BTRC lifts bar on local cache for faster internet

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) yesterday repealed a directive it had passed in 2021 restricting small and medium-sized internet service providers (ISPs) from installing cache servers for their network.

This policy reversal is expected to enhance internet speeds and reduce operational costs for ISPs across the country.

Cache servers, which locally store frequently accessed content, play a crucial role in ensuring faster internet connectivity.

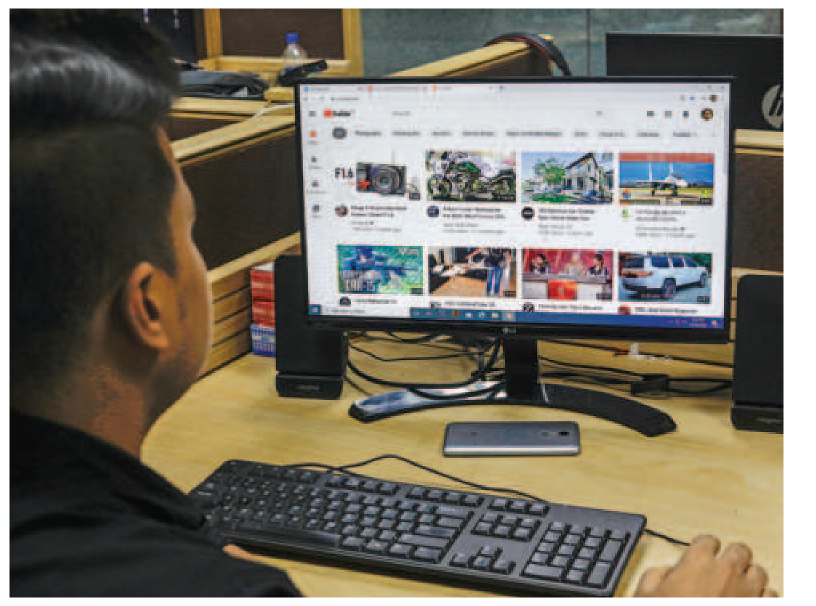
Their absence forced ISPs to route data from distant servers, resulting in slower speeds and increased operational expenses.

Industry experts and insiders have long argued that this limitation hampered the growth of the digital ecosystem, increasing the digital divide in Bangladesh.

With the ban now lifted, small and medium-sized ISPs, in addition to International Internet Gateways (IIGs), National Internet Exchanges (NIXs), and mobile operators, will also be able to install cache servers under specific conditions set by the BTRC.

Operators must inform the commission about the servers' specifications, installation sites, and agreements with suppliers.

Additionally, prior approval in the form of a no-objection certificate (NOC) is required before importing cache servers.



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Operators must also submit monthly reports to the BTRC, detailing the servers' operational status and providing updates in case of server relocation or upgrades.

Furthermore, a monitoring link must be supplied to the commission to ensure regulatory oversight.

The move aligns Bangladesh's internet infrastructure with global best practices, where last-mile service providers use cache servers to deliver faster and more reliable internet services.

Experts said this decision would lead to significant improvements in service quality, allowing users to experience quicker access to online content.

For ISPs, the operational cost savings are expected to be substantial as the reliance on expensive, long distance data routing will be minimised.

Rakibul Hassan, chief technology officer of Link3 Technologies, hailed the development as a good initiative of the BTRC.

"It will significantly reduce our international bandwidth costs," he said.

However, for importing such equipment, the BTRC, customs, and other government agencies could collaborate to establish a single-window system, enabling streamlined processing, he added.

Govt may cut GDP growth projection to 5.25% in FY25

STAR BUSINESS REPORT

The interim government of Bangladesh will likely revise the country's projection of gross domestic product (GDP) growth to 5.25 percent from 6.75 percent for the current fiscal year of 2024-25.

This issue was discussed at a fiscal coordination council meeting chaired by Finance Adviser Salehuddin Ahmed at Bangladesh Secretariat yesterday.

It was the first time that the interim government sat for discussions on GDP growth, inflation and estimating a revised budget for the ongoing fiscal year.

According to officials at the meeting, the government may also revise the inflation target for fiscal 2024-25 to 9 percent from the 6.5 percent targeted in the proposed budget for the year.

In its World Economic Outlook, International Monetary Fund (IMF) recently slashed Bangladesh's growth projection by 2.1 percentage points to 4.5 percent, the lowest since fiscal 2019-20, when the global coronavirus pandemic hit.

In fiscal year 2019-20, the country recorded a GDP growth of 3.4 percent.

Earlier in June this year, the IMF forecasted Bangladesh's GDP growth for the current fiscal year to be 6.6 percent.

The IMF outlook did not mention the reasons.

In August, the World Bank slashed its growth forecast for the Bangladesh economy by 1.7 percentage points to 4 percent for fiscal year 2024-25 due to "significant uncertainties following recent political turmoil" and "data unavailability".

The GDP growth could be as low as 3.2 percent and, if the situation improves, 5.2 percent at best, it said.

This came after Asian Development Bank lowered its growth forecast for Bangladesh to 5.1 percent from 6.6 percent, citing supply chain disruptions caused by political unrest in July and August.

Stocks rise after two-day fall

STAR BUSINESS REPORTER

The indices of the stock market in Bangladesh rose yesterday after falling for two consecutive trading days as investors poured funds on low-priced shares to pocket short-term gains amid price swings.

The rise was led by an increase in share prices of companies like Islami Bank Bangladesh, Square Pharmaceuticals, Grameenphone, United Commercial Bank, BRAC Bank and Olympic Industries.

The DSEX, the broad index of Dhaka Stock Exchange (DSE), rose by 16.89 points, or 0.32 percent from that on the day prior, to close at 5,201 points.

Similarly, the DSES, the index that represents Shariah-based companies, grew by 2.89 points, or 0.25 percent, to 1,168 points.

The DS30 index for blue-chip shares went up by 2.48 points, or 0.13 percent, to 1,913 points.

At the Chittagong Stock Exchange, the CSE All-Share Price Index, the main index of the port city bourse, edged up by 23.91 points, or 0.16 percent, to settle the day at 14,558 points.

Of the 937 scrips that were traded at the DSE, 238 witnessed an increase in prices, 98 closed lower while the remaining 61 issues did not see any price fluctuation.

The day's turnover, which is the collective value of shares changing hands, increased by 25.90 percent to Tk 500 crore, the highest in eight days.

The last time it was this high was on November 20, when it amounted to Tk 514 crore.

Stocks of the banking sector dominated the turnover chart, accounting for 16.55 percent of the total. Block trades, which refers to high-volume transactions in securities that are privately negotiated and executed outside the open market, contributed another 1.8 percent.

NRB Bank Limited emerged as the most-traded share, with a turnover of Tk 30.5 crore.

Sector-wise, travel and leisure, non-bank financial institutions (NBFIs) and jute were the top three to close in the positive, according to the daily market update by UCB Stock Brokerage.

Wealth inequality

FROM PAGE B1

Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), criticised the current surcharge on wealth.

"What kind of system is it?"

He said the absence of effective policies, rampant tax evasion and corruption contribute to the concentration of wealth among the affluent.

For instance, the real price of land or flats and their registered values often differ significantly. Moreover, tax policies inadvertently encourage wealth accumulation among the affluent, Razzaque said.

Meanwhile, Hussain said massive corruption is another factor contributing to high wealth inequality.

To minimise this disparity, Hussain recommended defining income tax more precisely and enforcing tax compliance. Besides, he called for curbing illegal money generation.

According to the World Inequality Database, the bottom 50 percent of the Bangladeshi population owns only 5 percent of the country's assets.

The white paper said, "Despite underreporting, land accounts for half of the reported wealth and is heavily concentrated among the rich."

A breakdown of asset distribution by consumption decile reveals that land and real estate constitute over half of the total wealth accumulated across consumption deciles.

Real estate wealth inequality can stem from concentrated land ownership or appreciation of land and property values. Households in the highest income decile own the most significant portion of real estate.

They also show a higher propensity to invest in return-generating assets like stocks, bonds, and jewelry in both 2016 and 2022.

While the differences in the average land ownership among rich and poor households are relatively small, with the richest quintile owning only 0.03 acres more on average, the real disparity lies in land value.

Land values for the upper quintile were significantly higher in 2016 and increased dramatically by 2022, unlike those for lower quintiles.

The primary factors driving this stark inequality in land value are location, access to infrastructure, and utilities.

The disparity in land value appreciation across quintiles suggests that government infrastructure investments have disproportionately benefited the wealthy while neglecting the poor.

Moody's told

FROM PAGE B1

Moody's announced the downgrade when the economic outlook was improving, said Mansur, adding, "That is our objection against the assessment of the rating agency."

While talking about the country's economy, the BB governor said high inflation was a concern and the monetary policy was tight.

As a result, the taka has now turned into an asset more attractive than before, he added.

The central bank governor hoped for inflation to come down in the upcoming months, as food prices had already declined in the market.

"We are seeing a turnaround," he said.

"We realised that hiking the interest rate was hitting businesspeople…did investment come when the maximum lending rate was at 9 percent…the answer is no," he added.

High interest rate is not the only obstacle behind the deterioration of foreign investment, he said, adding that many other, more important non-economic factors were liable here.

Bringing about good governance in the banking sector is the first priority, he said, adding that a single family controlled about seven banks and two financial institutions bypassing the banking rules and regulations.

"This happened because of political support," said Mansur.

The central bank has formed three task forces for improvements in the country's banking sector as well as for strengthening the central bank, he informed.

Now the central bank is continuing to relax rules and regulations to attract foreign investment, he added.

Labour market

FROM PAGE B1

The white paper also estimated that the manufacturing sector had disproportionately absorbed labour from the agriculture sector compared to the service sector.

Just over half of the labour force was employed in agriculture at the turn of the millennium while 36 percent was in the service sector and 12 percent in manufacturing.

However, by 2022, agriculture's share dropped by about five percentage points to 45 percent while that of the manufacturing sector increased by the same magnitude to 17 percent.

It also estimated that about 85 per cent of the employment is created in the informal sector. This number is even higher in rural areas, where it hovers around 88 percent.

"The transition from informal to formal has been very sluggish. The share of informal jobs has been reduced by only 2.6 percentage points over the years since 2010," the paper read. The white paper panel identified three major problems in the labour market.

First, the employability of the labour force is low due to poor foundational training in schools and a lack of training for job readiness.

Second, the labour market is subject to various kinds of mismatches. The education system is producing more graduates than the market can absorb and more arts and social science graduates than the market demands.

The imbalances in supply and demand in skill levels have plagued the labour market, a frequent complaint among employers.

Third, there are not enough jobs created by the public and private sectors to absorb new entrants to the market. Given the structure of the industry, opportunities for tertiary graduates are very limited. In fact, there are no statistics on how many decent jobs are created every year, the report found.

To combat these issues, the white paper committee recommended strengthening public investment in technical sectors.

"Although technical and vocational education and training (TVET) has a reputation for its high employability and decent payment, it fails to attract good students. The image and social recognition of TVET graduates should be enhanced through learning from well-designed pilot experiments."

Aligning policies and strategies is critical for minimising mismatches.

"There is no labour market strategy commensurate with the growth strategy of the country. In fact, the long-term plan, including growth strategy, are not consistent with sectoral plans," the paper said.

Development narrative

FROM PAGE B1

years due to their apparent disjuncture with several other key macroeconomic and development indicators, including private sector credit growth, revenue mobilisation, import payments for capital machinery, energy consumption, export receipts and employment generation.

The white paper panel cited a World Bank (WB) study and said structural growth drivers such as trade, foreign direct investment (FDI), finance, macroeconomic stability and political stability could predict GDP growth reasonably well during the 1990s and 2000s. However, the share of unexplained GDP growth started to increase in the 2010s.

This peaked in the 2015-2019 period, when 3.7 percentage points of growth could not be explained by the structural drivers, it added.

The report said the WB report terms this period as "rather unusual."

"Often, think-tanks in the country raised similar questions. Curiously, between FY14 and FY19, the GDP growth rate (calculated based on 2005-06 prices) never declined compared to the preceding year's estimates."

The panel used FY17 as an example, saying that the BBS reported 54.8 percent growth in leather and related industries although exports of the sector declined 16.3 percent that year.

In FY18, the same sector posted a 50.5 percent growth despite exports declining by more than a fifth.

"Pharmaceuticals also registered similarly unusually high growth rates. Likewise, the volatility of natural gas use for industry or the total is not reflected in value-added estimations for the industry sector. Indeed, about half of the GDP estimates are not based on credible real-time data."

For example, the value-added for private transport is calculated using the cumulative number of vehicles newly registered with the government authorities, namely the Bangladesh Road Transport Authority and the fixed value-added per vehicle.

This does not necessarily consider outdated transport, it said.

INFLATION ESTIMATES UNDER SCRUTINY

The panel also questioned inflation estimates by government agencies.

Citing a 2022 study by the South Asian Network on Economic Modeling (SANEM), the white paper mentions that while BBS recorded food inflation at 4.85 percent for urban areas and 5.94 percent for rural areas in January 2022, SANEM's estimates suggested that marginalised households faced inflation rates over twice those figures.

The white paper mentioned another research by the Bangladesh Institute of Development Studies, saying it found that food inflation in rural areas had hit 15 percent in December 2023 whereas national food inflation was reported at 9.58 percent by the BBS.

SHARP DECLINE IN POVERTY RAISED EYEBROWS

The white paper committee said the BBS estimated that poverty rates have been reducing since 2010, hitting 18.7 percent in 2022 from 26.5 percent in 2016. Similarly, extreme poverty rates have declined from 9.2 percent in 2016 to 5.6 percent in 2022, according to the statistical agency.

"However, these reductions do not align with improvements in other well-being indicators, such as food security," the paper added, citing the 2023 Food Security Statistics by the BBS that showed more than one-fifth of households perceived themselves as moderately to severely food insecure.

"According to the official data, the poverty reduction rate does not go in parallel with contemporary food insecurity statistics. The sharp decline in extreme poverty surely raised the eyebrows of analysts," the white paper said.

READ FULL STORY ONLINE

KEPZ decides

FROM PAGE B4

The meeting covered several important issues, including land rights, ports and customs, labour law, and investor support mechanisms.

The committee took executive decisions to complete the remaining land handover to KEPZ as quickly as possible, roll out the authorised economic operator model, ease the bond licensing procedure, and open dialogue on labour laws.

The committee also unanimously decided to decentralise authority and fast-track services by moving KEPZ out of CAO's direct administration to the Bangladesh Economic Zones Authority.

These steps are expected to send a signal to the wider investment community that Bangladesh is open for business, according to the statement.

"We must support our existing investors to make them our ambassadors," said Chowdhury Ashik Mahmud Bin Harun, executive chairman of the Bangladesh Investment Development Authority (Bida) and Beza.

"As a test case, a separate SWOT team was set up in Bida to identify key challenges in the KEPZ and resolve them. We wanted to set an example. And today's successful meeting demonstrates the government can also execute in pace."

Lutfey Siddiqi, the chief adviser's special envoy for international affairs, said: "Today's result illustrates a new style of government that operates with clear intent and focused execution."

"We hope that a virtuous cycle of feedback and responsive reforms will make many of the grievances about our investment climate out of date very soon," he added.

The KEPZ, primarily operated by Youngone Corporation, currently employs over 34,000 Bangladeshis in 48 state-of-the-art industrial units.

About 52 percent of the 2,500-acre area is reserved for green open spaces.

Powerful lobbies

FROM PAGE B4

Difficult filing requirements, such as being asked to provide wealth statements, further discourage compliance.

The paper estimated that tax evasion is widespread, aided by political connections and informal settlements with tax officials.

As for corporate taxation, the white paper said the system is complex, with varying rates across sectors, and high rates in sectors such as tobacco and telecommunications, discouraging investment.

The problems at the NBR begin at the top, with efficient administration and governance of the revenue authority being seriously hampered by the current procedure to choose the chairman, the white paper committee said.

The NBR Order 1973, which stipulated that the NBR chairman would be chosen from one of the NBR members, was the reference point.

However, an ordinance was passed in 1979 that allowed the NBR chairman to be selected from the administration cadre.

These appointments created problems as such individuals could not properly grasp nor adequately address the complexities of the NBR's operations.

Additionally, the tenure of the NBR chairman is structured in such a way that it encourages short-term objectives over long-term, sustainable reforms, the white paper added.

"For tax reform to succeed, it's not just about policy; it is also about overcoming political and bureaucratic resistance and addressing corruption," it said.

Bangladesh's tax collection woes reflect a deeper issue: reforming the system means dismantling decades of political influence and a culture of favouritism.

"The way forward to greater domestic resource mobilisation lies in better governance and stronger institutions," the paper added.