bangladesh to review the conditions by the end of this year. The fourth tranche is expected in December this year.

Internet outage, curfew leave foreign investors in a bind

Future FDI inflow may be affected, say experts



JAGARAN CHAKMA

Violence centring the quota reform movement as well as a five-day internet blackout and the ongoing curfew has shaken foreign investors' confidence in Bangladesh, tarnishing the country's image as a reliable investment destination.

This is likely to affect the inflow of foreign direct investment (FDI) at a time when Bangladesh is in desperate need of foreign funds to diversify its manufacturing bases, enable technology transfer, and attain its goal of becoming a developed economy by 2041.

The country needs to annually attract FDI equivalent to 1.66 percent of its GDP, which was around $459 billion in FY24, to become an advanced economy by 2041.

In regards to luring investors, a country's reputation as a reliable investment destination is vital. In that sense, the damage done in the recent week was severe.

"Beyond financial impacts, the image issue that the country is facing cannot be quantified as the reputation has been severely damaged in the past few weeks," said Zaved Akhtar, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

"The credibility of Bangladesh as a reliable investment destination is in question. It is not just important but crucial that we work on rebuilding Bangladesh's reputation as a stable nation and resilient economy, capable of delivering results regardless of circumstances. Rebuilding the confidence of existing investors by smoothening operations and improving the ease of doing business is also critical," he added.

His comments came following an internet outage in the aftermath of the violence centring the quota reform movement, which claimed at least 161 lives, left thousands injured and led to the vandalism of public and private properties.

The FICCI president said the recent shutdown had an economic impact of over $10 billion on Bangladesh in the last seven days.

The fast-moving consumer goods industry faced a setback of over $100 million during the past week as supply lines and operations were significantly impacted, Zaved added.

The recent upheaval affected export-oriented industries, e-commerce, freelancing, ride-hailing, software development, and many micro, small and medium enterprises that rely on social commerce.

"While the country is slowly recovering with limited online and physical connectivity, full operations are yet to revive. We are at best meeting 50 percent of our economic potential," he said.

He added that industries require full broadband and mobile connectivity to operate to their full potential.

Furthermore, businesses are facing challenges related to the release of goods from ports and accumulating demurrage because of the recent inactivity.

"Numerous existing investors are currently in uncertainty as their teams aim to resume regular operations. Challenges and inefficiencies in terms of goods release, running operations and physical reach are driving up the cost of business," he said.

Bangladesh Bank data shows that net FDI inflow fell to $3.8 billion in the July-May period of FY24, down 6.5 percent from $4 billion during the same period the year prior.

Yuji Ando, country representative of the Japan External Trade Organisation (JETRO), said there would be a tremendous negative impact on FDI as Bangladesh failed to ensure internet connectivity, which hindered business operations significantly.

He said Japanese companies in Bangladesh could only resume operations on July 24 after the curfew was relaxed and the internet was restored.

This is because around 20 percent of Japanese companies work remotely, he said. Moreover, some Japanese companies have evacuated their employees due to safety concerns.

According to Ando, at this moment, two major factors are needed to grow FDI inflow. The most fundamental one is to ensure safety. Secondly, internet facilities must be provided without restriction.

M Masrur Reaz, chairman of Policy Exchange of Bangladesh, said: "The economic impacts of last week's incidents can be grim... some foreign investors are nervous about a potential repetition of what occurred over the past week and what it means for their investment on the ground."

According to him, one common concern among investors was that they were almost completely cut off from communications with foreign buyers due to the lack of internet, which is quite rare in today's world where uninterrupted business communication is considered an essential feature of any trade and investment destination.

Reaz added that foreign investors with a stake in the export sector are anticipating losses and increased expenses due to overtime bills as workers will be required to make up for production loss over the past six days.

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RMG factories resort to weekend production to minimise loss

REFAYET ULLAH MIRDHA

The garment and textile millers kept factories open on last Friday in an effort to meet the sharp deadline set by their international retailers, as the latest weeklong countrywide violence ate up four vital days of their peak production season.

Amid the perennial inadequate supply of gas and power outages, last week's internet shutdown came as a major challenge for the manufacturers, as they failed to send the inspection reports to their buyers online, which they have to do regularly.

The local garment manufacturers are frantically trying to cover up the losses as July, August and September are the peak months for shipping goods to the western buyers, which they will sell in the upcoming Christmas, the biggest retail sales season in the western world.

Many owners are also running their factories for additional hours, using overtime to adhere to the strict lead time in an effort to avoid going for expensive air shipments, giving big discounts or cancellation of work orders from the buyers.

The violence centring the quota reform movement eroded the foreign retailers' confidence in Bangladesh to a great extent, as many of the local garment suppliers have received 30 percent to 40 percent fewer work orders than usual as the buyers are following a go-slow policy.

Consequently, the international retailers and brands did not place fresh work orders and also did not confirm the price level for the goods meant for the next summer and spring, which they were supposed to do last week, the exporters said.

"I have been running my unit even on Friday as I have counted a huge loss because of the four-day factory shutdowns following the violence," said a garment exporter asking not to be named.

However, the exporter could not run the factory on Friday in full swing because of long power cuts.

"I am worried about how I will pay the workers' July salary as I made a loss this month and I failed to confirm goods' prices due to the internet disruption," the exporter said.

Shaif Ullah Mansur, managing director of Chattogram-based Mellow Fashions Ltd, said he used to run night shifts in his factory in peak production seasons when pressure from the buyers increases.

But this year he preferred not going for night shifts amid fears of being affected by violence although the work pressure is immense now.

Garment makers are desperately trying to meet deadlines as July, August and September are the peak season for shipping goods to buyers.

PHOTO: PALASH KHAN

Mansur said the monthly income from his 800-worker factory is Tk 5 crore and he lost Tk 1 crore of his monthly income because of the weeklong violence.

"My American buyers are now asking me whether I am capable of supplying the goods in time if new work orders are placed."

Mohammad Zaber, managing director of Noman Group, the single largest textile and garment exporter of Bangladesh, said his company lost 40 percent of the monthly work orders because of the factory and mill shutdown and internet suspension.

This is the peak season for Zaber's company for the confirmation of work orders for the next summer and spring seasons.

He said his company has been communicating with the buyers for a time extension for shipment. Moreover, the shipment time extension does not end the problem, he said.

The commercial shipping vessels, which carry the export goods, have to follow a tight global schedule to meet the increased competitiveness since the beginning of the Covid-19 pandemic, the Russia-Ukraine war and the Red Sea crisis, he said.

Instant communication is very important in garment trade and both the buyers and suppliers use WhatsApp now, but the sad part is the service is down now, he added.

Two garment exporters said they lost one million pieces of garment production each during the last weeklong violence and now he is working day and night to cover up the losses and ship goods timely.

Mohammad Hatem, executive president of Bangladesh Knitwear Manufacturers and Exporters Association, said many factory managements ran their units on Friday but still many of them will have to face air shipment.