

# Home spending up Tk 122 cr

## STAFF CORRESPONDENT

The finance minister has proposed an allocation of Tk 1,791 crore for the home ministry in the new budget, up by Tk 122 crore compared to the original budget of the last fiscal.

The minister in his budget speech also proposed to increase the government contribution to the monthly salaries of union council 'dafadars' and 'mahalladars' and raise them from Tk 350 and Tk 500 to Tk 500 and Tk 700 respectively.

He said the government has attached top priority to the improvement of law and order and building a society free from terror.

Despite resource constraints, the minister said, the government has already increased allowances for police personnel, aiming to encourage them to work with a greater sense of dedication.

In addition, the number of persons enjoying family ration has been substantially increased. This year an armed battalion was raised

and 5,813 new posts were created, he added.

He said steps have been taken to arm the police with modern weapons and to provide them with appropriate training. They will also be provided with an increased number of vehicles.

Accommodation problem of the police is also being resolved and in the 2002-03 fiscal, two new battalions of the Bangladesh Rifles were raised, he added.

He said the Operation Clean Heart launched last year was widely acclaimed and it boosted the confidence of the people.

The minister said the Rapid Trial Tribunal has been set up for quick dispensation of cases relating to murder, rape, possession and use of drugs, illegal arms and explosives.

In addition, monitoring cells have been created at national and district levels to review the progress of serious and sensational cases.

# Less customs duty for safe drinking water

## STAFF CORRESPONDENT

Saifur Rahman has proposed to reduce customs duty on domestic water filters and industrial water treatment plants from current 22.5 per cent to 7.5 per cent.

"This measure will partly meet the demand for safe drinking water at a fair price," he said.

Current customs duty on different water pumps are 0%, 7.5%, 15% and 22.5%. Due to existence of more than one rate, false customs declaration is possible.

Considering this, Saifur proposed a flat 7.5 per cent customs duty on all water pumps except irrigation pumps and hand pumps.

For irrigation pumps, the 'zero' rate will continue.

# Capital market

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tutions to be fixed at 45 per cent."

However, if a listed company fails to declare at least 10 per cent dividend or declines to distribute the

declared dividend within the time limit specified by the Securities and Exchange Commission, it will pay tax at the rate of 37.5 per cent, the finance minister said.

According to the existing tax laws, shareholders are to pay tax on the dividend they receive. "I think they would feel more encouraged to invest in the capital market if dividend is made tax-free in the hands of the shareholders. I, therefore, propose to make dividend tax-free in the hands of the recipient.

Simultaneously, I propose to impose dividend distribution tax at the rate of 10 per cent on the companies giving dividend," the finance minister said.

"To get the benefits of wealth creation, value added agro-based industries must eventually become export-oriented. Exports, however, can take place only if certain cardinal objectives are achieved, the most important being competitiveness," the BAPAl leader mentioned.

Chowdhury said a cursory reference to the budget speech would not reveal that most of the major impediments to growth of agro-based industries have been addressed in it.

The Dhaka Chamber of Commerce and Industry (DCCI) appreciated the proposal for imposition of supplementary duties on certain import items in the proposed budget.

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# Mixed bag on budget

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Referring to the finance minister's public statement that the government has to spend around Tk 10 crore for constructing a kilometer of road against the actual cost of Tk two crore, the BEA president said it was very essential to improve the quality of expenditure.

However, the BEA president hailed the proposed measures like export diversification and highest allocation for the education sector.

Professor Muzaffar Ahmed of Dhaka University said the finance minister has cut allocation at the primary level of education and the allocation proposed for the health sector would be eaten up by inflation.

Proper evaluation of the projects worth Tk14,000 crore of the ADP may be questioned because these were approved at the National Economic Council (NEC) in a day, he said adding that if these were not properly evaluated, the quality of ADP expenditure would be affected.

"I think this budget reflects Saifur Rahman's shift from his free trade inclination to a degree of protection. This time the pendulum swings towards more of import substitution. This is a clear policy reversal from the previous de-industrialization policy persuaded in the 90s," he added.

However, he said more emphasis on and fund allocation for the agriculture sector is a positive aspect of the proposed budget.

President of Bangladesh Agro-Processors' Association (BAPA) Amjad Khan Chowdhury termed the proposed budget a pragmatic and development-oriented one with a strong overtone of self-reliance.

The impetus to value added agro-based industry has been maintained somewhat and some of the measures announced in this connection are commendable and will stimulate employment generation in the largest and most important agriculture sector and agro-based industry, he said in a statement.

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ment of the DCCI yesterday. However, the statement said enhancement of customs and supplementary duties on new environment-friendly vehicles, taxicabs, buses, three-wheelers, motorcycles and bicycles would leave a negative impact on the economy.

It said if wastes and abuses of the government's revenue expenditure could not be checked, the process of domestic resources mobilisation would fail.

Exemption of taxes from the textiles, readymade garment (RMG) and agro-based sectors were also hailed by the DCCI.

Bangladesh Chamber of Industries (BCI) appreciated the proposed budget for raising the subsidy on agriculture to Tk 300 crore, allocating Tk 345 crores in micro-credit projects and increasing the allocation for modernising the police force.

Chairman of Dhaka Stock Exchange Ltd Ahmed Iqbal Hasan hailed tax exemption from dividend income and increase in the gap between listed and non-listed companies to 7.5 per cent.

"These are investment-friendly steps and investors will be encouraged with these incentives," he added.

President of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA), Abdul Mannan Chowdhury, said allowing the use of three-year-old reconditioned vehicles as taxicabs with duty facility in the next fiscal year would benefit investors.

"But it's essential to introduce depreciation policy in fixing import duty because if the import duty is not consistent to the actual price value, it will create problems for both the buyers and sellers in giving VAT and also submitting income tax returns," he added.

Bangladesh Optical Industries and Traders Association applauded the proposed budget for reducing duty on raw materials used for making frames of spectacles.

UNB adds: The proposed budget for fiscal 2003-04 has failed to declare a much-needed crusade against corruption and terrorism, eminent economist Dr Atiur Rahman said.

"The budget should have waged a war against terrorism and waging. But there was no such announcement," he said in an instant reaction.

Atiur said there were many measures in the budget to move in the right direction for areas like agriculture, agro-processing industry, information technology, share market, women empowerment, environment, rationalisation of taxation and tax administration, he said, "Everything depends on good governance."

Dr Atiur, a senior research fellow of Bangladesh Institute of Development

Studies (BIDS) and known for his pro-poor views, said pro-poor policy measures were not good enough although it was supposed to be as per the PRSP.

He said the budget lacks clear announcement to increase assets for the poor although it said lion share (one-third) of annual development programme (ADP) would go to poverty alleviation projects.

"But, there was no clear-cut explanation in this regard," he said, voicing concern whether expenditure like salaries for teachers were included in the human development expenditure.

He said the budget estimated GDP growth at 5.5 per cent against a required 7 per cent per year as envisaged in the poverty reduction strategy. "At this rate, it's not possible to achieve the millennium goal to reduce poverty by half by 2015," he added.

# 10pc DA

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poverty reduction and good governance, the government is going for administrative reforms to introduce a modern system of administration responsive to the needs of the people, he said.

Saifur pointed out the government has already implemented some recommendations of the Public Administration Reforms Commission and steps are underway to implement the rest.

He gave assurance that the government would refix on a rational basis the pay and allowances of the government employees.

# RMG, textile

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at 20 per cent for the period up to June 30, 2006."

He said that by the year 2005 the facility of export quota will be withdrawn and as a result of this exporters are going to face a tougher competition than before.

"In view of the seriousness of the matter, I propose to reduce the corporate rate of income tax for readymade garments industries," he said.

"New entrepreneurs are coming forward in different levels of the textile sector including spinning, weaving of fabrics, dyeing, printing and finishing.

"The government has already taken up various programmes for continuous development of the textile industry."

# Hartal sans violence

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central office at the Bangabandhu Avenue in the morning and used water cannons to disperse female activists of the party near the Russell Square at Dhanmondi. The female activists tried to bring out a procession breaking through a police cordon.

A large number of policemen including women police cordoned off the AL central office since the morning and put up barbed wire fencing to block the road.

Four women police constables were wounded as hartal supporters pelted stones on them at different points. Two of them were admitted to the police hospital while two others given first aid. Seriously injured Razia Sultana was later shifted to the Combined Military Hospital.

During the hartal hours, government offices remained open but the presence of officials and employees was thin.

Private offices functioned partially. Shopping centres kept their

shutters down but many wayside shops remained open.

A good number of buses and auto-rickshaws plied during the hartal period but rickshaws moved as usual. No inter-city buses operated.

Train service to and from Kamalapur station was normal and passenger launches left and arrived at Sadarghat terminal as usual.

According to a report received in Dhaka, hartal supporters removed some fish plates from rail tracks at Abdullahpur in Natore.

The Zia International Airport operated normally despite the hartal.

Meanwhile, addressing a rally in front of the party central office, city AL leaders called for launching a resolute movement against the 'repressive' four-party coalition government.

The alliance rulers have to answer to people for the killing of and repression on opposition activists, they said referring to the murder of former AL lawmaker Mamtaz

Uddin Ahmed in Natore.

They came down heavily on Salauddin Quader Chowdhury, nominated for the post of Secretary General of the Organisation of Islamic Conference.

The rally was addressed by Abdur Razzak, Tofail Ahmed,

Motia Chowdhury, Sultan Mohammad Mansur, Mohammad Hanif, Mostafa Jalal Mohiuddin, Ahsanullah Master, Mofazzal Hossain Chowdhury Maya and Quamrul Islam.

Another pro-hartal rally was held at the Russell Square. It was addressed by Abdus Samad Azad, Obaidul Kader and Mukul Bose. The rally here also opposed the nomination of Salauddin Quader Chowdhury.

In Chittagong, the hartal passed off peacefully. However activities at the Chittagong Port were partially disrupted.

A report from Barisal said hartal was not observed there.

# Education

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fiscal is Tk 2,950.12 crore or 15.37 per cent, which came down to 15 per cent in the revised ADP. Of the amount, Tk 1,898 crore come from domestic resources and Tk 1,052.12 crore from project aid.

In the revised ADP, the allocation curved down to Tk 1,716 crore from local resources and Tk 836 crore from project aid.

The allocation in ADP for education was 12.89 per cent in 2001-02, 12.87 per cent in 2000-01 and 12.01 per cent in 1999-2000.

The UNESCO and Unicef have recommended for spending at least 6 per cent of the gross domestic product (GDP) for education. Bangladesh's current spending stands at a little over 2 per cent of GDP for the sector.

The allocation for the sector has been shrinking since the country's independence. Allocation for education was 21.14 per cent in fiscal 1972-73.

The finance minister said the government was going to take up a programme approach-based action plan over a six-year period to improve the quality of primary education.

"We have received tremendous support from our development partners towards our commitment in the development of primary education," he said.

He said 11 development partners would provide US\$ 61.9 crore to

support the programme. The government will match the support with US\$ 124.6 crore.

The reduced allocation will not allow the alliance government pay 100 per cent benefit to non-government teachers and will force it to renege on the election commitment, educationists said.

The teachers currently get 90 per cent benefit from the government.

Saifur, however, proposed to raise the fund for pension benefits for teachers and employees of MPO-listed educational institutions. "To raise the fund to Taka 100 crore, I propose to allocate Tk 40 crore in the current year's revised budget and the rest in the budget for the next year," he said.

He said the BNP government during its previous tenure had decided to build up a Tk 100 crore fund and as a first step contributed Tk 29 crore to it.

But the past Awami League government did not allocate any money to the fund, Saifur alleged.

Educationists expressed dissatisfaction over drop in the education budget.

"We are not happy as the allocation is not adequate to raise the standard of education," said noted educationist Prof Serajul Islam Chowdhury.

# Foreign financing

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the worry of crowding out effect on private credit. From the revised Tk 1,501 crore, this is projected to go up to Tk 2,603 crore, a straight 73.41 per cent jump.

And all this because Saifur wanted to break out in a big way, fuelling growth.

The proposed ADP he had earlier declared is Tk 20,300 crore or an 18.71 per cent increase from the revised ADP of the current fiscal.

The proposed budget envisages Tk 36,171 crore in revenue receipts, which is projected to be 16.2 per cent higher than the revised figure of this fiscal. This includes Tk 29,071 crore in projected tax revenue receipts. This figure however is embroiled in some Saifur's self-contradictions.

In his budget speech, Saifur said, "We have to give more emphasis on internal revenue mobilisation, the main sources thereof being customs duty, VAT and income tax. Adherence to WTO principles may lead to shrinkage of revenue from this source in the near future. So, our dependence on income tax an VAT is increasing day by day. This is why more emphasis has been laid on expansion of income tax and VAT in the budget."

But the finance minister's proposed revenue receipt dissection shows contribution of VAT to internal resource mobilisation will go down by 12 per cent, percentage points this fiscal to 33 per cent and income tax will go down by three percentage points to 19 per cent.

On the other hand, although the share of import duty has been proposed to shrink by four percentage points to 27 per cent, supply duty, which also comes from import activities, will chip in another 18 per cent.

Block allocation has been proposed at Tk 1,967, a big 247 per cent increase from this fiscal's revised figure of Tk 566 crore. This allocation

includes Tk 700 crore earmarked for dearness allowance for public employees.

Interest payment obligation also increased by 15.47 per cent to Tk 6,437 crore in the proposed budget from this fiscal's revised Tk 5,674 crore. Although interest on foreign loans will have little increase of 1.98 per cent, domestic loan interest will account for 18 per cent of the increase. Interest payment will eat up 21 per cent of the proposed revenue budget, which earlier was 18.46 per cent.

The proposed budget envisages Tk 63 crore less subsidy from the revised budget to Tk 1,400 crore. The revised subsidy is however Tk 236 crore higher than the actual figure.

Pay and allowances are proposed to increase by 3.02 per cent to Tk 7,502 crore. This head will account for the biggest chunk of the proposed revenue outlay – 26 per cent. A big improvement in this regard is visible as last year the figure was 29.29 per cent.

Non-development and development budget together, education and information technology will top the contenders of resources with 14 per cent share. Interest payment comes second with 12 per cent, transport and communication third with 11 per cent and local government and rural development fourth with 9 per cent.

In the proposed development budget, energy and transport come at the top with 20 per cent share of resources followed by local government and rural development (18 per cent), education (13 per cent), agriculture (9 per cent) and health (7 per cent).

# Farm subsidy

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per cent, according to Bangladesh Economic Review 2003, released yesterday along with the budget documents.

In his budget speech, the finance minister proposed extension of tax exemption facilities to all agricultural activities by another year, which means the agriculture sector would enjoy tax exemption up to June 30, 2006, instead of 2005.

He also proposed withdrawal of VAT from locally produced and packed rice, pulses, wheat, maize, garlic, onion, chili, ginger, coriander seeds, vegetables, fresh fish and meat.

In order to further extend assistance to the agricultural sector, he proposed withdrawal of VAT on gypsum di-hydrate used as fertiliser and with pesticides for killing rats in grain fields.

The minister proposed to reduce the customs duty on refined palm oil and set the tax incidence at 23.63 per cent. This will remove the existing tax anomaly between the refined soya bean and refined palm oil.

The minister also proposed to reduce the tax incidence on wheat to 7.5 per cent, withdrawing advance income tax (AIT) and IDSC (infrastructure development surcharge).

Saifur proposed to maintain the existing 'zero' rate of customs duty on agriculture, fisheries, poultry, dairy, life

saving drugs and allied instrument/equipment.

The existing customs duty on agricultural equipment, irrigation pump, fertiliser, poultry equipment and few other items is zero. But for fish fry, breeding animal, poultry parent stock, seeds and certain types of fertilisers, a 6.5 per cent AIT and IDSC is there (applicable in case of import). In order to give support to such agriculture-related sectors, the minister proposed to withdraw the AIT and IDSC.

To give necessary protection to the local sugar industry, he proposed to impose a 40 per cent supplementary duty on imported sugar instead of the existing 20 per cent.

There is ample production of mango, jackfruit, banana, papaya, berries, pineapple, melon and guava. Even then various types of fruits are imported through spending a huge amount of foreign currency. Considering this aspect, the finance minister proposed to increase the supplementary duty from 30 per cent to 40 per cent on import of fruits.

In the same manner, he proposed to impose a 25 per cent supplementary duty on import of spices like cardamom, 'daruchini', cloves, 'jeera', black pepper etc.

# Kibria on budget

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Shahid and Whip Farouq Khan were also present.

Kibria said the provision for mandatory income tax return certificate submission for participants in the Union Parishad polls would hold back the wheel of democracy.

"After reading the proposed budget thoroughly, we will give our overall reaction to it in the presence of our leader Sheikh Hasina who is likely to return home on Saturday," he said.

Taking a swipe at the government, he said the proposed budget was a 'document of the government's failure'.

"The government has completely failed to improve the law and order and halit economic slide."

He said despite imposition of a burden of Tk 5,051 crore taxes on the people, the government would continue to claim that no tax was imposed. The government never acknowl-

edges its failure in giving the economy a sound footing and thinks that closing down of the Adamjee Jute Mills is the panacea for all woes, he said.

He said during the fiscal 2000-2001, the last one under the AL government, the total foreign investment stood at US\$ 127.1 crore.

But in the fiscal 2001-2002 under the alliance government, the investment nose-dived to US\$ 30.4 crore and hit a further low of US\$ 21.2 crore in fiscal 2002-2003, he said.

Kibria said the dive in the inflow of foreign investment could not be concealed under the cover of rhetoric.

Expressing deep concern over the free fall of law and order, Kibria said businessmen and industrialists were now busy in saving their lives, they had no time to concentrate on business.

# 98 up, 40 down

## STAFF CORRESPONDENT

The tax and duty structure proposed for the fiscal 2003-2004 will up the prices of at least 98 items, but reduce prices of 40 others.

In his budget speech yesterday, Finance and Planning Minister M Saifur Rahman proposed increased customs duty on 16 items and reduced duty on 36 items. He also proposed reduction of supplementary duties on eight items, but increase on 84 items.

The major items on which supplementary duties have been increased are fish like ruhi, katla, mrigel, pangash, and carps; powdered milk; butter, cheese and curd; dates (excluding wrapped/canned), fresh and dried mango, oranges, lemons, grapes, apples and other (excluding wrapped/canned); refined coconut oil, sugar (raw sugar); sweet biscuits, waffles and wafers; soya sauce, tomato ketchup and similar goods; soft drinks; non-alcoholic beer; cigar, and cheroots; salt; Portland cement; fly ash; naptha; soap noodles; paints and varnish; matches, bathroom fittings; particle board, fibre board and plywood; carpet and floor covering mat; cotton, T-shirt, trousers; sports footwear with outer soles of rubber, plastic, leather and composition of leather and upper leather; marble stone; glass mirror, iron or non-alloy steel made circular cross section; bicycle chain and parts; sanitaryware; fan and fan parts; air-conditioner, refrigerator and freezer; dry cell battery; radio cassette player; pocket size radio cassette player; different types of two-in-one;

colour television; two-stroke motor cycle and bicycle.

The major items on which supplementary duties have been reduced include food preparation containing alcohol exceeding 0.5 per cent, beer, whiskies, rum, gin, vodka, liqueurs and wines, jet fuel, kerosene, diesel and furnace oil.

The major items on which customs duties have been reduced are refined palm oil, hose pipe, surgical gloves, wool, unworked jams, pearls, diamond or other precious stones, nipple, pump without hand pump, vehicle pump and agricultural pumps, water filter used in home and industry, furniture bases and different types of dental fittings, artificial parts and joints, raw materials for agro-processing industry.

The major items on which customs duties will have been increased are raw sugar, fly ash, industrial petroleum bitumen, polyester yarn, colour as well as black and white television and CNG-operated four-stroke autorickshaw.

# Health sector

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The budget also proposed the gradual filling up of vacant posts in the health sector.

Already 527 doctors have been appointed and another 1,733 will be recruited soon, the minister said.

Besides, 1,500 nurses, 3,000 health assistants and 632 medical technologists will be recruited, Rahman added.

Rahman also said the government has already substantially increased the number of beds in various hospitals and have provided medical appliances and 173 ambulances.

He also proposed to increase the grants-in-aid to the listed private sector hospitals to 55 cores in the current fiscal.

Meanwhile, construction work of the new Ziaur Rahman Medical College and the hospital with an additional 500-bed has started. Initiative has been taken for constructing a second unit of Dhaka Medical College and Hospital with 600 more beds.

# Middle class

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he will have to spend an additional 10 per cent on chocolates.

Who doesn't want to see his child smiling with a toy in hand? But a story from the middle class families can afford it. If the father wants to go to unaffordable lengths, he will have to bear the newly introduced 75 per cent supplementary duty on toys to see his child all smiles.

Next comes the wife of Mozammel. One day, the wife will want to cook fish for the family but she will have to count an extra 20 per cent for the dish.