THE BANGLADESH
April - June 2022

CA BANGLADESH

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

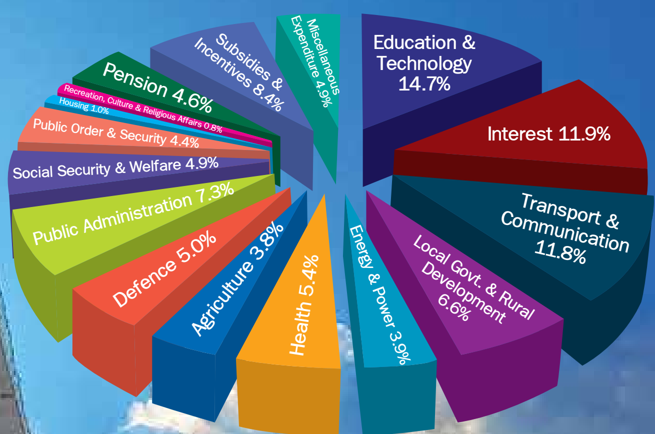
# ACCOUNTANT

QUARTERLY JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

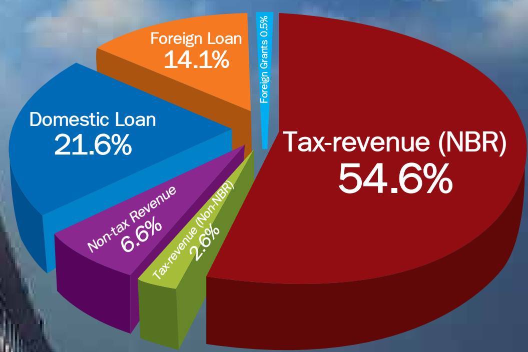
## BANGLADESH NATIONAL BUDGET : 2022-23

TK 6,780.64 BILLION

USE OF RESOURCES




RESOURCES COMING FROM




The Padma Multipurpose Bridge

The Bangladesh Accountant
Bangladesh National Budget : 2022-23
April - June 2022

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ICAB publications include, inter alia, a quarterly journal titled 'The Bangladesh Accountant' and ICAB's mouthpiece ICAB Monthly News Bulletin.

In the quarterly journal, articles of ICAB Members, Members from other Accountancy bodies, Academics and Business Leaders from home and abroad are published.

The monthly news bulletin publishes different ICAB events of the month. This bulletin acts as an information hub for the Members to keep up to date about ICAB and its activities in addition to these publications, ICAB also publishes books, monographs, booklets and Students' Study Manuals regularly.


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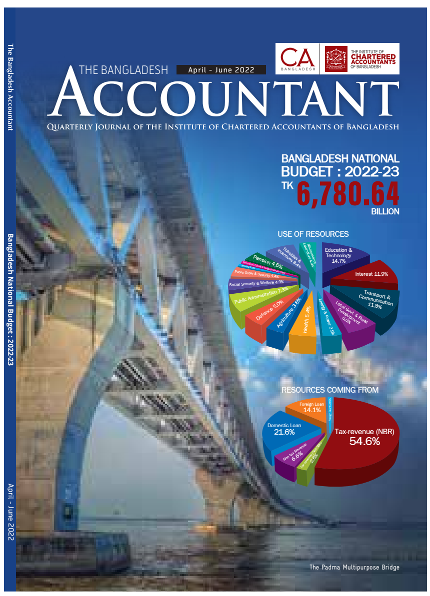
# Contents

## April - June 2022





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**News Bulletin**

**Journal**

# Editorial

> "The two main reasons for the increase in prices of daily necessities are the increase in global commodity prices and the unprecedented rise of fuel and transportation costs."

Vigilance and austerity are the needs of the time, Imbalanced imports and rising commodity prices mean that every penny must now be saved amid dwindling of foreign reserves and doubtful trend in revenue inflow. Inflation is alarmingly creeping up creating anxiety among people and they are looking at the government to take measures to keep them safe. Overall, it seems that the country is going through another phase of difficult time after pandemic.

After Russia's invasion of Ukraine, the world's economic playground has been changed. This war pushed the global supply chain to disarray and the inflation reached a record high in most countries. The two main reasons for the increase in prices of daily necessities are the increase in global commodity prices and the unprecedented rise of fuel and transportation costs. The government has already taken some measures like Open Market Sale (OMS), close surveillance on undue stockpiling etc. to control commodity prices. Those have already started yielding results.

Another challenge for the government is maintenance of macroeconomic stability. Due to higher price in the international market, price of petroleum has been increased in the domestic market. It has affected almost all the sectors of the economy like transport, electricity, production cost etc. It has also created pressure on foreign exchange reserve. Government has been trying all the way to mitigate the adverse impact. For example, it has changed office, school and market timing to save energy which will ultimately save foreign currency. Government has imposed strict conditions on imports of unnecessary and luxury items. Restriction has been on the foreign tours of Govt. officers. Letter of credit margin has also been raised in order to discourage importers to import

non-essential items. Hopefully the efforts will be working.

There are concerns raised by different sects regarding debt service challenge of Bangladesh. The debate has arisen with reference to the failure of Sri Lanka. Bangladesh External Debt reached 93.2 USD bn in Mar 2022 and external debt-to-GDP ratio stood at nearly 27 per cent. Country's public debt at 41 percent of its GDP is way lower than the risk threshold of 70 percent estimated by the International Monetary Fund (IMF). The external debt service to revenue ratio in the country reached 10 percent in 2020, but it is still below the risk threshold. Hopefully, if there is continuity of country's present economic performance, at current level even, our country should overcome this challenge well.

Dear readers, this issue of the Bangladesh Accountant has the more insights of our contemporary economic trends and development.

We appreciate your valuable suggestions regarding ICAB's publication.

Best regards,

**Gopal Chandra Ghosh** FCA
Chairman - Editorial Board and Council Member - ICAB

# President's Desk

**"To bring the economy back on track, the government has reduced revenue expenditure. The cost of government development projects would not be increased. We believe, ICAB's document verification system could play a pivotal role in the government's revenue collection as it will bring disciplines in the financial sector to a great extent."**

The Bangladesh Accountant adds value to the decision making process of the government for the economic advancement of the country as well as enhance the professional skills of ICAB members in pursuance of their duties and responsibilities bestowed by virtue of their professional engagements whether in practice or in service.

We all are more or less concerned about Sri Lanka's economic context, Russia-Ukraine war, rising value of dollar against money, global recession, hike in price of daily commodities within the country, etc.

In this situation, the government has announced the national budget for the fiscal year 2022-2023 worth of Tk 6 lakh 78 thousand 64 crore. The revenue target has been fixed at 4.33 lakh crore. Considering the overall situation of the country, there is a high possibility that this revenue target may not be achieved. As a result, the budget deficit may increase.

ICAB has taken many initiatives including several roundtable discussions to discuss those issues which may affect the economic growth of the country, and therefore extracted experts' opinions so that the government could take precautionary measures to uphold the overall economic development of the country.

Above all, after hyperinflation, prices of goods are increasing, posing instability in the economy. VAT and Duty are being reduced on many products to regulate the domestic markets and consequently the estimate and realization of revenue

this year will be lower. The pace of implementation of the Annual Development Project or ADP will slow down as the cost of construction materials has been increased by 20 to 30 percent. After the pandemic, it is another setback for the economy of the country.

To bring the economy back on track, the government has reduced revenue expenditure. The cost of government development projects would not be increased. We believe, ICAB's document verification system could play a pivotal role in the government's revenue collection as it will bring disciplines in the financial sector to a great extent.

We fear that if the government's expenditure increases more, it will put pressure on the foreign exchange, which may reduce the reserves quickly. On the other hand, to maintain the value of the currency, the government has to release more dollars in the market, or depreciate the currency.

"Private sector entrepreneurs are seriously worried about the dollar-crisis. If the war in Ukraine lasts for a long time, they will have immeasurable fears about the growth of exports. Some say that the country's economy is facing a major crisis within a decade."

**Md. Shahadat Hossain** FCA
President-ICAB

We import much more than we export. Remittances from expatriates have been playing a very important role in maintaining our balance of trade for a long time. We know that the money of expatriates that comes to the country through the banking channel is directly added to the country's reserves. Apart from this, many people send money to the country through hundi. This money is not added to our reserves even though it has a major economic impact within the country. Expatriates should be encouraged to send money through banking channels. The Ministry of Expatriates' Welfare and Overseas Employment, the Financial Institutions Division, and the Bangladesh Missions abroad are working on this issue by motivating Bangladeshi diaspora to remit money to the country.

Private sector entrepreneurs are seriously worried about the dollar-crisis. If the war in Ukraine lasts for a long time, they will have immeasurable apprehension about the growth of exports. Some say that the country's economy is facing a major crisis within a decade. So, the crisis has to be tackled with short and medium term measures.

The reformation of the financial sector, especially the banking sector, is very important. There should be a policy in this regard. To keep the country's economy strong, new entrepreneurs must be created. With this end in view, the government should encourage new entrepreneurs so that more employment can be generated.

Hope the journal has dealt with issues with more theoretical and analytical data of the current economic situation of the country. It will be thought-provoking while going through the interior of the journal.

In fine, I extend my heartfelt thanks to the Chairman, the Co-chairman, Editorial Board and everyone associated with this publication for bringing out this issue successfully.

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# ARTICLES

The Bangladesh Accountant | April - June 2022

CA BANGLADESH

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

# National Budget and its Implementation in Bangladesh:
## Overview of Last 10 Years

**Shah Md. Jubaer** FCA

**The Author is
a Fellow Member of the
Institute of Chartered Accountants
of Bangladesh (ICAB)
and
Certified Anti-Money Laundering
Specialist from ACAMS, USA**

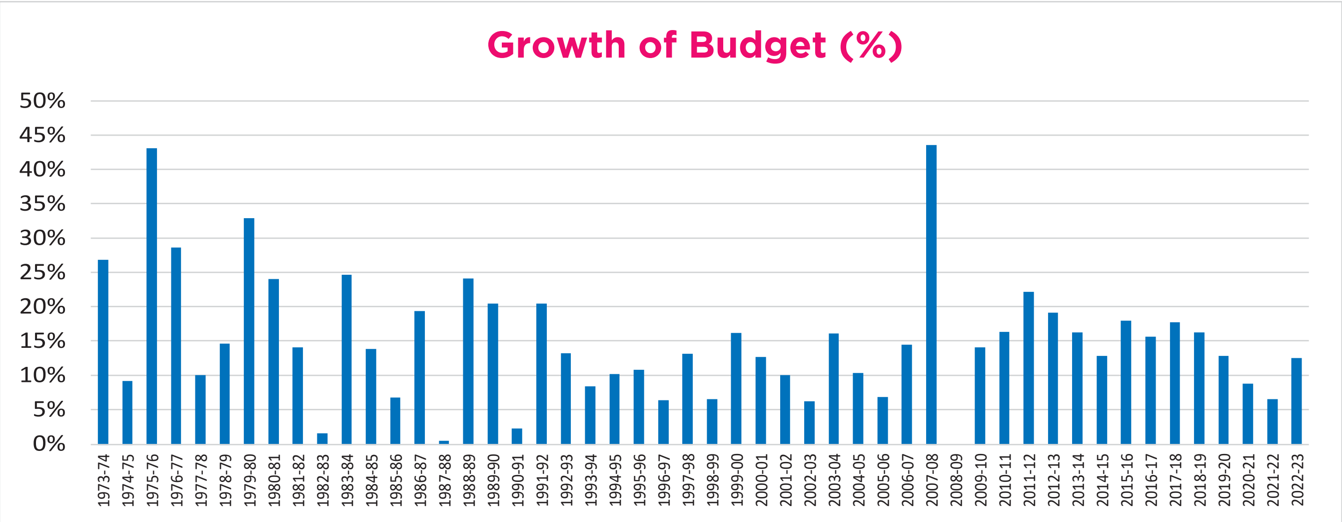
Finance Minister Mr. Tajuddin Ahmed presented the first budget in 1972 with size of Tk 786 crore; Tk 285 crore representing revenue budget and Tk 501 crore development budget. He described the budget for development, rehabilitation and reconstruction. He urged the people to respond to Bangabandhu Sheikh Mujibur Rahman's call and move forward together to build 'Shonar Bangla'.

On the other hand, Finance Minister Mr. AHM Mustafa Kamal FCA announced the 51st national budget on June 9, 2022 with a size of Tk 6,78,064 crore; Tk 418,447 crore representing revenue budget and Tk 2,59,617 crore development budget. After a two-year-long pandemic-prompted setback disrupting normal economic and trade activities around the globe, current Russia-Ukraine War, the sanctions on Moscow, causes enormous inflationary pressure on the economy. That's why, the government has proposed increase in spending on agriculture, food and power sectors in the form of allocations and subsidies, besides enhancement in social safety net outlets. He said, "The priority of this year's budget would be to improve the livelihood of people at all levels, continue with uninterrupted economic development and employment generation, and contain inflation in parallel to addressing economic effects originated from COVID-19 and the Russia-Ukraine conflict."

### Chronology of Bangladesh's National Budget

The shooting up of the national budget from Tk 786 crore in 1972-73 to Tk 6,78,064 crore in 2022-23 is a humble and normal graduation. The graduation process took total of 51 years. While chronicling the process of this climb, the country's size of population and other parameters ought to be kept in mind. The size of budgets & ADP of Bangladesh are depicted below:

| Sl # | Fiscal Year | Who Placed the Budget | Total Budget Size | ADP Size |
|---|---|---|---|---|
| 1 | 1972-73 | Mr. Tajuddin Ahmed | Tk 786cr | Tk 501cr |
| 2 | 1973-74 | Mr. Tajuddin Ahmed | Tk 995cr | Tk 525cr |
| 3 | 1974-75 | Mr. Tajuddin Ahmed | Tk 1,084cr | Tk 525cr |
| 4 | 1975-76 | Dr Azizur Rahman Mollik | Tk 1,549cr | Tk 950cr |
| 5 | 1976-77 | Maj Gen Ziaur Rahman | Tk 1,989cr | Tk 1,222cr |
| 6 | 1977-78 | Lt Gen Ziaur Rahman | Tk 2,184cr | Tk 1,278cr |
| 7 | 1978-79 | President Ziaur Rahman | Tk 2,499cr | Tk 1,446cr |
| 8 | 1979-80 | Dr M N Huda | Tk 3,317cr | Tk 2,123cr |
| 9 | 1980-81 | Mr. M Saifur Rahman | Tk 4,108cr | Tk 2,700cr |
| 10 | 1981-82 | Mr. M Saifur Rahman | Tk 4,677cr | Tk 3,015cr |
| 11 | 1982-83 | Mr. A M A Muhith | Tk 4,738cr | Tk 2,700cr |
| 12 | 1983-84 | Mr. A M A Muhith | Tk 5,896cr | Tk 3,483cr |
| 13 | 1984-85 | Mr. M Sayeduzzaman | Tk 6,699cr | Tk 3,896cr |
| 14 | 1985-86 | Mr. M Sayeduzzaman | Tk 7,138cr | Tk 3,825cr |
| 15 | 1986-87 | Mr. M Sayeduzzaman | Tk 8,504cr | Tk 4,764cr |
| 16 | 1987-88 | Mr. M Sayeduzzaman | Tk 8,527cr | Tk 5,046cr |
| 17 | 1988-89 | Maj Gen Munim | Tk 10,565cr | Tk 5,315cr |
| 18 | 1989-90 | Dr Wahidul Haq | Tk 12,703cr | Tk 5,803cr |
| 19 | 1990-91 | Maj Gen Munim | Tk 12,960cr | Tk 5,668cr |
| 20 | 1991-92 | Mr. M Saifur Rahman | Tk 15,584cr | Tk 7,500cr |
| 21 | 1992-93 | Mr. M Saifur Rahman | Tk 17,607cr | Tk 9,057cr |
| 22 | 1993-94 | Mr. M Saifur Rahman | Tk 19,050cr | Tk 9,750cr |
| 23 | 1994-95 | Mr. M Saifur Rahman | Tk 20,948cr | Tk 11,000cr |
| 24 | 1995-96 | Mr. M Saifur Rahman | Tk 23,170cr | Tk 12,100cr |
| 25 | 1996-97 | Mr. SAMS Kibria | Tk 24,603cr | Tk 12,500cr |
| 26 | 1997-98 | Mr. SAMS Kibria | Tk 27,786cr | Tk 12,800cr |
| 27 | 1998-99 | Mr. SAMS Kibria | Tk 29,537cr | Tk 13,600cr |
| 28 | 1999-00 | Mr. SAMS Kibria | Tk 34,252cr | Tk 12,477cr |
| 29 | 2000-01 | Mr. SAMS Kibria | Tk 38,524cr | Tk 17,500cr |
| 30 | 2001-02 | Mr. SAMS Kibria | Tk 42,306cr | Tk 19,000cr |
| 31 | 2002-03 | Mr. M Saifur Rahman | Tk 44,854cr | Tk 19,200cr |
| 32 | 2003-04 | Mr. M Saifur Rahman | Tk 51,980cr | Tk 20,300cr |
| 33 | 2004-05 | Mr. M Saifur Rahman | Tk 57,248cr | Tk 22,000cr |
| 34 | 2005-06 | Mr. M Saifur Rahman | Tk 61,058cr | Tk 23,626cr |
| 35 | 2006-07 | Mr. M Saifur Rahman | Tk 69,740cr | Tk 26,000cr |
| 36 | 2007-08 | Mr. Mirza Azizul Islam | Tk 99,962cr | Tk 25,600cr |
| 37 | 2008-09 | Mr. Mirza Azizul Islam | Tk 99,962cr | Tk 25,400cr |
| 38 | 2009-10 | Mr. AMA Muhith | Tk 113,815cr | Tk 28,500cr |
| 39 | 2010-11 | Mr. AMA Muhith | Tk 132,170cr | Tk 35,130cr |
| 40 | 2011-12 | Mr. AMA Muhith | Tk 161,214cr | Tk 41,080cr |
| 41 | 2012-13 | Mr. AMA Muhith | Tk 191,738cr | Tk 52,366cr |
| 42 | 2013-14 | Mr. AMA Muhith | Tk 222,491cr | Tk 60,000cr |
| 43 | 2014-15 | Mr. AMA Muhith | Tk 250,560cr | Tk 75,000cr |
| 44 | 2015-16 | Mr. AMA Muhith | Tk 295,100cr | Tk 93,894cr |
| 45 | 2016-17 | Mr. AMA Muhith | Tk 340,605cr | Tk 1,10,700cr |
| 46 | 2017-18 | Mr. AMA Muhith | Tk 4,00,266cr | Tk 1,48,381cr |
| 47 | 2018-19 | Mr. AMA Muhith | TK 4,64,573cr | Tk 1,73,000cr |
| 48 | 2019-20 | Mr. AHM Mustafa Kamal | Tk 5,23,190cr | Tk 2,02,721cr |
| 49 | 2020-21 | Mr. AHM Mustafa Kamal | Tk 5,68,000cr | Tk 2,05,145cr |
| 50 | 2021-22 | Mr. AHM Mustafa Kamal | Tk 6,03,681cr | Tk 2,25,324cr |
| 51 | 2022-23 | Mr. AHM Mustafa Kamal | Tk 6,78,064cr | Tk 2,46,066cr |




## Budget at a Glance

Amount in Crore Taka

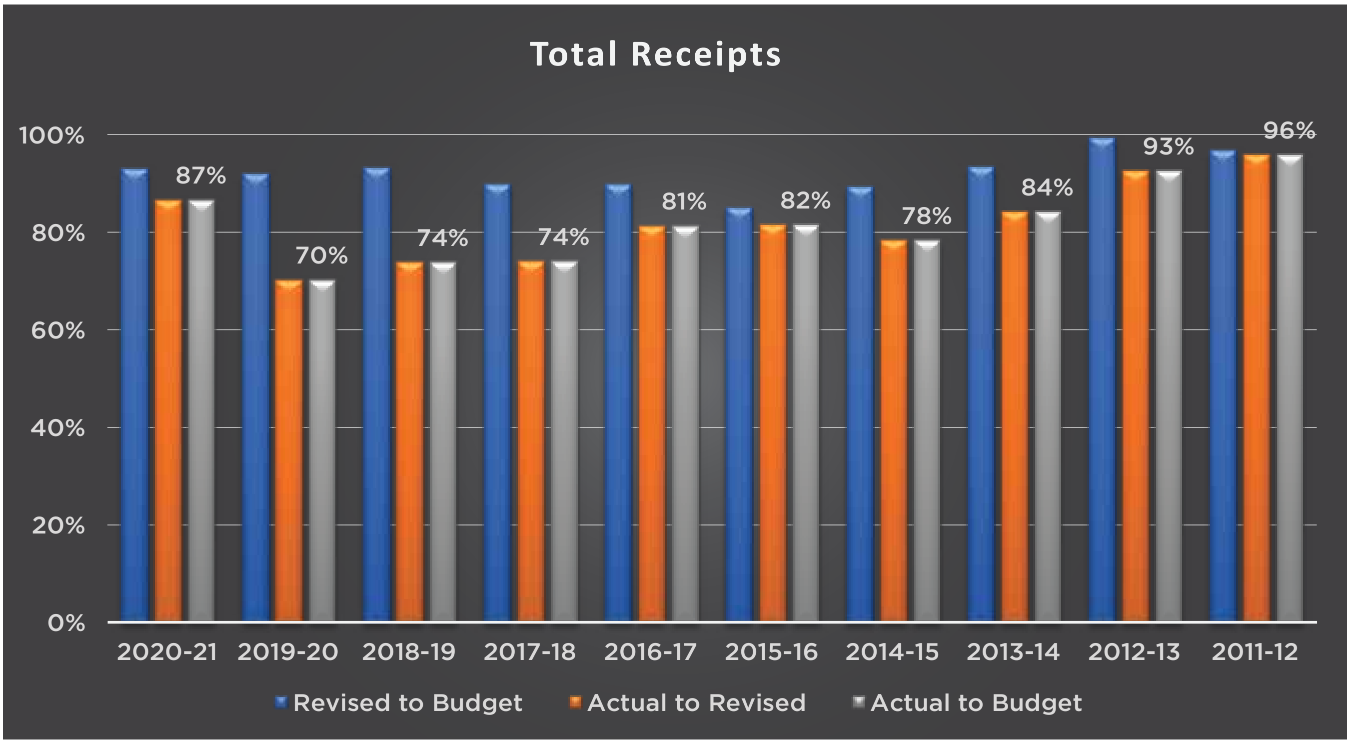
| Description | 2022-23 | 2021-22 | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Budget | Revised | Budget | Actual | Revised | Budget |
| Revenue | 4,33,000 | 3,89,000 | 3,89,000 | 3,28,665 | 3,51,532 | 3,78,000 |
| Foreign Grants | 3,271 | 3,192 | 3,490 | 2,348 | 3,985 | 4,013 |
| **Total Receipts** | **4,36,271** | **3,92,192** | **3,92,490** | **3,31,013** | **3,55,517** | **3,82,013** |
| Non-Development Expenditure | 4,18,447 | 3,71,552 | 3,66,603 | 2,90,669 | 330,958 | 3,52,957 |
| Development Expenditure | 2,59,617 | 2,21,948 | 2,37,078 | 1,69,491 | 2,08,025 | 2,15,043 |
| **Total Expenditure** | **6,78,064** | **5,93,500** | **6,03,681** | **4,60,160** | **5,38,983** | **5,68,000** |
| Foreign Borrowing | 95,458 | 77,020 | 97,738 | 45,708 | 68,414 | 76,004 |
| Domestic Borrowing | 1,46,335 | 1,24,288 | 1,13,453 | 82,586 | 1,15,052 | 1,09,983 |
| **Total Borrowing** | **2,41,793** | **2,01,308** | **2,11,191** | **1,28,294** | **1,83,466** | **1,85,987** |

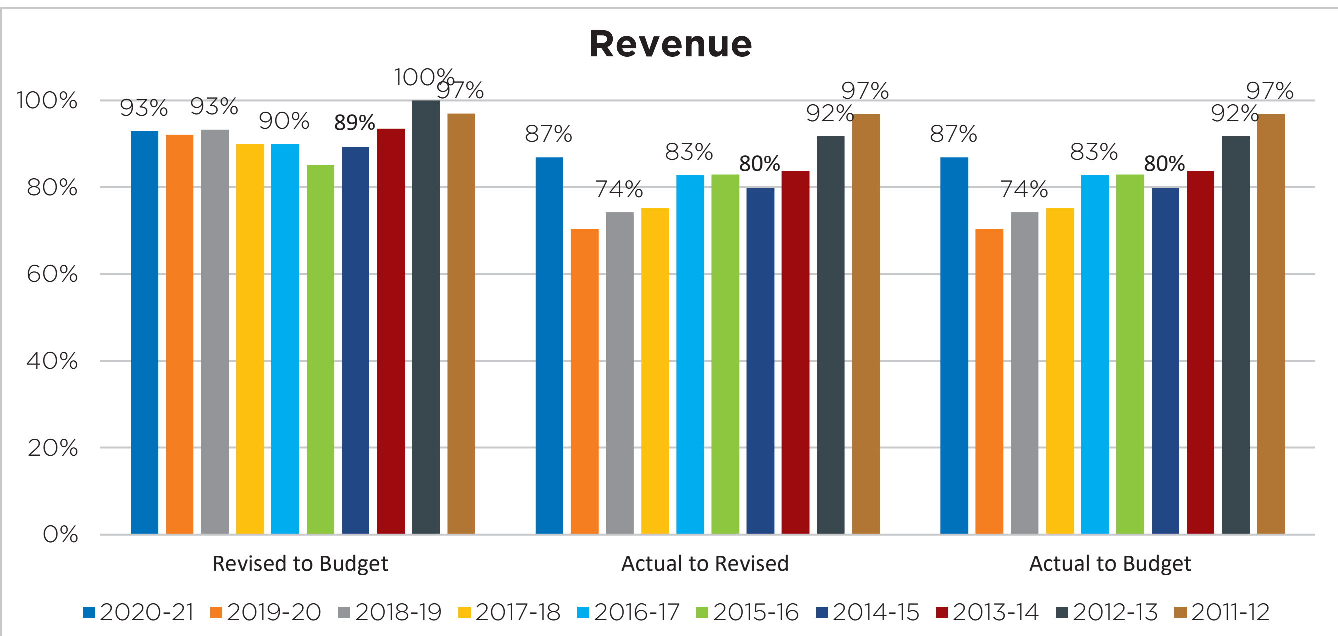
From the above table, it is observed that Total Receipt and Borrowing increased by 14.20% and 30.01% respectively to support the increase of Total Expenditure by 19.38% from the Budget of 2020-21 to 2022-23. Though the total Budget increased by 19.38%, but dependency on Foreign Grants decreased by 18.49%. At the same time, Govt. wants to reduce the dependency on Foreign Borrowing, it was 41% in 2020-21 and reduced to 39% in 2022-23 of Total Financing.

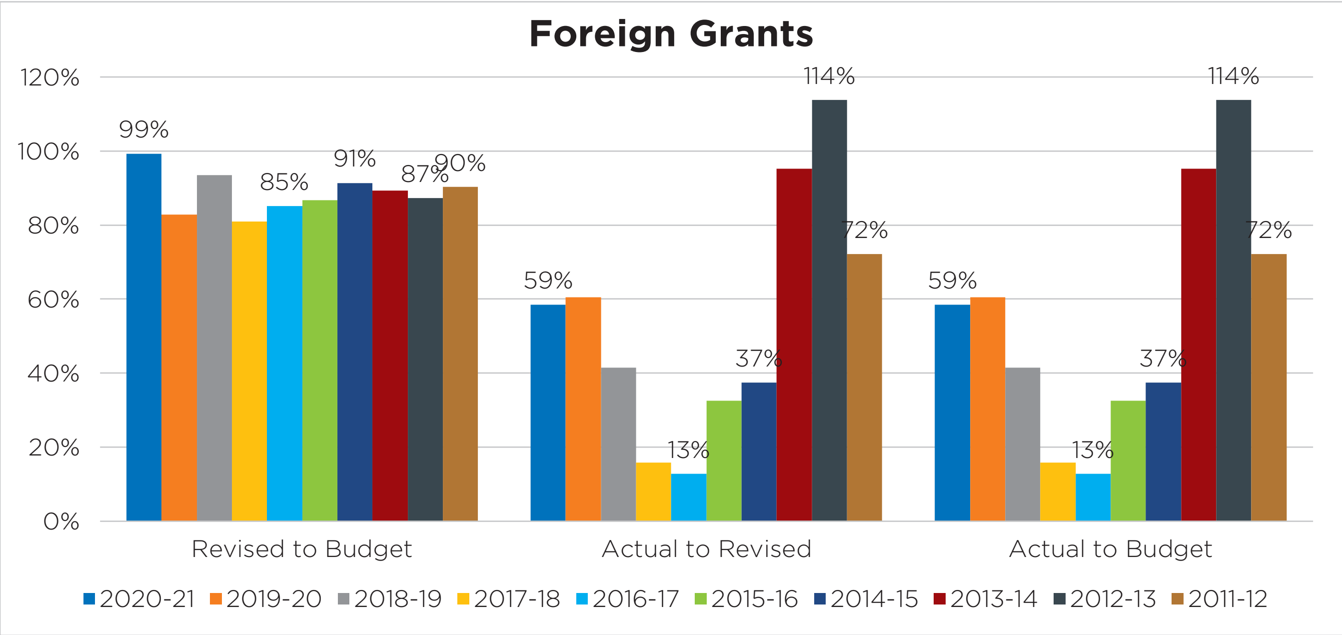
## Implementation Status of Budget

Actual implementation of Budget up to 2020-21 is available in the website of Ministry of Finance of Bangladesh. We will look at 10 consecutive years of implementation of budget from 2011-12 to 2020-21.

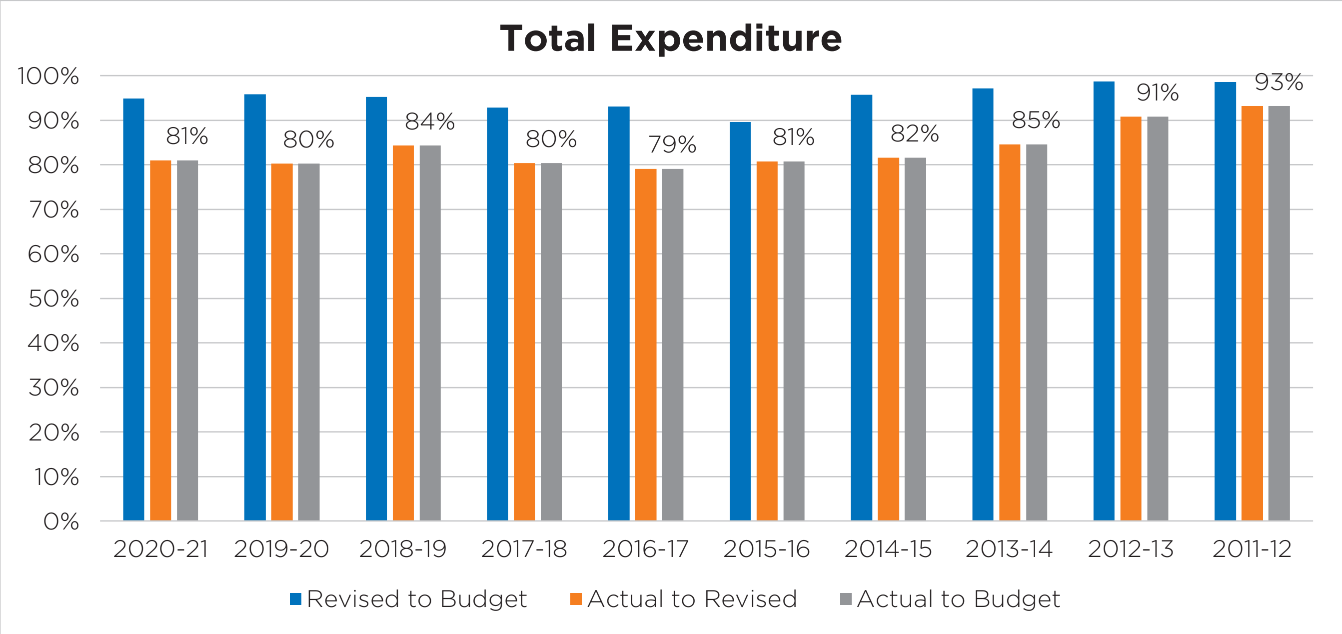
In 2020-21, 87% of Budget of Total Receipts (Revenue and Foreign Grants) was achieved. Highest achievement was 96% in 2011-12 and lowest was 2019-20 in last 10 years.

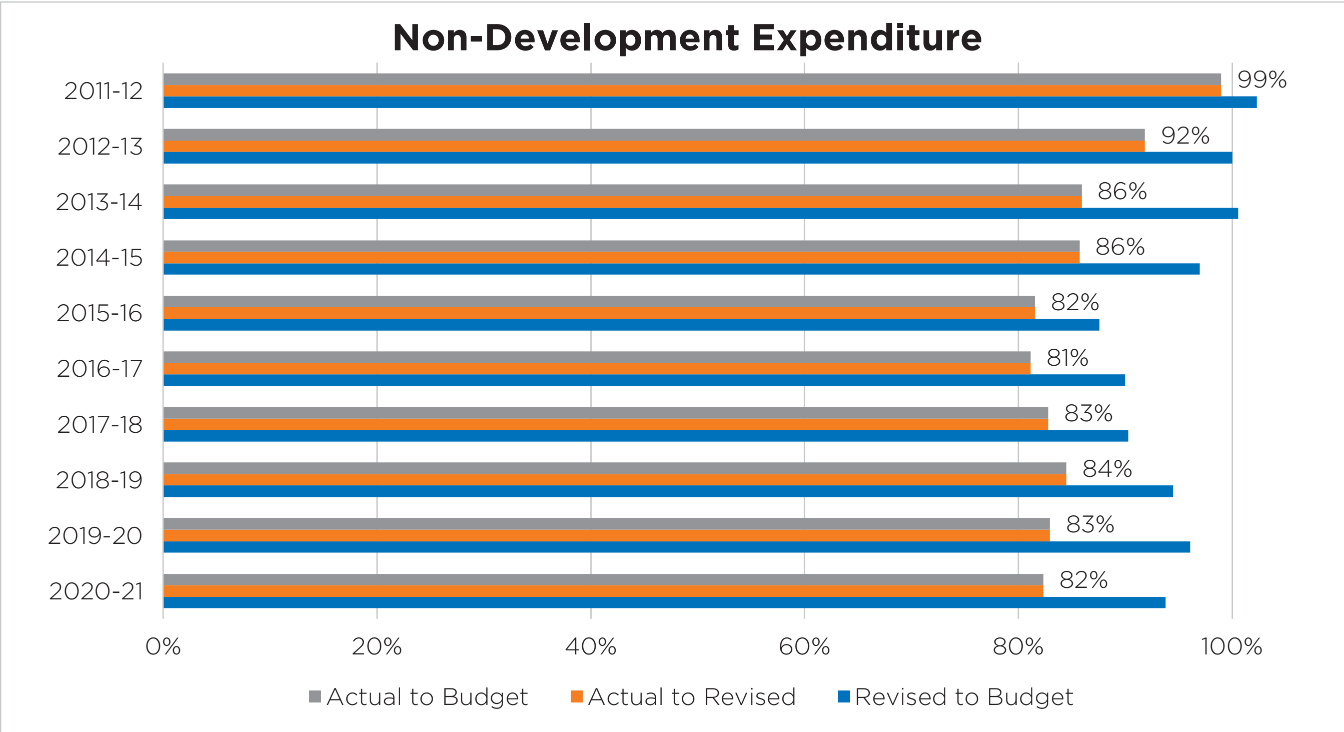

Total Receipts
100%
80%
60%
40%
20%
0%
87%
70%
74%
74%
81%
82%
78%
84%
93%
96%
2020-21 2019-20 2018-19 2017-18 2016-17 2015-16 2014-15 2013-14 2012-13 2011-12
Revised to Budget
Actual to Revised
Actual to Budget

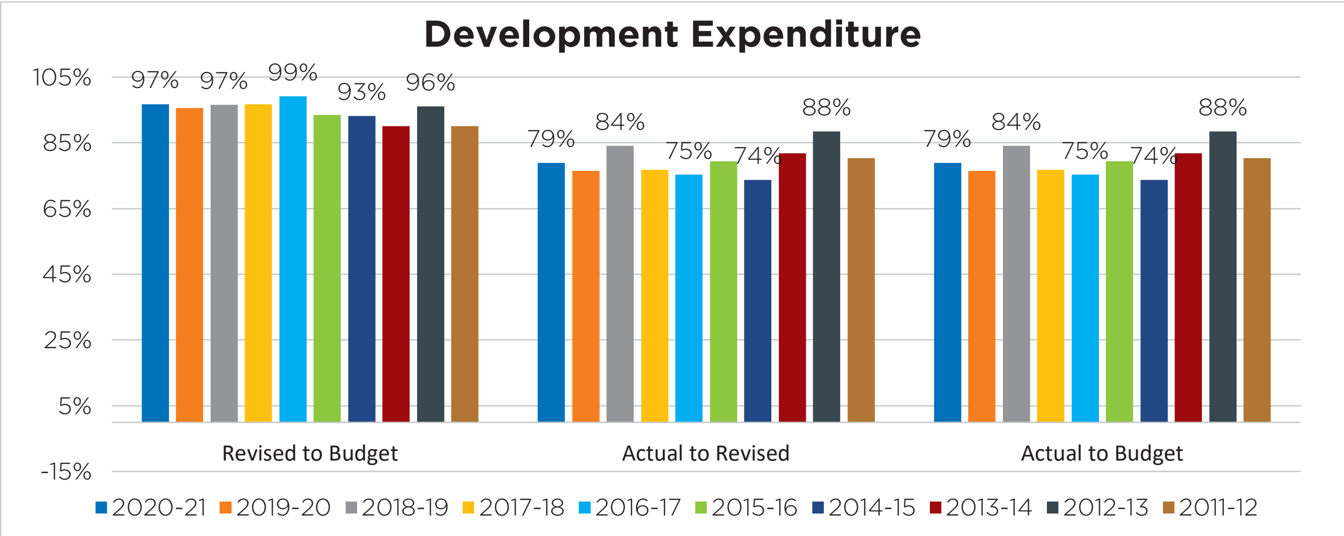

Revenue
100%
80%
60%
40%
20%
0%
93%
93%
90%
89%
100%
97%
87%
74%
83%
80%
92%
97%
87%
74%
83%
80%
92%
97%
Revised to Budget
Actual to Revised
Actual to Budget
2020-21 2019-20 2018-19 2017-18 2016-17 2015-16 2014-15 2013-14 2012-13 2011-12



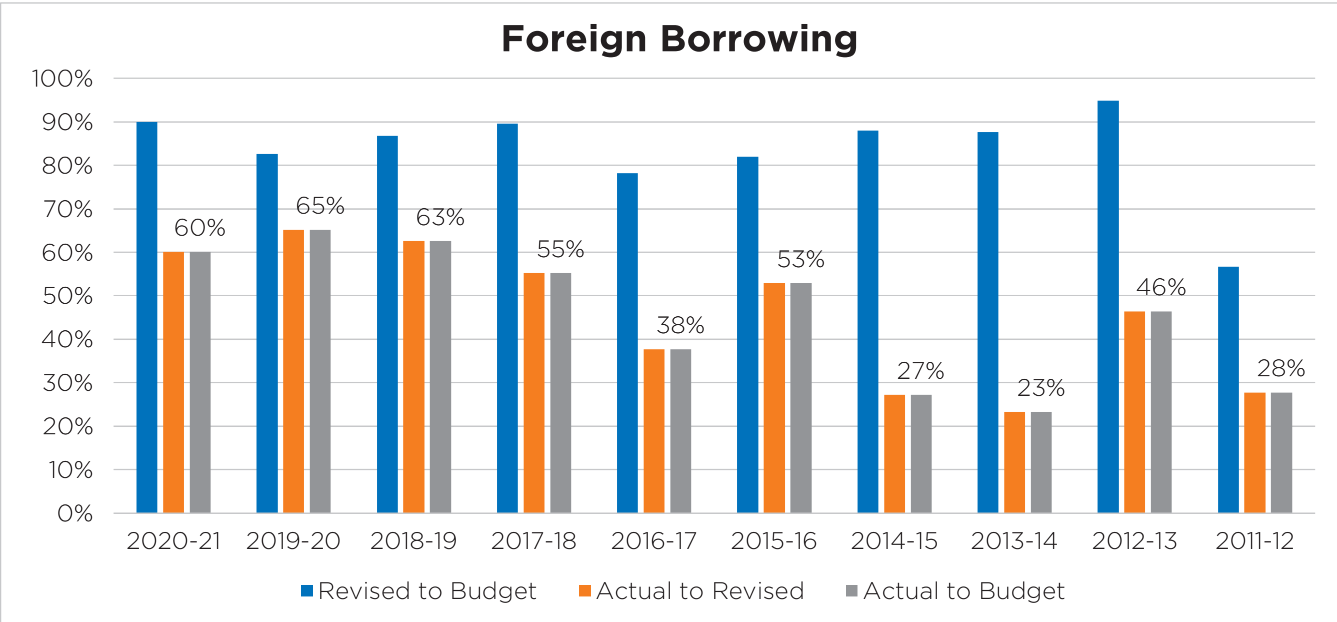

Actual implementation of Total Expenditure hovered around 79%-93%, highest achievement was in 2011-12 and lowest was 2016-17. Besides, Non-Development Expenditure running 81%-99%. On the other hand, Development Expenditure is achieving 79%-88% of Budget.



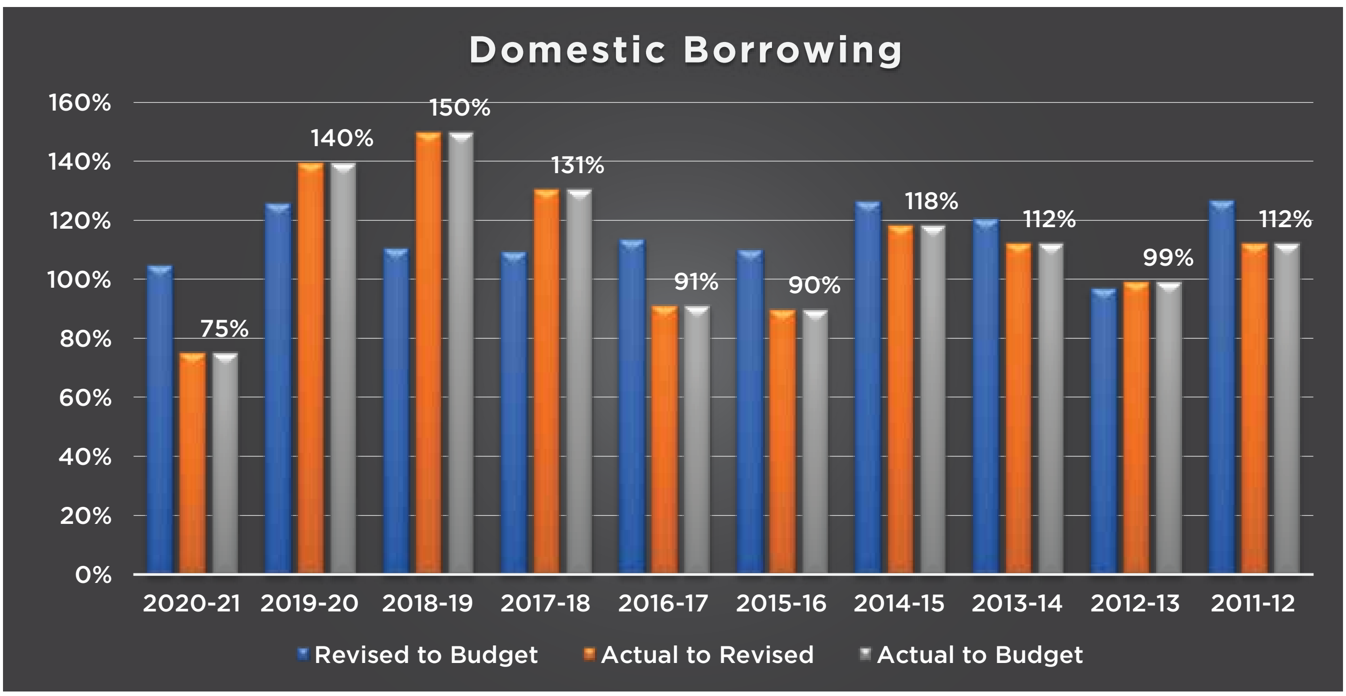



Though achievement of Foreign Borrowing is hovering between 23%-65%, but actual Foreign Borrowing increased at a much higher rate. Actual Foreign Borrowing increased to Tk. 45,708 Crore of 2020-21 from Tk. 3,625 Crore of 2011-12.




Huge fluctuation observed in achievement in Domestic Borrowing, it's hovering around 75% to 150% of Budget in last 10 years.



## Conclusion

We have achieved 81% of target of 2020-21 and increased the target by 12.32% in 2022-23 from 2021-22. On the other hand, our neighboring country, India achieved 115% of target of 2020-21 and increased the target by 13.25% in 2022-23 from 2021-22. Huge gap between budget and implementation affects the overall development outcomes of the Govt. programs as well as quality and credibility of public finance. Selim Raihan, executive director of the South Asian Network on Economic Modeling (SANEM) said "The budget has fallen into a cycle of low revenue collection, low implementation capacity and low spending. This cycle needs to be broken."

We may conclude by uttering the remarkable speech of Finance Minister Mr. Tajuddin Ahmed presented the first budget of Bangladesh "Whatever might be the size of the plan, ultimately its success will be measured by the extent to which it will be implemented. This can only be assured by a massive collective effort of disciplined people."

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# Bangladesh Export Earnings, Wonders Can Happen!

**Masih Malik Chowdhury** FCA

**The Author is a Past President of the Institute of Chartered Accountants of Bangladesh (ICAB) & Founder, Masih Muhith Haque & Co, Chartered Accountants**

The export industries of Bangladesh have been earning increasingly higher FCY (foreign currency) for the country. The government has been very prudently providing the export sector cash incentives on export earnings to boost it up. Different yardsticks have been evolved to remunerate the exporters by the government. The result has been visible, effective, very fruitful and material. The incidences of all these are enshrined in the increasing export proceeds in FCY by Bangladesh. The consequences have been very affirmative and positive in Bangladesh economy. The export earnings including RMG sector of Bangladesh has earned huge volume of FCY reaching an all-time height of over US$ 52 billion in just ended FY 2021-2022.

The exports from Bangladesh saw an impressive soaring by more than 34% to US$ 52.08 billion in FY 2021-2022. This was recently revealed by Export Promotion Bureau. Bangladesh achieved the highest export earnings in just concluded fiscal 2021–2022-year, bravo exporters! The target for export was US$ 43.50 billion. The immediately preceding fiscal 2020-2021 export earnings were US$ 38.76 billion. Effectively it performed a growth of over 34% over last fiscal.

All these happened due to governments promotional measures by way of cash incentives. Indeed, the global image of Bangladesh has improved immensely. This has rendered all importing partners of Bangladesh to lean more to Bangladesh. However, the cost competitiveness & quality of Bangladesh products constitute the main attention of trading partners. This has again rendered Bangladesh products prices affixed in a low-level equilibrium trap. If the trap could be broken, our export prices would have soared to further heights. This would have had a far more positive incidence on the export earnings of Bangladesh.

Another FCY earnings to Bangladesh happen from remittances from Bangladeshi diaspora to their homeland. The World Bank revealed that Bangladesh is the world 7th highest recipient of remittances from expatriate Bangladeshi. In FY 2021 Bangladesh has been the 3rd top recipient of remittances in SE Asia with over US$ 22 billion. The wage earners scheme was initiated way back in 1974 to help Bangladeshi non-resident send their overseas income to home by legal channels. It earned wide popularity & in FY 1974-75 US$ 11.8 million was remitted to Bangladesh. It soared to over US$ 350 million in fiscal 1980-81 and over US$ 750 million in fiscal 1990-91. The ME countries, Malaysia, Singapore, Italy, UK & USA are the major places wherefrom Bangladeshi diaspora remittance takes place at large. The remittances to Bangladesh touched the Billion USD (US$ 1.088) mark in 1993-94 fiscal. And it continues to soar up, consistently.

Last 10 years remittance from Bangladeshi diaspora have been impressively figured below.

| Fiscal | Remittance US$ Billion |
|---|---|
| 2021-22 | 21.037 |
| 2020-21 | 24.780 |
| 2019-20 | 18.205 |
| 2018-19 | 16.419 |
| 2017-18 | 14.981 |
| 2016-17 | 12.769 |
| 2015-16 | 14.931 |
| 2014-15 | 15.316 |
| 2013-14 | 6.772 |
| 2012-13 | 14.461 |

*Source: Wikipedia & Bangladesh Bank, BMET*

The government has of late realised that remittances could be given incentives if it can be diverted to official banking channel into Bangladesh. As such new incentives & policies were offered for rewarding expatriates working abroad on their remittances. An impressive growth of 135.61% workers migration occurred in January - April over prior year 2022 fiscal. Skilled workers export could also largely increase the remittance inflows. Currently about 10 million expatriates are working abroad who are mainly unskilled or semi-skilled.

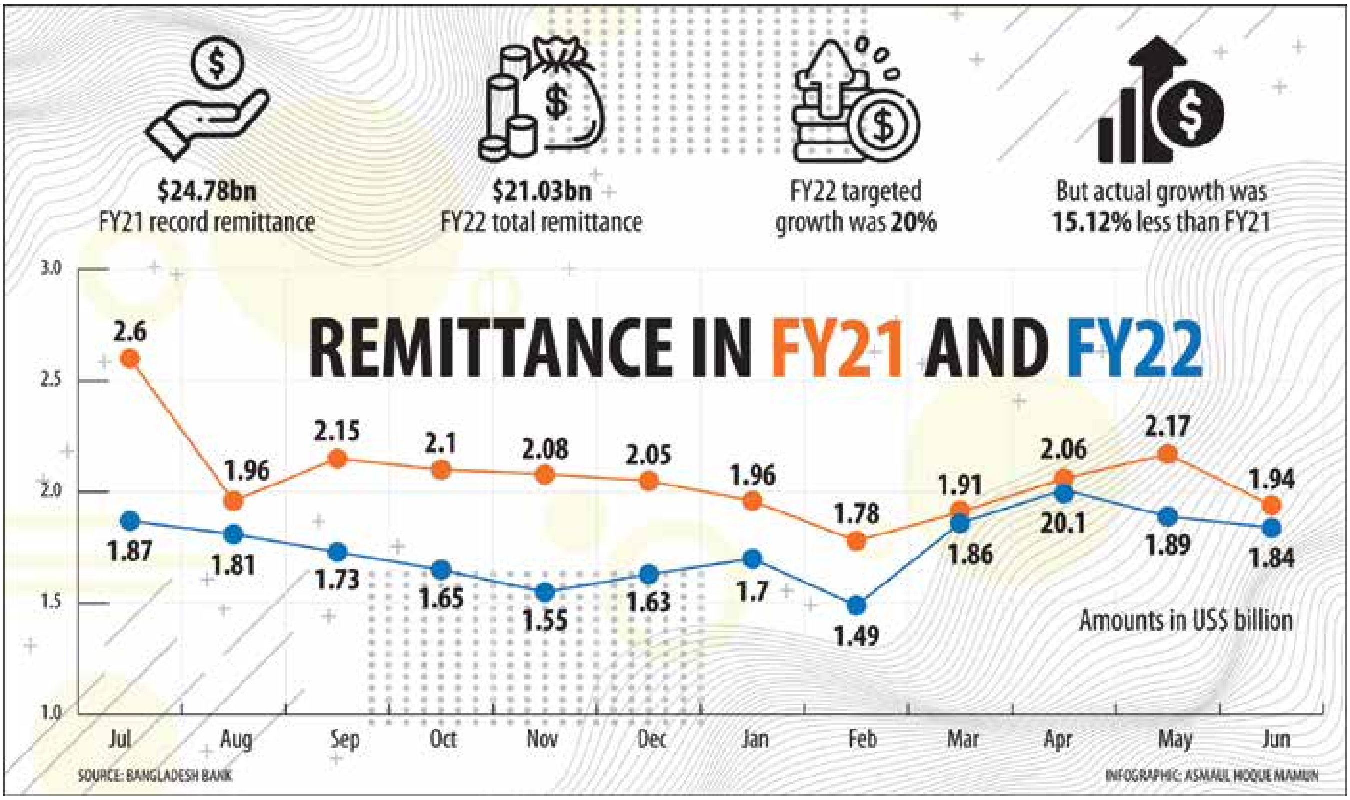
Government of BD is offering Cash Incentives scheme for inward remittances from Bangladeshi diaspora abroad. This is offered to boost use of banking channel. Wage earners working abroad can send

The number of Bangladeshi diasporas in 7 years till fiscal 2021-22 have been as follows:


remittance getting 2% cash incentives upon conversion of it to BDT, within the regulatory guidelines. Inward remittances of Tk. 500,000 or US$ 5,000 do not need to present documents for availing incentives. In the aftermath of COVID-19, FY 2019-2020 affixing Cash Incentives brought a remarkable effect on remittances in FY 2020-2021. The effect of this has been remarkable. However, the current global volatility about USD amidst Ukraine - Russia war, the informal channels have revived to the detriment of Bangladesh economy. This has mainly led to decreased inflow of remittances in FY 2021-22.

Infusing skills in the workers going abroad can immensely increase their remittances to Bangladesh. The recurrent scenario of unskilled manpower employment abroad is in the transformation phase to skilled manpower. The government has also set up skill development institutes & centers to replace unskilled labours by skilled & trained personnel. So the new vista would soon come as a blessing for the nation.

The BPO, Business Process Outsourcing, services are being rendered by many Bangladesh based professionals, firms, companies, & enterprises. Physician. Accountants, Architects & Engineers, Lawyers, Medical Technologists are all rendering such services for overseas employers & investors.




These entrepreneurs from USA, EU & other Asian countries hire large volume of such services. These include online medical service, architectural & engineering consultancies, accountant's Payroll, VAT, Income Tax, due diligence, compliance & regulatory services. The fees are charged in US$, Euro & other foreign currencies These fees are earned through banking channel. These earnings are also augmenting the export earnings of Bangladesh. If tax exemption or cash incentives could be awarded on these fees like remittances many more avenues income could have been evolved. Incentives on fees earned in FCY by tax brackets, cash form or lower tax rates could boost their inflows. Like other FCY inflows BPO earnings should be considered for cash incentive. This is because employment generation are taking place without any government efforts or exposes.

Bangladesh is on to let the world see & feel wonders to happen!

# Are Adverse Economic Conditions Resulting in Exposing Myths of Cryptocurrency?

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## Introduction

Crypto-Currency, due to its decentralized nature, capped (limited supply) like Bitcoin or uncapped (no limit to its creation) like Ethereum was believed largely not to be affected by inflations. This was one of the prime reasons for huge popularity of capped coins like Bitcoin. However, in the recent years, the world has undergone very difficult times. It started with the spreading of Novel Covid-19 at the end of 2019 the result of which was global shutdown and reduction in production. When the impact of the Covid-19 was slowly vanishing, the Russo-Ukrainian War in the year 2022 again resulted in a setback for the world-wide economy. Along-with these two factors, there are multiple other factors which have resulted in increased inflation in many countries. This article will try to find out whether there was any impact of the worldwide events, as mentioned earlier, on the price of Crypto-Currency or the myth that Crypto-Currency, specially the capped ones are inflation-proof, is the reality.

## Crypto-Currency

Cryptocurrency is decentralized computerized currency that depends on blockchain and distributed ledger technology innovation. Dissimilar to any other currency, there is no focal power that oversees and keeps up with the worth of a digital money. All things being equal, these undertakings are comprehensively dispersed among a digital currency's nodes by means of the web. A blockchain is an open, conveyed recording system that records transactions and currency exchanges. Exchanges are kept in "blocks" that are then connected together on a "chain" of past cryptographically sealed money exchanges. With blockchain innovation, each and every individual who participates in this network has their own duplicate copy of this book to make a unified transaction record. Each new exchange as it happens is logged, and each duplicate copy of the blockchain is refreshed all the while with the new data, keeping all records indistinguishable and exact. At present the prime use of cryptocurrency is to invest in it as a store of value, however, there are certain developments of big companies like Microsoft, PayPal, Whole Foods, Starbucks and others accepting Crypto-coins as payment options (Andrew, 2021). Because of the inherent advantages of the crypto-currencies, the usage of crypto-currency is gaining popularity.

## Advantages of Crypto-Currency

One of the major advantages of capped Crypto-currency is that it is in a way inflation-proof. In general, the value of any


currency depreciates when new currency is printed by the government. The government is required to print more money when there are purchase power disparity among the high-income and low-income people. In order to let the lower income people survive the difficult times, the government has to offer different financial supports to them and for these new currencies are printed. Mr. Scott (2021) informed that from 1975 to not long before the COVID-19 pandemic hit in March 2020, the U.S. cash supply has expanded from about $273.4 billion to about $4 trillion. It expanded to about $6.5 trillion last November, generally on account of Covid cash relief planned to keep the economy running. However, for an example, the amount of Bitcoin, one of the most popular Crypto-Currency at present, is capped/ fixed to 21 (Twenty-one) Million bitcoins. This restriction in number would allow to keep the value of the Bitcoin when, theoretically, the global economy will undergo Inflation.

Other advantages of the Crypto-currency include that (GeeksforGeeks, 2022)-

- it exists in a decentralized environment where the influence of any Government or any other Federal/legislative authority is very minimal. Furthermore, the decentralized nature allows the free flow of crypto-currency and no individual can manipulate the value of the crypto-currency so easily.

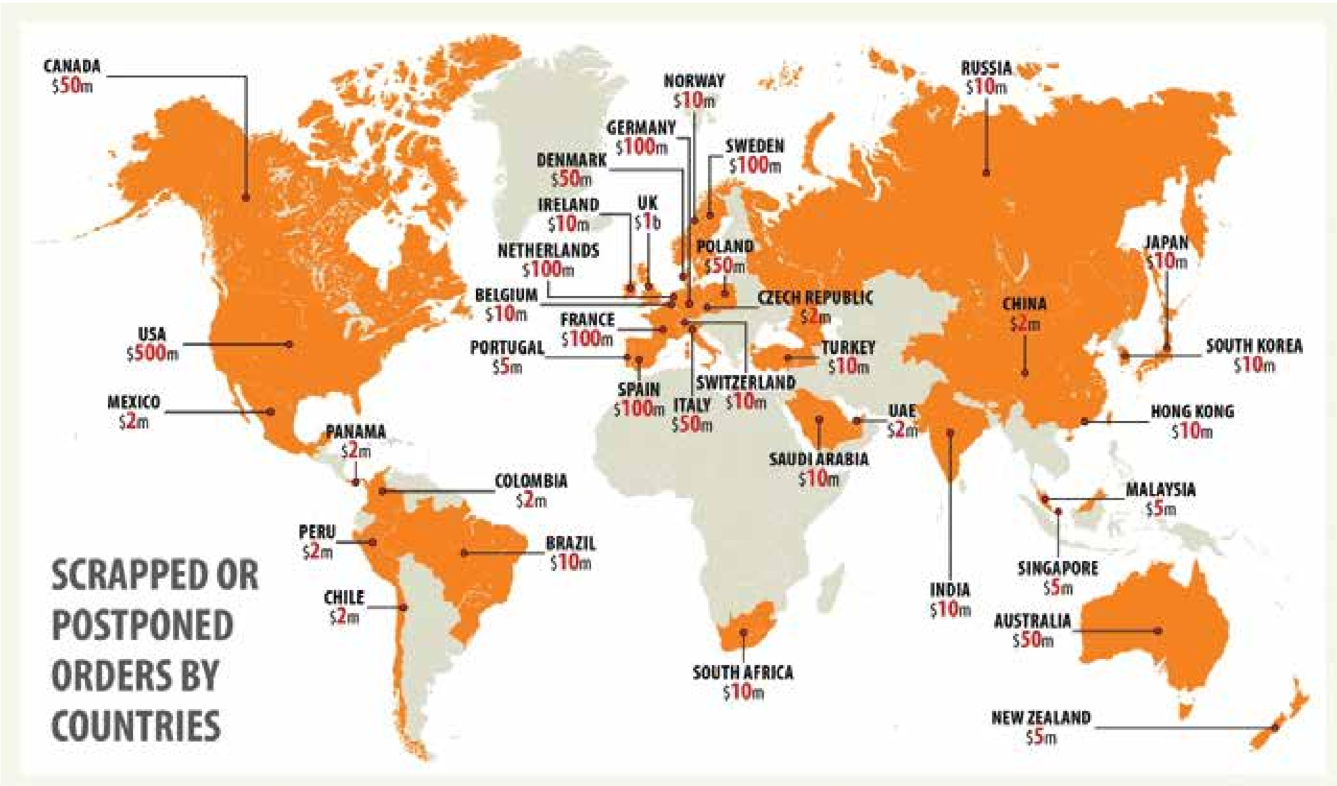
- Blockchain ledgers (using Distributed Ledger Technology) are very difficult to manipulate and therefore are secured. Due to the complicacy of the mathematical puzzles that cover the security, sometimes, when a user loses his/her private key it becomes almost impossible to regain access to his/her cryptocurrencies.

- The transfer of the crypto-currencies is free from limitation of space and time. For example, if someone from United States want to procure a crypto-currency from a holder in Bangladesh, once the transaction is initiated, it will be completed within a few minutes without much involvement of any intermediary like Banks or other institutions. Therefore, people are not required to wait for 2-3 days that they would otherwise do when doing fund transfer through banking channel. Also, as the involvement of traditional banking is minimal, the transaction cost of transferring such fund from one corner of the world to another is also very minimal.

## Present Factors that are Affecting World Economy

### Coronavirus Disease or Covid-19

According to Wikipedia (2022a), Coronavirus disease 2019 (COVID-19) is a contagious disease caused by a virus, the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). A great many people tainted with the infection will encounter gentle to direct respiratory sickness and recuperate without requiring exceptional therapy. In any case, some will turn out to be truly sick and require clinical consideration. More established individuals and those with hidden ailments like cardiovascular infection, diabetes, persistent respiratory sickness, or malignant growth are bound to foster difficult disease. Coronavirus is primarily communicated when individuals take in air defiled by drops/sprayers and little airborne particles containing the infection. Contaminated individuals breathe out those particles as they inhale, talk, hack, wheeze, or sing. According to research performed by Yunfeng, Haiwei and Ren (2021), when the world undergoes pandemics, two types of effects are visible: short-term fiscal impact and long-term economical impact. Similarly, due to the spreading of COVID-19, the world went through increased expenditure in health facilities, arrangement of personal protective materials and supply of anti-biotics and vaccinations to curb-down the growth of the disease. The economical impact of COVID-19 was due to the prolonged shutdown of economical activities to contain the spreading of the disease. According to research by UNIDO (N/A), at least 60 percent of the firms in Bangladesh who participated in the survey expected a 50% decline in revenue in the year 2020 in comparison to 2019. This was expected as the organizations could not enjoy full capacity labor force due to the different restrictions that were imposed by Bangladesh's Government. Coronavirus has sure made some incredible harm the economy of Bangladesh and dialed back the extended pace of GDP development. Export figures have fallen by 15% from the earlier year (2019) because of slump in worldwide demand and cancellation/postponement




of orders for significant products of RMG industry (Sayful and Sabbir, 2021). Sushmita and Zyma (2020) estimated that 1,931 brands bent on shifting $3.7b contagion losses to Bangladesh garment exporters amid the spreading of Novel Covid-19.

### The Russo-Ukrainian War

The Russo-Ukrainian war is an ongoing war between Russia and Ukraine which began in February 2014 when Russian troops moved towards Crimea (a part of Ukraine) with the purpose of capturing the area (Wikipedia, 2022b). The tension between Russia and Ukraine continued over the next few years and in February 2022, Vladimir Putin, President of Russia, released the greatest conflict in Europe since World War Two with the legitimization that cutting edge, Western-inclining Ukraine was a steady danger and Russia couldn't feel "safe, develop and exist" (BBC, 2022). Not going into the details of the war, like any other war, the world has faced and are still facing the dire consequences as an outcome. Ms. Fahmida (2022) had informed that Bangladesh is already feeling the impact of the war in form of reduction in export and increment in import bills as in FY2021, Bangladesh's export to Russia was approx. USD 550 million, and import from Russia was approx. USD 480 million which will definitely be affected by the war. Furthermore, Russia being the 3rd largest oil producing country and as many countries have already sanctioned embargo on trade with Russia, the Oil prices have gone up (Chart: Crude Oil, Trading Economies, 2022). Subsequently, in Bangladesh the prices of gas, fertilizer (Russia


and Belarus provide approximately 40 per cent of the world's potash), and other essentials are also going up. It is also to be mentioned that in 2020, Bangladesh imported $1.28 billion-worth wheat out of which 31.8% from Russia worth $409 million and 23% from Ukraine worth $295 million (AKM Abdullah, James and Hasneen, 2022). Furthermore, if the war continues, it may also hamper the development process in Bangladesh, as Rooppur Nuclear Power Plant (RNPP) project which is scheduled to be completed in 2025, is being implemented by Russia.


## Inflation

Inflation is a measure of the rate of rising prices of goods and services in an economy. If inflation is occurring, leading to higher prices for basic necessities such as food, it can have a negative impact on society. There are various factors that can drive prices or inflation in an economy. Typically, inflation results from an increase in production costs or an increase in demand for products and services. As a result of the spreading of Novel Covid-19 which was followed by the Russian-Ukrainian War, the monthly food price index from the UN's Food and Agriculture Organization (FAO) (Natalie, 2022) reported an increase of 12.6% between February and March to reach the highest level since its inception in 1990. After the world was rescued from the lockdown situation forced by the spreading of Covid-19 with the help of self-distancing, usage of protective gears and implementation of Vaccination, people started to go out and subsequently the demand for food and other items increased. The increase in demand for goods created an upward movement of prices. Furthermore, due to the war some items supply had suffered, as mentioned above, which created a temporary vacuum and it further fueled the upward increase of the prices of goods. Finally, in some cases the companies are not able to increase their productivity all in a sudden because of the way they were affected by the loss of businesses in the past years which included loss of skilled manpower. The scenario in Bangladesh is not also different. Inflation has risen to 7.42 percent last month, up from 4.87 percent a year earlier, while the food inflation rate accelerated to 8.3 percent, according to data published by the Bangladesh Bureau of Statistics (BDNews24.com, 2022).

## Impact of Economical Changes on Crypto-Currency

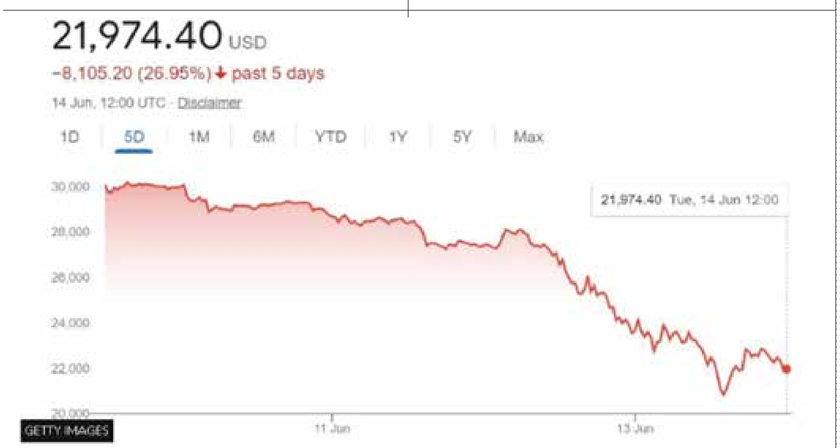
Hadar and Roee (2021) had identified that the price of Bitcoin has increased from $7,300 at the beginning of Covid-19 Pandemic to $ 46,800 on March 2021 (the price increased to $68,000 in November 2021). Not only Bitcoin, but other coins such as Ethereum also exhibited the same trend. One of the prime reasons for increase in the value of the crypto-currency is that even though local banks and financial institutions were kept closed to stop the contamination of Covid-19, the trading of Crypto-Currency was not affected by such closures. Another reason for the price increase of crypto-currency is that during the lockdown situation, many investors had felt that there may be government restrictions or financial implications in post-covid era which would result in decreasing the value of assets being held upon. For example, Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange were closed since March 26 aligned with the government's general holiday aimed at stopping the coronavirus pandemic and resumed their operations from May 31, 2020 (Sunjida and Tanbir, 2020). From the source data of Dhaka Stock Exchange, we can see that the number of trades and total value of the trades were largely affected by the spreading of Covid-19: 81% decrease in number of trades while the value of trades decreased by 33.27%.

The difficulty for cryptos started when China braced down on confidential digital currency

| Month-end Data | DSE | | |
|---|---|---|---|
| | Dec'19 | Mar'20 | Jun'20 |
| Total Trade | 144316 | 26949 | 24223 |
| Total Value (MN) | 5216.489 | 3481.387 | 5557.152 |


exchanging and mining in September last year (thehindubusinessline.com, 2022). Discussion of Indian government wanting to boycott exchanges in confidential digital forms of money towards the end of last year further bothered opinions. However, any such activity by the Governments had not resulted in significant impact on the prices of crypto-currencies.

In true sense, the characteristics of cryptocurrency was truly challenged when, experts, after observing the recent changes in prices of different Crypto-Currencies in 2022, started to gather the opinion that global economic changes such as recession and inflation which are impacting the prices of goods and living costs have similar negative impact on Cryptocurrencies (Zoe, 2022).




For an example, Bitcoin has already gone down by USD 8,000 within a span of 5 days as it was trading below USD 22,000 on 14th June 2022. Among the reasons behind such dip in the price of Bitcoin are the actions taken by two different institutions: Binance through which others invested in Cryptocurrency and Celsius, a crypto lender. Binance had temporarily stopped the withdrawal of cryptocurrencies for few hours citing “Stuck Transactions” while Celsius stated volatile market condition. However, due to such actions, scared investors of Cryptocurrency started to sell more and as a result the price drop increased. As a consequence of this, just like Bitcoin, Ethereum has also dropped to USD 1,075 which is almost 1/5th of its all-time high price (Frances, 2022). Cardano, Polkadot and Dogecoin have also seen double-digit declines. What is more interesting that, according to Mr. Frances, the reason behind nose-drive of prices of Cryptocurrencies can also be attributed to the increase of Inflation in USA to a 40-year high of 8.6%. Furthermore, according to Mackenzie (2022), over 1/3rd of the world-wide crypto investors is from USA. Hence, even though Crypto’s Market cap is very insignificant compared to the GDP of USA, any adverse movement of USA’s economy can have direct impact on Crypto Market. Sadly, the high inflation observed in the USA and looming recession, is certainly impacting the Cryptocurrency market. The above examples have already put doubt among the investors who believed that due to the decentralized nature of the cryptocurrency market and limited supply of some new cryptocurrency, certain capped cryptocurrencies would be inflation-proof.

## Conclusion

Due to the decentralized nature of Cryptocurrencies and the limited supply of the same for capped cryptocurrencies, they ought to exhibit the characteristics of being inflation-proof. During the spread of Novel Covid-19, the price of the cryptocurrencies rose which further improved the image of cryptocurrencies as a valuable asset which is not affected by the adverse economical conditions of the world. However, when different countries have started to feel the pressure of high inflation and started to take different corrective actions for the improvement of economic conditions, we are seeing that instead of being a savior, cryptocurrencies prices are also going down. Hence, price of cryptocurrencies are seen to be correlated to governmental inflation tackling policies of raising interest rates, stock market and economic upheavals and not quite inflation-proof. Therefore, if anyone is interested in investing in cryptocurrency, they should be aware of the correlations as stated above and invest with full risk analysis.

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# Combating Inflation
# in Bangladesh Economy

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> **"Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man"**
>
> *- Ronald Reagan*
> *(February 6, 1911 – June 5, 2004)*
> *40thU.S. President*

The supply chain system of the world has seriously been disrupted during the lockdown days of pandemic. The effect of business slowed own is prolonged and continues till today. Price of commodities and industrial raw materials, gas and oil upsurged significantly since 2020. On top of that, availability of these goods is becoming a nightmare. Global transportation and logistics companies are struggling to handle cargo shipment schedule. Experts do not have any idea about the day to bring back normalcy. All these unfavorable situations became more critical and unprecedented in the wake of Russia-Ukraine war. So, the global financial outlook is very dicey and gloomy.

In this backdrop, the national budget of Bangladesh has been presented and approved in the Parliament. The main challenge for the growing economy of Bangladesh is to attract and obtain fresh private investments and generation of employment. Continuous devaluation of local currency against US Dollar since July 2021 (7.9%) amid significant trade deficit creating acute pressure on the demand of US dollar which is pushing the price of US Dollar up. Till 2nd June 2022, Bangladesh Bank devalued Bangladeshi Taka eight times in the current financial year. Despite injecting USD 6.08 Billion by Bangladesh Bank during July 21 to May 22, the conversion rate of 1 USD against BDT in curb market exceeded 100. Since Bangladesh is an import dependent country, these factors are fueling inflation and expected to exceed the target inflation rate of 5.6 percent during FY 2022-23.

Bangladesh is a Country of endless potentials to make it a preferred destination for investments. To tap the opportunities, various initiatives were taken through this National Budget. To reduce the dependence on foreign sources of funds for the sustainable development of Bangladesh, there is no alterative of collection of revenue. Performance in achieving revenue target has been highly impressive even amid slow growth of the economy due to pandemic. The growth rate in Tax Revenue during 2021-22 is estimated to be 28.62% while it has been budgeted as 12.14% in 2022-23. The benefit from new Value Added Tax (VAT) law yet to be harvested due to the delay in integrating all platforms with VAT systems. Moreover, both tax payers and collectors are required to be oriented with the new law. In case of Direct tax, the threshold level of Taxable Income remains same though

Government recognized inflation rate as 5.8 percent. This is going to squeeze the disposable income of marginal taxpayer and thus it will impact poverty level. However, the upside of this decision will contract the supply of money into the economy. In order to manage the budget deficit (5.5% of GDP), BDT 1 trillion will be borrowed by Government from banking system. This will curb the inflation rate while this will surely impede the flow of fund towards private investment.

Though the official rate is hovering 5.5-6.1 percent for food and non-food inflation, the report of Trading Corporation of Bangladesh (state owned organization) on the price of essentials exhibits higher level of inflation. The low-income earners are struggling to manage their basic needs in the wake of high inflationary pressure. Government is selling essentials through open market selling program to keep the products available for them. An amount of BDT 1.13 trillion has been proposed for social safety net which is 5% higher than last year. This will allow low and fixed-income people to combat inflation and survive.

The buying pressure of USD reduced the FOREX Reserve from USD 48 billion to USD 42 billion in FY 2021-22. With this reduction in reserve, the country's capacity to pay imports bills declined. As a result, it is now capable to pay import bills for around six months while it was capable to pay more than nine months earlier. Such decline is giving an alarm bell to the Government. This is motivating them in discouraging import particularly non-essential products to ease the pressure on FOREX Reserve and curb "imported inflation".

Recently, Bangladesh Bank instructed banks to take up to 75 percent of payments in advance (also known as "LC margin") from businesses during opening of letters of credit for import of luxury and non-essential goods. Government has raised repo rate from 4.75 to 5 percent to sweep more money from market to contract the supply of money. As a part of continuous effort to control interbank foreign exchange rate and reduce the "heat" in Bangladesh FOREX market, Central Bank again depreciated the exchange rate by BDT 0.90 and refixed it at BDT 89.90 on June 2, 2022.But the actual conversion rate among the banks to settle import bills was ranging from BDT 91-94. However, on 27th June 2022, Inter-bank exchange rate was BDT 92.95 against 1 USD, as per the official website of Bangladesh Bank. Upward trend of USD in interbank FOREX market will make imported goods more expensive and motivate inflation.

With an objective to improve the foreign currency reserve, Government will continue to incentivize Bangladeshi workers working abroad and remove the barriers in sending their earnings to Bangladesh. On the other hand, many Bangladeshis siphoned off undisclosed, untaxed money outside Bangladesh specially to "tax heavens". A class of people earned and acquired assets outside Bangladesh which also

required to be mainstreamed into Bangladesh economy. Hence, Government has declared conditional "amnesty" for such assets owners if they bring these properties back to Bangladesh. Though this kind of initiative is not ethically justifiable and were not very effective in previous days, we believe this will be impactful in future.

Lending rate of the Banks are stable at 9% since April 2020. The deposit growth rate dropped to 9.05 per cent in March'22 when the growth rate of credit to the private sector reached 11.29 per cent after being on the declining trend since the outbreak of corona virus to plunge to 7.55 per cent in May 2021 (10th May 2022, The New Age). Since the inflation rate is higher than bank's deposit return rate, Banks will see further decline in deposit. As a result, lending rate may go up due to the gap between demand and supply of money available for lending. Hence, Central Bank should not make lender's money costlier right now as a weapon to curb inflation rate and should continue the current lending rate to keep private investment growth and employment generation unaffected.

Inflation has been registered at alarming rate in almost all economies of the world including the United States and the United Kingdom where IMF projected the average inflation rate in 2022 as 7.68 percent and 7.41 percent respectively. Most of the countries in Asia are also experiencing and projecting significant inflation in their economy. So, Bangladesh Government and its large population need to adjust themselves with this situation, take pre-emptive measures to keep the risk at minimal level and continue the ongoing progress of the country. Contaminating "panic" will deepen the crisis and end up with the distortion of social and fiscal sustainability.

## Current Inflation Rate of Bangladesh

| Rate of inflation (as measured by CPI, base 2005-06 | May'22 | April'22 | May'21 |
|---|---|---|---|
| Monthly average (twelve month) | 5.99% | 5.81% | 5.59% |
| Point to point | 7.42% | 6.29% | 5.26% |

*Source: Bangladesh Bank Website, date: 27th June 2022*

# Lankan Economic Woes: Whither Bangladesh?

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## Summary

The administration of economic activity, prudent macroeconomic management, efficient resource management, curbing unnecessary spending and careful accounting are of paramount importance in the case of any country. Indicators like delivery of goods and services, adequate revenue collection, proper distribution of wealth, education, adequate research and development say it all about a country's overall position in the comity of nations. All these things are duly done with due diligence only through ensuring good governance. There is no denying the importance of strong economic management. Sri Lanka's current economic crisis is a case in point here. The unfolding Sri Lankan economic crisis is a cautionary signal for Bangladesh as a developing nation. We have seen and are still seeing Colombo crying out calling for the global community to help it out of this pandemonium, this watershed moment, this economic Armageddon of biblical proportions. This crisis offers some important lessons for Bangladesh and its developing counterparts in the region. The aim of this write-up is to highlight the current Sri Lankan economic crisis, its impacts in Sri Lanka and beyond. This scribe has made an endeavour to bring to light how this Lankan crisis becomes a salutary reminder for Bangladesh with a view to suggesting plausible emancipation from such pernicious effects.


## Introduction

Once touted to be the Singapore of South Asia, the country with a 100-percent literacy rate and a per-capita income of $4,000 has now become a loan defaulter. This fairyland of 22 million people has been passing through a period of political unrest amid this unprecedented economic crisis for inefficient management. The Lankan crisis reflects badly on the government's policies that show a remarkable lack of foresight. Before going into details, this article attempts to find the whys and wherefores of this crisis, debt burden, status of foreign-exchange reserves, impact on ordinary Lankans and the way out of this crisis. Sri Lanka has defaulted on multi-million-dollar foreign debt, amplifying the nation's worst economic crisis since its attainment of self-rule and sovereignty in 1948. The rot began when Sri Lanka failed to pay $78m in debt interest payments this year, prompting two credit-rating agencies to declare its bankruptcy. Any default can seriously erode investors' confidence in a country, making it harder for it to borrow money on international markets and threatening the value of its currency. Sri Lanka faced the same fate.

Problems have turned so acute in resource-strapped and cash-starved Sri Lanka that national consumption has hit rock bottom–students cannot sit exams for lack of writing paper, cars cannot ply for want of fuel, let alone the debilitating power cuts for at least 13 hours. Foreign-currency reserves have almost run out as Sri Lankans have protested rising food costs and acute fuel shortages. Popular anger for this economic crisis has been directed at the ruling Rajapaksa clan. The long-held family politics of President Gotabaya Rajapaksa and his ousted brother, Mahinda Rajapaksa, whom he appointed to be prime minister, are responsible for this crisis in decades after the neutralising rebel insurgency like LTTE. Mr Gotabaya, however, had to yield to widespread protests and sacked Mr Mahinda in May. The new prime minister, septuagenarian Ranil Wickremesinghe, has vowed to rid his country of this crunch time. He is out to find hefty foreign funds to pay for essential imports like fuel.

## Genesis of Lankan Economic Depression

The sixty-four-thousand-dollar question is how Sri Lanka got here today. Critics say the roots of the crisis, the worst in several decades, lie in economic mismanagement by successive governments that created and sustained a twin deficit – a budget shortfall alongside a current account deficit. Sri Lanka is a classic twin-deficit economy, said a 2019 Asian Development Bank working paper. “Twin deficits signal that a country’s national expenditure exceeds its national income, and that its production of tradable goods and services is inadequate.” But the current crisis was accelerated by deep tax cuts promised by Rajapaksa during a 2019 election campaign. With the tourism industry and foreign workers’ remittances sapped by the Covid-19 pandemic, credit ratings agencies moved to downgrade Sri Lanka in the international capital markets. In turn, Sri Lanka’s debt management programme derailed and foreign-exchange reserves plummeted by almost 70 percent in two years.

Worst economic meltdown: Sri Lanka has already sunk in the worst economic depression in its history. Question arises as to what led it into this cataclysmic crisis. Sri Lanka was a fast-growing economy among its regional peers in many social indicators. Then why did Sri Lanka default on its debt and why is its economy in a deeper crisis? The answer is not so far to seek. Sri Lanka’s foreign-currency reserves have run so dry that it can no longer afford to pay for imports of staple foods and fuel. Colombo blames the pandemic for hitting hard its tourist trade, a major GDP booster. Even tourists have been frightened off by a series of deadly bomb attacks on churches in 2019. However, many experts say economic mismanagement is to blame. Sri Lanka reached such a devastating situation, thanks to its wrong economic policies and mismanagement by the present and past dynastic regimes. Thousands of jobs are lost amid this economic recession. As jobless workers moved to agriculture for subsistence, Sri Lanka declared a plan to become 100-percent organic


and banned inorganic fertiliser imports. The rot started to begin shortly thereafter.

Paltry forex reserves: At the end of 2019, Sri Lanka had $7.6 billion in foreign currency reserves. By March 2020, its reserves had dwindled to $1.93 billion and recently the government said this figure had fallen to just $50 million. A severe shortage of foreign currency has left the Rajapaksa government unable to pay for essential imports, including fuel. For months, Sri Lanka has lacked the foreign currency to buy all that it needs from abroad. Anger against Mr Gotabaya's handling of a deepening economic crisis in the island nation spiralled into violent clashes with police for days. Ordinary Sri Lankans are also dealing with shortages and soaring inflation as the country steeply devalued its currency. This contractionary fiscal policy affects people. Shortages of food and fuel have caused prices to soar. Inflation now runs at 30%. The government is now so short of funds that it prints money to pay salaries. But this will lead to a further hike in prices. There have been power cuts, and a lack of medicines has brought the health system to the verge of collapse.

Rat race with mega projects: The rotationally ruling regimes in Sri Lanka undertook dozens of overambitious projects, including the development of Mattala Rajapaksa International Airport, Hambantota Port and Colombo Port City, amid poor economic activity. This over-ambition is another reason for Sri Lanka's submersion into the economic crisis. The undertaking of such big, big projects led to Colombo's reliance on external debt. To execute these long-term schemes, the successive governments in Sri Lanka had to take out high-interest foreign loans which have now reached more than 100 percent of the gross domestic product (GDP) of the country. The problem arises when the island nation goes to repay the huge borrowed money and finance the current-account deficit.

Scourge of coronavirus pandemic: The Covid-19 pandemic is yet another reason for the emergence of this economic crisis. Coronavirus has had its deep bite into the entire scenic Sri Lankan landscape. The country's lucrative tourism industry and foreign workers' remittances have been sapped by the powerful pathogen. The novel coronavirus affected Sri Lanka's tourism sector badly. Tourism is an important foreign-exchange earner of the country. Tourism revenues fell sharply from $7.5 billion in 2019 to $2.8 billion in 2020. The pandemic and its resultant lockdowns have made working people suffer a lot.

## Impacts of the Crisis

Ballooning foreign debt: Sri Lanka owes $51 billion to foreign creditors and the debt burden has crossed the per-capita income of its citizens and the payment of annual debt servicing. This ever-increasing foreign debt, cuts in remittance, low foreign-exchange reserves, high inflation, shortages of food, fuel, medicine and essential commodities and long hours of load-shedding made public life a misery. Sri Lanka is currently saddled with $51 billion foreign debt. But no bailout of the crisis

is in sight yet. Sri Lanka now cries for the world to come forward to its rescue from its sinking, or its sunken if not exaggerated, economy.

Resources crunch and state bankruptcy: Sri Lankan economy has squeezed for lack of foreign currencies, poor remittance and other sources of income. It struggles to import and pay for essential commodities. Even the government postpones school exams due to paper shortages. Hospitals run out of medicines. A plethora of other factors also contribute to this ill fate. Once a promising developing country, Sri Lanka is now bankrupt because of the unusual debt burden. This very impact of loans has eventually led the government to lease out the Hambantota Port to a Chinese company for 99 years so as to generate adequate returns for repayment of debts. This is not the end. A Pandora's box of similar crises has just opened.

Poor utility services and public sufferings: The impact of the crisis on Sri Lankans has been devastating. The crisis has turned their daily lives into an endless cycle of waiting in lines for essential goods. Many of the basic commodities are rationed there. In recent weeks, many shops have been forced to shut because they cannot run fridges, air-conditioners or fans due to an acute shortage of electricity. Sri Lanka has been going through a period of chaos as things are not going in an ordered way. Security personnel are struggling to calm the agitating public who are out on streets to keep everything to reverse this ongoing crisis. Their mass protest has led to the dismantling of the Rajapaksa government in order to form a new government.

Casualty of inorganic-organic fight: Sri Lanka has become a casualty of a botched shift from its inorganic food to organic one. The government's desperate and prompt ban on the import of inorganic fertilisers and synthetic pesticides without providing alternative sources of organic fertilisers and pesticides at home hits agriculture hard. The production of rice, which is the staple food in Sri Lanka, and tea, a major foreign-exchange earner, were affected very badly along with other agricultural products, and food security.

Political dynasty: Another crux of the crisis in Sri Lanka is the outgrowth of family politics. The latest crisis tells the tale of the rise and fall of a powerful political dynasty that has ultimately brought the island nation to its knees. Dynastic politics has led to serious crony capitalism in the island nation with the Rajapaksa clan governing the people for decades. Four brothers from the Rajapaksa dynasty held the presidency and the prime minister's office as well as other positions of power in the government. This bedroom politics tilts heavily towards today's economic shocks. An economic crisis of their own making has led to their downfall.


But analysts familiar with the Lanka culture of dynastic patronage are not ready to write off the Rajapaksas as a political force as they think the Rajapaksa brand still sells among the Sinhalese. Another is the Bandaranaike dynasty that has not been in power for years.

## How Colombo Prepares to Repay Debt

Sri Lanka says it cannot pay them as it requires $7.0 billion for debt servicing this year. The government has chalked up a plan to fix the crisis. For this, the government has sought emergency bridging loans of $3 billion from the International Monetary Fund (IMF), but the lender attaches a condition of any loan: the government must raise interest rates and taxes. The World Bank has agreed to lend Sri Lanka $600 million. India has committed $1.9 billion and may lend an additional $1.5 billion for imports. It has also sent 65,000 tonnes of fertiliser and 400,000 tonnes of fuel, with more fuel shipments expected later in May. The G7 group of leading industrial countries–Canada, France, Germany, Italy, Japan, UK and the US–have said they will provide help to Sri Lanka in securing debt relief. Sri Lanka owes $6.5 billion to China and the two are in talks on how to restructure the debt.

## Global Economic Growth Status

The June 2022 World Bank report shows stagflation risk rises amid sharp slowdown in growth as the Russia-Ukraine war causes higher inflation and tighter financial conditions. This slowdown raises the risk of stagflation, with potentially harmful consequences for middle- and low-income economies alike. Global growth is expected to slump from 5.7 percent in 2021 to 2.9 percent in 2022. It is expected to hover around that pace over 2023-24, as the war in Ukraine disrupts activity, investment, and trade in the near term, pent-up demand fades, and fiscal and monetary policy accommodation is withdrawn. In South Asia, the GDP growth is projected to slow to 6.8 percent in 2022 and 5.8 percent in 2023, whereas Bangladesh is projected to pick up to 6.7 percent in FY23 against 6.4 percent in FY22.

## Perspective Bangladesh: Lessons and Guideline

State of BD economy: Like its neighbouring, regional and global peers, Bangladesh is currently seeing an economic stagflation because of stagnation and inflation, meaning price rises of essential commodities and staggered growth in employment. This sluggishness, this continual oscillation between growth and recession has made the economic system a pure Alice in Wonderland at the moment. Even before the outbreak of the pandemic Covid-19, economists were ecstatic and tagged Bangladesh with value-laden terms like an economic success story, an economic bull case, an economic case study, an economic standout star or an economic miracle for its impressive track record for growth and development.

Economy has soared aggressively since 1980. Bangladesh is seen by many in

development parlance as an economic miracle, a bull case, a case study, a success story or a standout star for an impressive track record for economic/GDP growth over the decades. Garment is the cash cow of our export economy. Highest foreign-currency earner garment industry, migrants' remittance and manufacturing boom have made it to join the ranks of middle-income states. This rapid economic expansion will gather pace to hit robust growth as the country is courting foreign firms to a network of 100 special economic zones. This is a developing story. But the striking growth pace halted due to the emergence of coronavirus. The strength of Bangladesh's economy is now globally recognised as it has shown great resilience even during the pandemic. PM Sheikh Hasina once said, "Bangabandhu laid the foundation of a prosperous Bangladesh on the ashes of the war-ravaged country in 1972. I've taken over his unfinished work of realising his dream of a golden Bangladesh free of poverty, exploitation and economic disparity."

Inflationary pressure: Like the Lankan crisis, inflation has had its socio-economic repercussions on Bangladesh also. Food and non-food inflation is nudging. The economic shambles in Sri Lanka is a forewarning for developing Bangladesh and its developing peers in the region. It carries some lessons for them. Economic sages and policy wonks in Bangladesh have alerted the government authorities to the domino effect of foreign loans when the amount crosses the per-capita income of the citizens and the payment of annual debt servicing amid the ever-increasing inflation and price spirals of food and non-food items. They suggest that the government save dollars and maintain austerity in this crisis situation. Bangladesh unveiled the 2022-23 national budget and its total size amounts to Tk 6.78 trillion, which is GDP's 15.2 percent. Economists showed a mixed bag of reaction: Some hailed it as promising with missing assurances while others touted it as overambitious and challenging to fully address problems.

Political freedom: The worst Sri Lankan economic woes in its history offer some important lessons for Bangladesh and other developing countries. Economics and politics are interlinked and influence each other. As suggested by Nobel-laureate economist Milton Friedman, political freedom is fundamental for economic freedom. Concentration of power into a single family is risky for a country. Decision-making power should be distributed at different levels and the process be made transparent and democratic.

Best use of resources: Domestic resources should be invested in such a way that generates maximum benefits for society. Making investments that are not economically viable can weaken the economy and increase the risk of eroding social and political stability as happened in Sri Lanka in recent times. Despite repeated warnings from economists, Bangladesh has not taken any major stride toward diversification of its export basket. New markets should be


found for a basket of its diversified products alongside apparel. The economic crisis in Sri Lanka once again gives a reminder that diversification is a necessity, not an option. It tells us of the importance of export diversification.

Lowering foreign debt burden: Overdependence on foreign debt can make a country highly vulnerable to the dominance of other powers on its sovereign territory. It crumbles to nothingness in the long run and virtually becomes a vassal state as other countries get ample scope to control it culturally, economically and politically. Therefore, reliance on foreign loans should be lowered and internal resources be well-managed.

Homework before projects: Bangladesh should burn midnight's oil before taking any public policy decisions and choices through analysis involving stakeholders. Calculation should be made when picking projects and making investment decisions. In other words, projects should be undertaken considering their economic viability. An important message for Bangladesh is that no country can go for a pipedream. Everything should be in a well-thought-out plan.

Depletion of dollar reserves: Bangladesh's foreign-currency reserves dwindled and fell to almost $41 billion from $48 billion in early June 2022 in months for higher imports than exports and poor remittance from expatriates. It is feared that the greenback may fall by another $4.0 billion in the coming months. If the current trend of higher imports continues and the country fails to bridge the gap with remittance, the reserves will start to deplete. When the reserves reach risky levels, the value of taka will fall too. In such a situation, the economy will cruise through uncharted waters and commodity prices will rise. So, careful steps are needed immediately to avoid walking a tightrope.

Wake-up call: Socio-economic analysts, economic sages and prophets, however, presage that Bangladesh will not suffer a similar fate like Sri Lanka. But they say the Lankan debacle carries with it a laundry list of tasks to be done by Bangladesh. Bangladesh is in a more comfortable position than Sri Lanka. Dhaka faces no imminent danger, but it too has embarked on multiple white-elephant projects bankrolled by foreign debt. Rooppur nuclear power plant is a classic case here. Doomsters say Bangladesh has taken out a $12-billion loan from Russia to implement the project that has a meagre 2,400-megawatt production capacity.

## Conclusions

Sri Lanka is really in dire straits for mismanagement and imprudent policy decisions. The causes and effects of the Sri Lankan economic debacle are a saga of its long economic and policy misconceptions. The once fast-developing Sri Lanka is thrown into a heap of scrap for the fault of its own kingmakers. It collapses for their unwise decision. Reliance on external debt, fall in foreign remittance, the outbreak of coronavirus and the resultant downturn in tourist numbers have mainly eaten into the vitals of the Lankan economy. Ordinary Sri Lankans are dealing with utility shortages and galloping inflation. They are held hostage by a cabal of state players and the coterie interests who paid no heed to the forewarnings and premonitions of the local economists, independent observers and analysts of an imminent danger facing the country economically. The rest is history. Sri Lanka is impoverished now. All commodity prices have risen in recent months. Sri Lanka is unable to put a lid on the runway inflation as things have gone out of its control.

Although Bangladesh's economy is performing well, the Lankan crisis clearly signals our policymakers to evaluate mega projects before onboarding them. Projects that are economically unfeasible should not be ditched. Sri Lanka ignored the suggestions of their economists and it failed to diversify the export product base. With diversification, skill development is essential for macro-economy. Austere economic measures must be in place to keep the economy stable as there is no room for complacency. The government's five-year plan should be a well-thought-out blueprint for socio-economic growth. Efficient management of the fast-depleting resources should be the prime concern of Bangladesh as a developing country and Sri Lanka's peer in South Asia. Bangladesh should focus more on export than import to save foreign currencies, cut dependence on foreign debt and monitor the domestic market to keep it stable for consumers. In sum, Bangladesh also has a huge amount of internal debt. It must control itself from taking local and foreign loans and random projects. Otherwise, it too may reach Sri Lanka's situation within four to five years. Dhaka must take the lesson from the Colombo crisis.

Like Colombo, Dhaka should also be on an economy drive at home by trying to avoid waste and spending as little forex as possible. The government is on alert and doing everything possible to goose the economy along, to rev up its wheels. However, another panic is the protracted Russia-Ukraine war, which has made the global commodity market volatile. This is high time for Bangladesh to turn to agriculture and other sub-sectors for highest national productivity.

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(Leading local dailies also contributed to making this article informative with facts and figures.)

# Optimising HR Utilisation By Fiscal and Monetary Policies: Bangladesh Perspective

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## Introduction

The recurrent thoughts on development issues is going through a major intellectual and policy transformation. The backdrop of this change of mindset is the mission of economic uplift and poverty reduction in the road of sustainable growth. There's also a desideratum to put optimal use of human resources at the center of fiscal and monetary policies to ensure that growth is inclusive and creates productive employment and decent jobs. Employment generation has become the most essential demand of the developed and developing countries around the globe.

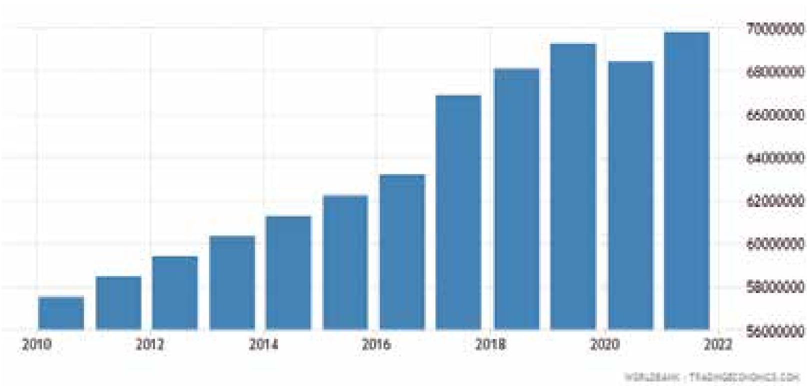
Bangladesh has about 168 million people. Natural resources are scarce. Bangladesh needs to transform its 168 million people into HR, the "prime natural resources". This requires the country to optimize its population by turning them into HR. "More than 50 percent of our population is young, which is not more than 20-25 percent in the developed world. More than 2.0 million people are entering into our labor market every year. This means we need to create employment opportunities for the new entrants" so said by the Finance Minister of Bangladesh in his FY 2021-22 Budget speech. South Korea, Singapore and Taiwan are examples where development and economic self-sufficiency have been achieved by proper utilization of their human resources. If they can, why can't Bangladesh? Optimum utilization of human resources of Bangladesh is the prime demand of the time to be kept in the top-most priority list in our fiscal and monetary policies.

## A Fast-Increasing Population

The population of Bangladesh was around 29 million people in 1900. By 1950 it had reached to 38 million. But population scenario has changed in between 1950 and 2000. The population of Bangladesh increased with 92 million people to 130 million corresponding to a 341 percent increase. As on 31st May 2022 the population size of Bangladesh stood at 167.72 million. Its population density is 1,290 per square kilometer. Once overpopulation was considered as an "economic chagrin'' but in the 21st century it has been proved by the industrially developed countries that population is very vital and sin qua non for economic uplift.

## Aging of the Working People of Bangladesh

Bangladesh has a fairly young population with 34 percent aged 15 and younger and just five percent aged 65 and older. At present, more than 65 percent population of Bangladesh is of working age, between 15 and 64. Bangladesh is in a very favorable position




having 65% of its population are in working age (between 15 to 64). Labor force, total in Bangladesh was reported at 69,816,252 in 2021, according to the World Bank collection of development indicators, compiled from officially recognized sources. (Bangladesh - Labor force, total - actual values, historical data, forecasts and projections were sourced from the World Bank on May of 2022).

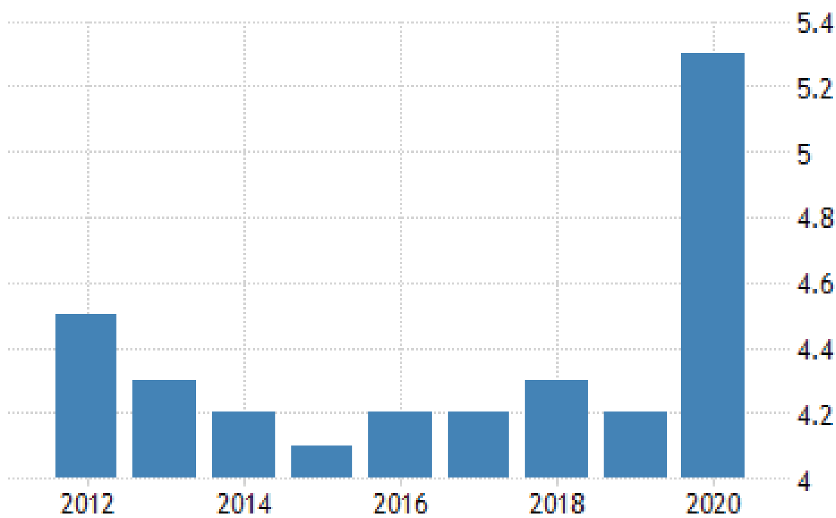
Labor force is composed of people ages 15 and older who supply labor for the production of goods and services during a specified period. It includes people who are currently employed and people who are unemployed but seeking work as well as first-time job-seekers. Not everyone who works is included, however, unpaid workers, family workers, and students are often omitted, and some countries don't count members of the armed forces. Labor force size tends to vary during the year as seasonal workers enter and leave the job market.

## Unemployment in Bangladesh

About 3.6 million people in Bangladesh are expected to remain unemployed this year, surpassing the pre-pandemic level by half a million, according to a report by the International Labor Organization (ILO). The country's unemployment rate will likely remain at 5% in 2022, higher than the pre-pandemic level by 0.6%. In the long-term, the Bangladesh unemployment rate is projected to trend around 5.40 percent in 2022 and 4.70 percent in 2023, according to various econometric models.

### Trading Economics- Bangladesh Trading Unemployment Rate 2021 Data

Since its independence, Bangladesh has made steady progress in various socio-economic matrices including stable GDP growth of 6% to 7%. Despite such improvements, unemployment remains one of the major policy challenges in the country. ILO ranked Bangladesh second out of 28 countries in 2018 in the Asia-Pacific region for having the highest level of educated unemployment rate. In its publication titled Asia-Pacific Employment and Social Outlook 2018, ILO reported that the rate of youth unemployment had doubled between 2010 and 2017.



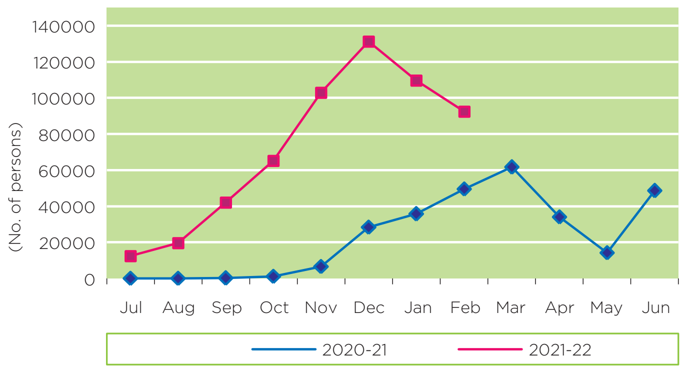
Secondly the growth of the job market is inadequate compared to the supply of fresh graduates every year. The reason is insufficient investments in both the public and private sectors. Investment into the private sector had been stagnant, at around 22 to 23 percent of GDP for some time. Moreover, insufficient diversification in the manufacturing sector also contributes to low employment creation. Bangladesh ranks 168th in the "ease of doing business" index among 190 economies, according to data from 2020, which doesn't portend well for the flow of foreign direct investment (FDI) and local investment.

## Decreasing Manpower Exports and Remittances

The overseas employment opportunities for Bangladeshi workers are diminishing according to the reports

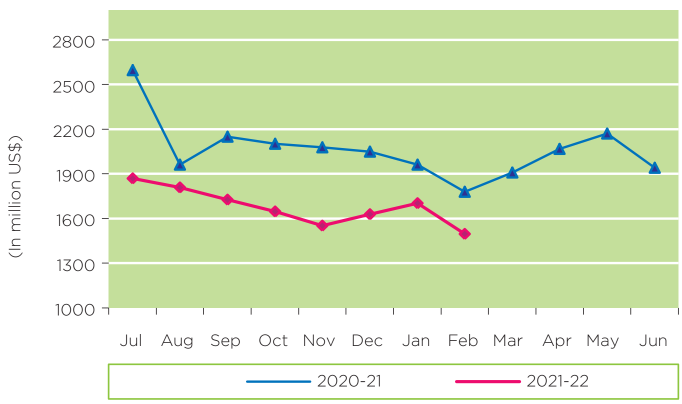
### Manpower Exports

In Feb'22 there were 92569 persons who had gone abroad on employment. This number is lower than the number of persons who went abroad on employment in Jan'22 by 17129 (15.61%). During Jul'21-Feb'22 the manpower exports of the country increased by 453966 (373.04%) persons compared to that of the same period of last year (figure-11, table-XVIII, page-83).




### Workers' Remittances

Workers' remittances received from the Bangladeshi nationals working abroad decreased by US$ 208.44 million (12.23%) in Feb'22 from US$ 1704.53 million in Jan'22. Workers' remittance in Feb'22 is recorded US$ 1496.09 million. During Jul'21-Feb'22 workers' remittances decreased by US$ 3247.10 million (19.46%) compared to that of the same period of the last year (figure -12, table-XVIII, page-83).

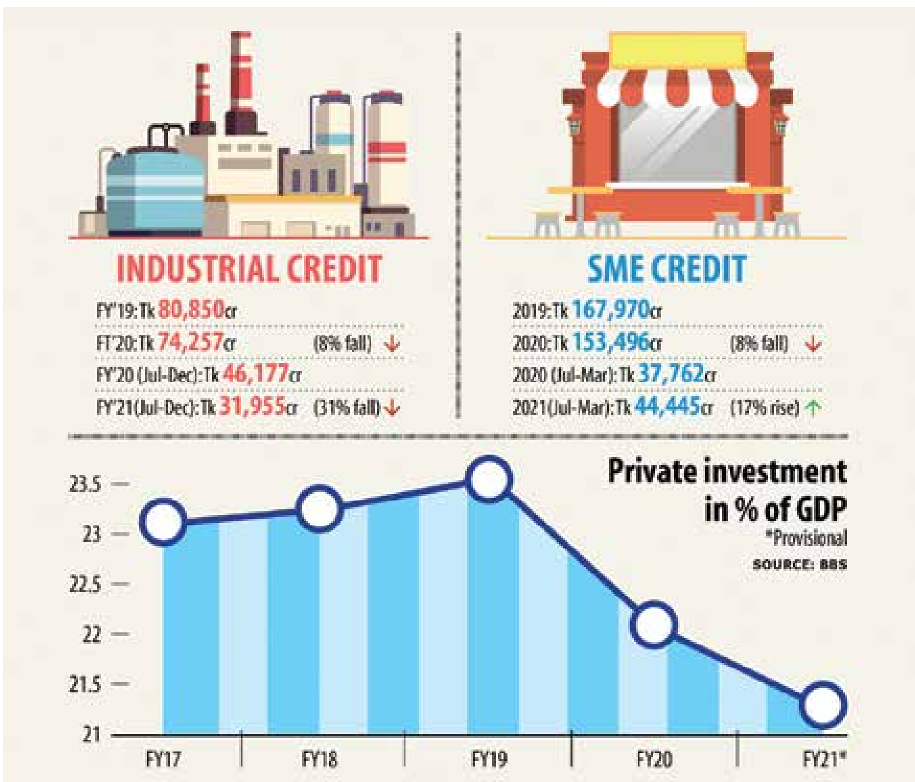



*(Source: Bangladesh Bank Monthly Economic Trend March 2022)*

private investors seemingly pause, analysts say. An FE analysis finds that a splurge of public investment, particularly in megaprojects on the infrastructure front, couldn't pull up private investment over the years, to the effect of the ratio maintaining a steep downturn over the last three years. Economists feel that failure in attaining quality output from the public investment makes the expectation of higher local and foreign investments in the country fade out. (Source: Financial Express, February 12, 2022).

published by Bangladesh Bank (BB). Given below are the excerpts from BB monthly report. The reduction of manpower exports of Bangladesh shall increse the total number of unemployed people and shall agravate the unemployment situation in the country. The decline of manpower exports and remittances is an alarming signal for Bangladesh. It's time to rethink, replan and reorganize its strategies to create more employment opportunities for its vast populaton.

Investment in proportion to GDP falls as private investors hiatus. Bangladesh keeps posting higher economic growth with the falling investment-to-GDP ratio despite incremental government investments in infrastructure development as




## Fiscal and Monetary Policies to Create Employment Opportunities?

Fiscal policy has a greater role in connecting to real sector development by undertaking short-term, medium-term ad long term fiscal measures. Short term measures include hands on tools to boost demand in the economy and create immediate job opportunities. Medium to long term fiscal measures include steering the economy towards economic diversification and by allocating more fund for "productive" employment generation and less fund for "non-productive employment". However, only fiscal policy is not enough, it should be complemented by stimulating monetary policy, industrial policy and a well-devised macroeconomic policy.

### Monetary Policy, Investments and Employment Generations

Bangladesh Bank has been actively providing necessary policy supports to mitigate its adverse economic impact and revive normalcy in all sectors of the economy. The specific purpose of these policy measures is to make available low-cost loanable funds for banks and NBFIs as such that all the productive sectors are enabled to receive sufficient loans with low-interest rates supporting investment, employment, and income generating activities. Following its expansionary and accommodative policy stance, BB undertook a range of investment and employment enhancing policy measures throughout the FY 21 which include: relaxations of various policy interest rates, option for purchasing extra government securities from the banks' holdings for supporting their longer-term liquidity need, the introduction of various low-cost refinance schemes, allowing moratorium facilities and extended time for realizing export receipts and import payments, extensions of EDF fund with relaxing its maximum limit for banks, and introduction of a new credit guarantee scheme for making easy access to credit at a lower cost by consolidating cottage, micro, small and medium scale enterprises' (CMSMEs).

BB outlines its Agricultural & Rural Credit Policy and Program annually to increase agricultural production, employment and income generation for the rural people through ensuring required flow of funds to this sector. The present interest rate ceiling on agriculture and rural credit is 8%. The rate is higher and needs to be reviewed and bring down to zero percent for creating jobs in rural areas. Agricultural loan interest rate of 4% needs to be reduced to zero percent and other loan limits require to be fathomed that will help create new jobs in Agricultural sector.

## Going Forward

### Skilled Local Workers to Replace Expatriate Workers

On February 5, 2020, Transparency International Bangladesh (TIB) released a research report on

"Employment of Expatriates in Bangladesh: Governance Challenges and Way Out". Its main findings that received wide media coverage are: a) overwhelming majority of the estimated 250,000 expatriates working mostly in various private sector entities are employed without mandatory appropriate visa and work permit; b) an estimated $3.15 billion (Tk. 26,400 crore) are illicitly transferred annually out of the country; and c) the state is losing at least $1.35 billion (Taka 12,000 crore) of revenue annually due to tax evasion on this account. Bangladesh has plenty of unemployed post-graduates, graduates, engineers and technicians. Bangladeshi qualified personnel should be trained and the expatriates should be replaced by local trained personnel.

## More Investments to Generate Employments

Investing in education and skills for women and men to help economies achieve dynamic growth with quality jobs is a pressing priority throughout the globe. Investment in technical and vocational education and training (TVET) is highly essential for making the newly qualified graduates skilled and techno-crats. Special budgetary allocation may be made for establishing technical institutes, IT and Digital Institutes, Research and Development Institutes and universities for providing technical knowledge, skill-development techniques, on-the-job training in accordance with local and international demand.

TVET has been proven to be an effective way of addressing the problem of unemployment in many countries. The existing technical and vocational education and training system requires revival, and a mechanism of adequate monitoring and evaluation system is essential. It's vital that we learn from success cases like South Korea, China and Malaysia. The subsequent expansion of the skills base has made South Korea's rapid economic development possible. They went through a dynamic skill formation process in the field of education and technical training. The expansion of education and skill development was closely coordinated with responding to changing demands. Bangladesh can apply the learnings from the


East Asian model of skills development for employment creation and may undertake comprehensive plans and programs in its fiscal and monetary policies.

### Create An Investment-Friendly Environment for Investment

Private investment has been considered as the most effective catalyst for creating employment opportunities in the 21st century. As mentioned, private investment has been remaining static for few years in Bangladesh. Creating encouraging environment for investment in private sector industries through the fiscal and monetary policies is a must. Why do "rich people" of Bangladesh don't invest in industries and services? Why do they divert their money outside the country? Why do they opt to live abroad instead of Bangladesh? The reasons need to be found out. The main hindrances for investment in private sectors are – bureaucratic systems, lengthy procedures, random-corruption, uncongenial taxation policy and dearth of finance. The stride of job creation has decreased as entrepreneurs lack confidence in the business environment and access to the financial resources to hire new staff. The hop of the growth of investment must also be enhanced to create necessary employment opportunities. Ensuring access to finance, better infrastructure and good governance is central to create an environment that facilitates higher investment. Incentivizing and improving private investment can be an avenue to generating more jobs for the young population. In doing so the government has to undertake activities through its fiscal and monetary policies to facilitate ease of doing business.

### Taxation Policy for Investment in New Industrial Undertaking

Special Tax Treatment in respect of investment in new industrial undertaking in FY2021-22 [new section 19AAAAAA] has been embodied in the taxation policy:

There shall be no question regarding the source of any sum invested in industrial undertaking, if tax is paid at 10% through pay order or by automated challan. The provisions are as follows:

1. Notwithstanding anything contained in the Income-tax Ordinance or any other law for the time being in force, no question as to the source of any sum, if invested in between first day of July, 2021 and thirtieth day of June, 2022 (both days inclusive), in new industrial undertaking shall be raised by any authority if an individual pays on or before the thirtieth day of June, 2022, tax at the rate of 10% on the sum so invested.

2. Tax under this section shall only be payable by pay order or by automated challan, as the case may be.

10% tax on source of capital is very high for an investor. If anyone wants to invest Tk. 500 crore, for example, he/she needs to pay Tk 50 crore tax at the initial investment stage, in addition to paying import duties and VAT for acquiring capital machinery and equipment from abroad. The said taxation policy may be changed or amended to zero percent or 1% tax on initial investment that will enable and encourage investors to invest more.

### Transform Bangladesh into a "Production Oriented and Export-Oriented Country"

Utilizing the millions of unemployed qualified, young and energetic people, Bangladesh can be converted from an" import-biased" country to "productive and export oriented" country. How long will it take to become a productive and export-oriented country? Bangladesh's vision to accelerate economic growth and to emerge as a 'developed' country by 2041 requires to bring as many people, including youth and women, into productive and skilled works. Fiscal and monetary policies support may also augment to transform Bangladesh into a productive and export-oriented country quickly.

If we look into the history of government investment in developing and developed countries, it's delineated that government investments in basic science brought us the Internet, the microwave oven, and satellite communications, and have led the fight against cancer, COVID19. Government investment in new, innovative businesses has helped many companies grow into household names. The Small Business Investment Company Program, financed by the Federal Small Business Administration of USA, helped Nike Inc., Apple Inc., and FedEx Corp. grow into the global business powerhouses as they are today. And we know all these companies are providing jobs for millions of people around the globe.

## Conclusion

Employment generations are the topmost political and economic agendas in all countries worldwide. A low-skill, low-productivity, low-wage economy is untenable in the long term and would not be leaned for poverty alleviation. This is the vicious circle of improper education, poor training, low productivity and poor-pay based jobs and low wages. These trap the working poor and excludes workers without relevant skills from participating in economic growth and social development. Indeed, there's a long history that when unemployment worsens, the government steps through the fiscal and monetary policies to pave the ways for generating jobs. The national Budget of Bangladesh for FY 2022-23 of Tk 6,78,064 crore has been presented to the Parliament and it's hoped that it will pave ways for new employment for job seekers. WE expect job market in Bangladesh can bounced back to employ huge unemployed people in years.

# Challenging in Obtaining an e-TIN for Non-Resident Companies in Bangladesh

**Nur Ahammed Suprim** FCA

**The Author is a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) and Director, Tax and Legal, Nurul Faruk Hasan & Co.**

A non-resident company is an entity providing services to the customers in Bangladesh without having a fixed place of business or physical presence in the country. The current regulation states that non-resident companies in Bangladesh are taxed only on income received, accrued or deemed to accrue or be received in Bangladesh. In other words, only Bangladesh sourced income is included in their taxable income.

In compliance with the law, non-resident companies in Bangladesh need to obtain an electronic tax identification number (e-TIN) and file its income tax return (ITR), if they constitute a permanent establishment (PE) in Bangladesh.

As per the current legal provision, "PE in relation to income from business or profession, means a place or activity through which the business or profession of a person is wholly, or partly carried on, and includes a place of management, a branch, an agency, an office, etc."

However, in the absence of a physical entity, there are certain challenges in obtaining an e-TIN. The online tax registration system in Bangladesh does not cater to non-resident applicants. The tax registration application form requires a local entity establishment number in order to provide an e-TIN, even though the tax regulation does not specify any physical establishment requirement. This is purely a limitation of the local regulatory authority.

As a work around to this, non-resident companies in Bangladesh tend to use the local entity address of other existing businesses or residences to obtain an e-TIN. Unfortunately, this has become a standard practice in the country. The issue that comes along with this practice is that there is a lack of transparency due to the misinformation provided by the companies. This can have serious repercussions if these business establishment numbers are verified by the regulatory authority.

Ideally, there should be two distinct tax registration application forms for resident and non-resident companies in Bangladesh. Only then this challenge can be mitigated. However, some of our neighboring countries have adopted some other practices to cater to non-resident companies in their respective countries.

Non-resident companies in India are required to obtain a tax registration number, ie. a Permanent Account Number (PAN) to file tax returns, unlike resident companies who need to obtain a Tax Identification Number (TIN). The details required for completing the PAN application form does not

include a local business address as required in the TIN application form, but the address of the company as mentioned in the Certificate of Incorporation.

In Pakistan, the Federal Board of Revenue has issued separate procedures/conditions for tax registration of non-resident companies having no PE and non-resident companies having PE in Pakistan. For non-residents having PE, they are required to provide the local address of the PE along with other details to the tax authority, as opposed to non-resident companies having no PE who are required to provide their business address in the foreign country.

On the other hand, the tax regulation in Sri Lanka is very similar to that of Bangladesh, wherein non-resident or foreign companies need to obtain a TIN upon commencement of business activities in Sri Lanka. However, the foreign companies there are required to input the foreign address of the parent company, unlike Bangladesh that requires a local business address.

Therefore, it can be reasoned that obtaining an e-TIN in Bangladesh by non-resident companies can be made hassle free and more transparent through the adoption of other procedures or by simply revising the current tax registration application form. This will not only provide more clarity but also make the process more practical.

The Income Tax Act 2022 (draft) as published in the NBR website awaiting enactment has addressed some concerns regarding non-resident individuals, for instance, a non-resident Bangladeshi living abroad can now file their ITR at the Bangladesh High Commission in their respective countries if they have income sourced from Bangladesh. However, the law is still silent on this pressing issue of a non-resident company in Bangladesh obtaining an e-TIN.

# Incident Management:
## How to Contend with in this VUCA (Volatile, Uncertain, Complex and Ambiguous) Era?

**Hasan Murad** FCA

**The Author is a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) and Senior Manager Accounts Abul Khair Group**

My younger sister needed to be rushed into Emergency Room of Parkview Hospital on account of acute Dengue fever in 2019. We were worried at its maximum height for her. But the doctors who were on duty at that time they were dealing along with my sister one severe cardiac arrest patient, another child who fractured his left foot and so forth. I was taken a step back after seeing this scenario in an Emergency Room. The way they were managing patients it seemed surreal as well as daring at the same time. The management viewpoint I came to experience then, is termed as "Incident Management".

Across industries, incident management goes by many names. In the finance industry it's often called "fraud risk management"; in retail, it's known as "customer complaint management". Even across departments within an organization incident management is called different processes: "info-security incident response", "workers complaint management", "business continuity and disaster recovery", etc.

An incident is any unplanned event that threatens the quality of service, safety, or security of a business. An incident involves some sort of negative tied to a risk. In other words, it is a term describing the activities of an organisation to identify, analyse, and correct hazards to prevent a future re-occurrence. System downtime is an incident, hacking is an incident, someone getting hurt is an incident, and all of these could threaten the success of business. However the reality is no matter what industry or department we work in, and no matter what we choose to call incident management, our goal should be the same: Report, Remediate, and Prevent.

Now-a-days companies with robust incident management programs take a risk-based approach. By implementing incident management process across silos of organizations, we can be sure to catch every incident that gets escalated and tackle it with a standardized approach. By creating a system that can simultaneously report current incidents and identify trends in recurring ones, we can prevent mishaps from occurring in the first place. The key, therefore, is to not only focus on remediating outstanding incidents, but preventing future ones.

### Incident Management Process

An incident management process is a set of procedures and actions taken to respond to and resolve critical incidents. The process is used across many industries and incidents can include from it system failure to critical maintenance of physical infrastructure.


**This Risk-Based Approach Could be Breakdown Into 5 Steps**

| | |
|---|---|
| ***1st Step*** | Centralize Incident Collection Process |
| ***2nd Step*** | Enable Online Incident Reporting |
| ***3rd Step*** | Automate Workflows |
| ***4th Step*** | Identify the Root Cause |
| ***5th Step*** | Report on Incident Trends |

## Step-1: Centralize Incident Collection Process

A common agony for customers, employees, and management alike is the organization doesn't have a standardized, centralized process for escalating incidents. A lot of companies toggle between paper incident forms, emailing incidents in, or reporting them online.

When the reporting process is too cumbersome, be it too many steps, confusing paperwork, or unclear pol¬icies, employees are far less likely to report, which means business is far less likely to uncover the root causes of incidents and therefore discover the keys to prevention.

Consider the steps we can take to encourage employees to report incidents of all types at work. One huge step we can take is to pick one method of incident reporting and stick to it. Make this process clear in poli¬cies throughout our organization so employees always know how to report and what to expect from there, such as who the incident will be reported to.

## Step-2: Enable Online Incident Reporting

The key to initial step is to make sure record incidents in one place. An email server, desktop folder, or filing cabinet is not ideal, as these locations require manual updating and pose the risk of losing sight of an incident in the pipeline. The most effective option is to adopt web-based reporting.

## Step-3: Automate Workflows

After an incident gets reported it should get routed to concerned employees. But how this person gets notified?

Just as we discussed with reporting incidents themselves, emails and share folders aren't sufficient notifica¬tion methods. With these more manual systems in place, it takes a lot more manual effort to follow up on an incident until it gets resolved.

The absolute best way to make sure incidents are remediated - is to automate the process with a system in which the workflow can be designed for each type of incident before they start flowing in. As soon as they're reported, they're already on their way to remediation.

For instance, let's say you have one incident form for issues of harassment and another incident form for unsafe working conditions. These types of incidents are very different, so they should probably be assigned to dif¬ferent individuals within the company. You should be able to design a workflow that automatically


routes the harassment incident to HR and the unsafe working conditions issue to Maintenance (for example).

## Step-4: Identify the Root Cause

It's not enough to know an incident occurred, or even to know it's been resolved. Moving beyond remediation toward prevention requires identifying the root cause of incidents at our organizations. There are of course some one-off incidents that can occur, like a lost laptop for example, that we can't dive much. Many other incidents, however, can occur again and again if nothing is changed at the organization.

The key here is to be able to identify trends in incident data. These trends will lead us to the root cause, which we can then implement a control to address, thereby preventing future incidents of this nature. Devise a way to create relationships between incidents and other facets of the business.

## Step-5: Report on Incident Trends

Once we've designed a workflow of tasks associated with each type of incident, we can pull a report comparing the number of incidents reported, the number on incidents in the process of remediation, and the number of incidents successfully resolved. We could also pull a report showing the number of inci¬dents reported over time to eventually show a decrease in the number of incidents cropping up. These types of reports should be filterable by characteristics like type, department, location, etc. to provide more focus to our audience.

Another useful report is to leverage the catalog we've created to drill down deeper into the risks incidents have uncovered. Eventually, regular reporting is the key to maintaining a healthy incident management program, as it can help us to identify areas for improvement as changes occur within and outside of the company.

## Benefits of Implementation of Incident Management

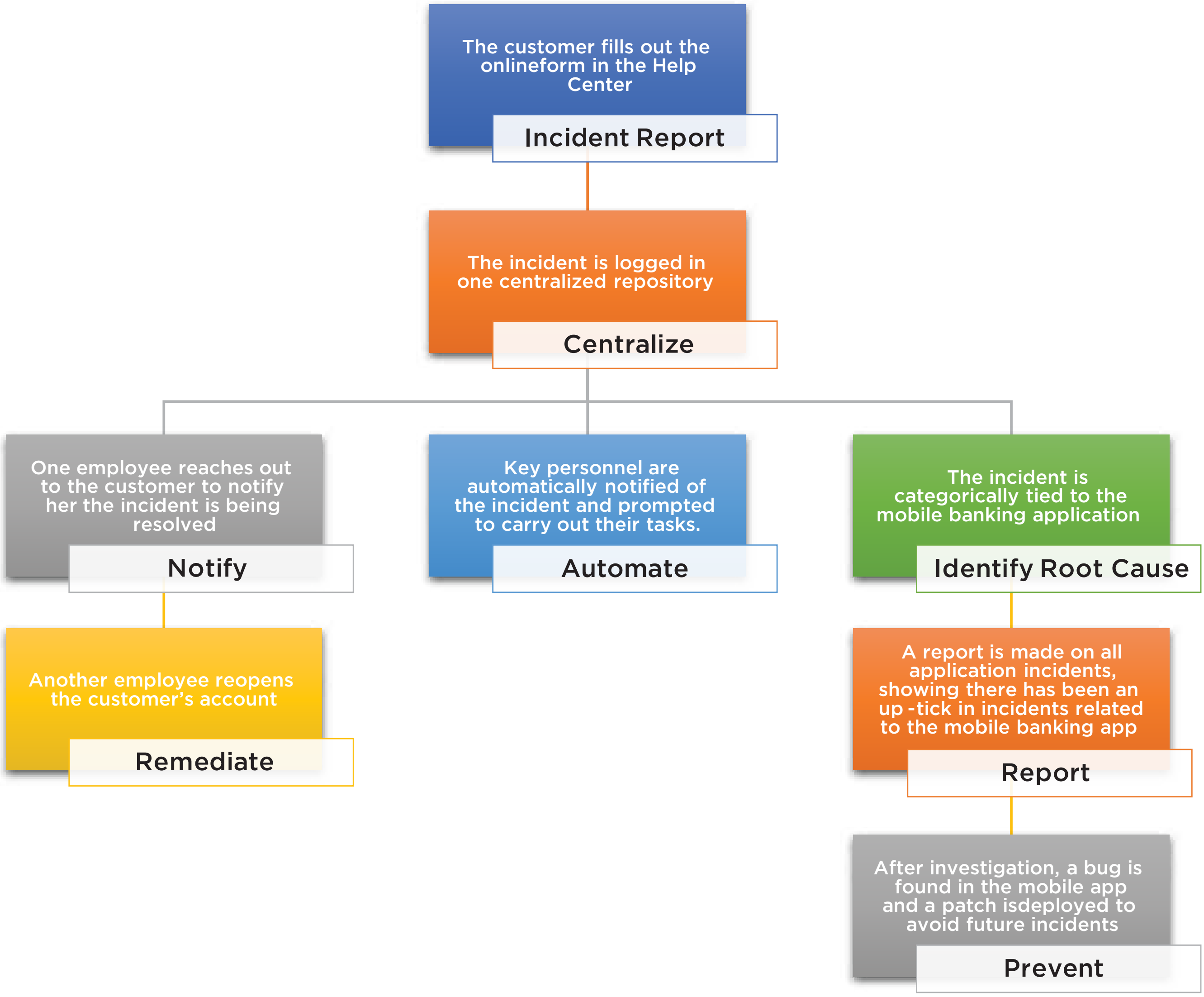
- Prevention of incidents
- Improve mean time to resolution
- Reduction or elimination of downtime
- Increased data fidelity
- Improved customer experience
- Overall reduction in cost

During root cause analysis, human factors are to be assessed. Sometimes, causes of incidents are distributed widely within and outside of the organization. There are two types of events- activity failure and latent action. Active failure involves to an action that has immediate effects and has the likelihood to cause an accident; whereas latent actions involve events that can take years to have an effect.

## Example: Workflow of an incident management

### Scenario

A customer logs on to her mobile banking app and sees that one of her accounts has been closed, even though she did not request or execute this action. She wishes to alert someone of this issue and get it resolved.




The benefits of this incident management reporting are numerous. Just think about it, we put our well-being into the hands of organizations every single day. When we ate breakfast this morning, we trusted that our local market sold fresh food safe for consumption; and when we sent children to school, had faith that school would take care of them. This blind trust we put into the organizations that soak our lives is tacitly based on the belief that they have systems in place to manage and prevent incidents. By adopting an effective incident management reporting program, we can earn the trust of consumers, investors, and fellow employees in this era of VUCA (V=Volatile, U=Uncertain, C=Complex, A=Ambiguous).

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# ICAB's Discussion on 12th WTO Ministerial Conference

by Abu Taher
Deputy Director
(Press & Publication), ICAB

The Institute of Chartered Accountants of Bangladesh (ICAB) organized a roundtable discussion on 'Outcomes of the 12th WTO Ministerial Conference' on Saturday, 14 August 2022 at ICAB Council Hall. Sharifa Khan, Secretary, Economic Relations Department, Ministry of Finance, was present as the Chief Guest. ICAB President Md. Shahadat Hossain FCA delivered welcome speech while Shubhashish Bose, CEO-ICAB delivered opening remarks. ICAB Past President & Council Member Md. Humayun Kabir FCA moderated the session. A number of government's high officials attended the 12th WTO ministerial conference(MC) in Geneva this year, also participated the discussion.

Sharifa Khan, Secretary of the Economic Relations Division (ERD) said, a global impact analysis is required to assess whether the rule-based system of World Trade Organization (WTO) is properly functional. It should be studied as to how Bangladesh would be affected by the system, she advised.

She, however, appreciated the Bangladesh delegation's success in MC 12 where all members reached consensus that graduating Least Developed Countries might need some sort of support to face post-graduation challenges. The ERD Secretary said, the MC 12 decisions came as outcome documents rather than ministerial declarations without any concrete decisions.

The country's domestic industries would have to sustain based on their productivity and competitiveness as the trade benefit would not exist after the LDC graduation, she said, adding, the private sector as well as the public sector need to reduce dependence on the government in order to stand on their own feet. At the same time, she emphasized the ease of doing business and taking adequate measures in this regard.

Md Shahadat Hossain FCA, president of ICAB, addressed the program focusing on some key outcomes of MC 12. Final agreement on the emerging economic challenges to be made based on the consensus among its members of WTO, however historically, trade negotiations in the WTO have been proceeded through the creation of "consensus" dominated by the US, the EU, Japan and Canada, ICAB President said.

Dr Zaidi Sattar, Chairman of the Policy Research Institute of Bangladesh (PRI), Md Hafizur Rahman, Director General of the WTO cell at the Ministry of Commerce (MoC), Manzur Ahmed, Advisor to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Ferdous Ara Begum, Chief Executive Officer

(CEO) of BUILD, Shishir Kumar Dev, former CEO of Bangladesh Foreign Trade Institute (BFTI), Khairuzzaman Mazumder, Additional Secretary of Ministry of Finance (MoF), and Dr Mostafa Abid Khan, former member of Bangladesh Trade and Tariff Commission (BFTTI), spoke on the occasion.

"We only talk about facilities from the WTO, but we do not discuss the obligations to the WTO," commented Zaidi Sattar, Chairman of the Policy Research Institute (PRI) who attended the conference this year in Geneva. He said, "Bangladesh is one of the top WTO beneficiaries". The existing tariff structure remained a barrier for the country's export-diversification due to the high-level of protection for domestic industries.

Md Hafizur Rahman, Director General of the WTO Cell of the Ministry of Commerce, GoB detailed the outcome document of MC 12 in Bangladesh's perspective. He said, Bangladesh would place a revised proposal in the next WTO ministerial, accommodating TRIPS waiver, market access and the basis of country's bilateral trade agreements that time.

He also said, the challenges to and benefits for countries graduating from least developed nation status were not discussed until the World Trade Organization's (WTO) 12th Ministerial Conference in Geneva in June this year. 'It has been proposed that any LDC country including Bangladesh can enjoy the existing trade benefits for 6 more years even after the transition of LDC. We convinced other LDCs in this regard.

It will come up for discussion in the next conference, which he feels is a "great achievement" for Bangladesh. He further said, in view of Bangladesh's proposal, this conference acknowledged for the first time that there are many challenges in front of LDC countries and multilateral trade system can help to solve those challenges. Based on this decision the previous proposal will be revised and resubmitted.

Hafizur Rahman also said that the pharmaceutical industry of Bangladesh has progressed a lot by getting benefits under intellectual property rights agreement or TRIPS. Now a separate proposal will be made to maintain the TRIPS facility, he said.

Ferdous Ara said, the government would have to focus on the domestic market for survival of local industries along with continuation of negotiation at the WTO. She suggested that how the country's domestic industry could be facilitated to continue their business after discontinuation of trade benefits should be worked out.

Referring to a World Bank study, Ferdous Ara Begum, Chief Executive Officer of Business Initiative Leading Development (BUILD), said if cargo loading and unloading time at the country's ports can be reduced by one day, exports will increase by more than 7%."Similarly, if logistics cost were 17% less and traffic speed on the highways reaches to 40 km, the overall export of the country would have been increased by 19%," she added. Bangladesh is going to graduate officially from least developed country status in 2026. With the graduation, the country's exports will lose duty-free benefits, except in the European Union market, she cautioned.

Dr Mostafa Abid Khan, senior fellow of the Policy Research Institute said, if Bangladesh graduates to a middle income country it will have to achieve the self-sufficiency to run without subsidy. He said, the private sector plays a major role in graduation. It's focus now should be on capacity building, as the government will no longer be able to provide businessmen with subsidies and protection, he added.

Manzur Ahmed, Advisor, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), suggested making the dispute settlement body of WTO functional. Khairuzzaman Mazumder, Additional Secretary, Finance Division, Ministry of Finance, said, imposing customs duty on e-commerce goods is necessary as the country is losing a substantial amount of revenue in the sector.

The 12th ministerial conference of the WTO agreed to a series of deals relating to the temporary waiver on COVID-19 vaccine, a moratorium on e-commerce trade and food securities.

***Story is based on ICAB Roundtable Discussion on 12th WTO Ministerial Conference held at CA Bhaban on 14 August 2022.***

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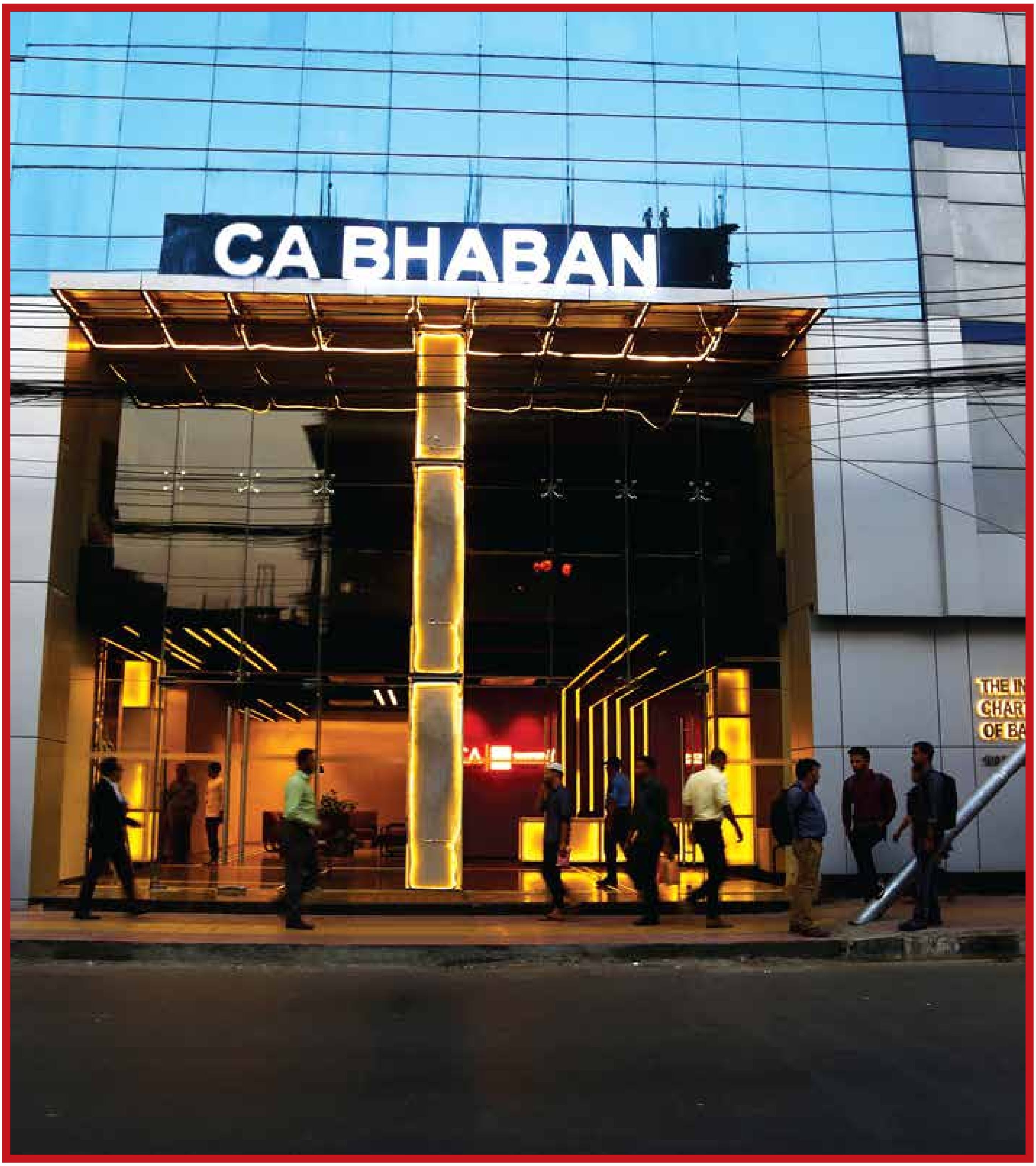


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# GLOBAL RECOGNITION OF ICAB

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## Recognition of ICAB membership by ICAEW

Membership Scheme of The Institute of Chartered Accountants of England and Wales (ICAEW) allows the members of ICAB to apply for ICAEW membership based on their experiences.

Eligibility criteria of this membership scheme are a series of questions which assess ICAB Member's experience, achievements, skills and expertise. Each application must be supported by an eligible sponsor. Applicants need to complete an Examination of Experience.

Details of ICAEW Membership Scheme is available at http://www.icaew.com/membership/becoming-a-member/members-of-other-bodies/ campaigns/pathways-to-membership.

ICAB signed it's first Memorandum of Understanding (MoU) with the Institute of Chartered Accountants in England and Wales (ICAEW) in 2009. Since them, ICAB has been working with ICAEW as the learning and professional development partner, and also recognized as an approved tuition provider of ICAEW.

As per MoU, ICAB Members can be the members of ICAEW after successful completion of 04 papers out of 15. These members have the opportunity to apply for UK Practicing Certificate (PC) subject to meeting the standard ICAEW PC requirement.

## Recognition of ICAB Membership by CIPFA, UK

Members of the Institute of Chartered Accountants of Bangladesh (ICAB) are eligible to apply for membership of the Chartered Institute of Public Finance and Accountancy (CIPFA), a globally recognised membership body for the public sector.

An MoU between ICAB and CIPFA, UK was signed on 28 January 2017. Under this MoU, an ICAB member can also become a members of CIPFA subject to fulfillment of certain criteria.

An ICAB Member with good standing having five or more years post-qualification public sector experience are eligible for Full Membership of CIPFA as Chartered Public Finance Accountant (CIPFA) and the members having fewer than five years post-qualification public sector experience are eligible as Affiliate member of CIPFA (CIPFA Affiliat).

ICAB members having CIPFA Affiliate membership, or having no working experience in public sector can gain CIPFA status with the successful completion of exams of only two papers i.e. Public Sector Financial Reporting and Strategic Public Finance.

## Membership Pathways Agreement (MPA) with CPA Australia

The Institute of Chartered Accountants of Bangladesh (ICAB) has recently signed a Membership Pathways Agreement (MPA) with CPA Australia, one of the largest accounting bodies around the world. Through this agreement, ICAB members can be the members of CPA Australia just after passing 04 papers (i.e. 1. Ethics and Governance, 2. Financial Reporting, 3. Global Strategy & Leadership and 4. Strategic Management Accounting) out of their 12 papers. This MPA has been in effect since 20 July 2018.

## Membership through Chartered Accountants Australia & New Zealand (CA ANZ) International Pathway Program (IPP)

The Institute of Chartered Accountants of Bangladesh (ICAB) signed an MoU with the Chartered Accountants Australia & New Zealand (CA ANZ). Under this, ICAB members living in Australia or New Zealand having five years post qualification experience at anywhere will be eligible to be member of CA ANZ after successful completion of CA ANZ International Pathway Program (IPP).

There will be no requirement of passing CA ANZ general route examinations by eligible ICAB members as their International Pathway Program (IPP) workshop through case studies would examine the contemporary Australasian business, accounting and finance environment relevant for members of ICAB. On the other hand, CA ANZ members can also be members of ICAB subject to having Bangladeshi citizenship and other requirements as prescribed by ICAB Bye-laws.

## Membership of the International Valuation Standards Council (IVSC)

Efforts are underway for ICAB to Become a member of the International Valuation Standards Council (IVSC). This would create an opportunity for the members of ICAB to involve in the valuation process of local and foreign investment in Bangladesh.

This would allow Chartered Accountants to put up their highly essential services and play positive roles in attracting foreign investment. With regard to this, ICAB has already conducted a Members Conference. More so, a virtual meeting with the CEO of IVSC was held on 8 June 2021 where the IVSC proposed ICAB to become member of IVSC on pro-rata basis.

## Other Memberships

ICAB is an active member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants(CAPA) and South Asian Federation of Accountants (SAFA). ICAB is also an associate member of Chartered Accountants Worldwide (CAW).