

## Budget lets middle class down

NAZRATUN NAYEEM MONALISA

The middle class income group has expressed concern over the fiscal measures proposed for the 2003-04 budget, fearing increase in prices of all essential commodities.

Many people while talking to The Daily Star yesterday said the cost of living of the middle class group will increase, although their income will remain unchanged.

Shamim Ara, a textile engineer, said the government has decided to slap extra duties on the products, which fall in the category of essential items.

"Now we will have to tighten our own budget to maintain the family," Shamim Ara said.

She said 10 per cent dearness allowance will not help much in coping with the price which will be soaring. The textile engineer, who has two children, was very critical on the decision to increase supplementary duty on powdered milk.

Mahbulul Islam, an official of Karnafull Jute Mill in Chittagong, said proposal to increase supplementary duty on a number of essentials including salt, sugar, spice, fruits and biscuits frustrates the middle class people.

"These are the items which my family consumes on daily basis and the prices of these items are expected to rise. But what about my salary?" Islam asked.

He was critical of the government for its proposal to reduce duty on alcoholic drinks. "What is the use of reducing duty of alcohol? It's not the drink of the middle class," he said.

Golam Rabbani, an official of Parjatan Corporation, said 10 per cent dearness allowance will not help overcome a 20 per cent living cost burden.

The price of vegetables already soared yesterday, said Akhter Monowara, a housewife in Chittagong. She was worried that price of fish will increase.

"It will be very tough for a middle class

family to cope with the proposed budget as it will increase prices of all necessary goods," said Mustafa Kamal, a doctor and a retired civil servant residing at Farmgate in Dhaka.

A newly married couple, Pallab and Shoma, said they were thinking of buying a refrigerator and a color television.

"But now we think we will have to wait for another year since we will not be able to buy these as per our previous plan," said Pallab, a marketing executive.

They welcomed the proposal to reduce the price of water filter terming it to be an item of necessity.

An elderly man, who resides at Goran, seeking anonymity said, "What is the result of expressing reaction, what changes can you make by publishing our reaction while the governments don't bother what people really want?" said the elderly person in his 70s.

A student of Economics Department of Jahangirnagar University Sayedur Rahman in his reaction to the proposed budget said it will

increase discrimination among different classes.

"Our past experience leads us to believe that irrespective of the nature of development works which the government pledges, the prices of essentials keep rising," Rahman said.

He also termed the revenue target to be unrealistic.

Another housewife Julekha, dwelling at Mohammadpur, said the proposal to increase and introduce duties on baby foods and toys are "very sad."

"I expected a reduction in the price of these goods. I am also afraid that the price of fruits will rise also. So far I used to buy apple at Tk 90 per kilogram, I can't imagine what will be the price after the increase," the housewife said.

Shimu, who just joined a private commercial bank, said she is surprised to see higher duty proposal on soft drinks whereas hard drinks have reasons to cheer.



Leaders of Jatiya Samajtantrik Dal (JSD) parade a street in Dhaka yesterday protesting the proposed budget for the 2003-2004 fiscal year. PHOTO: STAR

## Businesses praise, criticise fiscal measures

STAR BUSINESS REPORT

Major chambers and some trade associations showed mixed reaction to the proposed budget for the 2003-2004 fiscal year. Proposed fiscal measures drew both praises and criticisms.

The Metropolitan Chamber of Commerce and Industry (MCCI) welcomed the overall thrust of the budget that proposed a total expenditure of Tk 51,980 crore including the Tk 20,300 crore annual development programme (ADP).

The ADP size reflects a 17.6 per cent growth over the revised ADP for FY 2002-2003, the chamber said.

The chamber also welcomed the projection of revenue growth of 16.1 per cent over the revised one of the last fiscal year, which is proposed to be achieved through widening the tax base and reducing the existing tax burden of the individual tax payers through rationalisation and reduction of tax rates.

The chamber observed a mechanism should be put in place to effectively control misuse and wastage of resources in different sectors.

The finance minister has quite rightly given emphasis on the development of infrastructure and human resources development, the chamber said. It also lauded increased allocation of resources for transport and communications, power and energy, education and technology.

The MCCI has noted the devel-

opment budget for the 2003-04 is still dependent to the extent of 51 per cent on external sources and therefore, any short fall in foreign assistance will call for cuts in development expenditure like the present year.

"We will urge the government to consider private sector participation in financing the commercially viable projects in the annual development programme," said acting president of MCCI A Hafiz Choudhury in a statement.

The thrust on agriculture and agro-processing industries is timely. This should contribute substantially to employment generation and GDP growth, he added. "The decision to give protection to import substitution industries should help growth in these sectors. Similarly, reduction of duties on textile and readymade garment sectors is a welcome decision," the chamber said.

Compulsory submission of tax return by various professional groups will substantially reduce tax evasion and bring in more equity in tax administration, the chamber leader added.

"The chamber has been proposing withdrawal of infrastructure development surcharge (IDSC) and advance income tax on imports as these distort the duty structure. These not only have been retained, IDSC has been increased by 0.5 per cent."

Increase of duty on import of sugar will affect the common people

and will be an added incentive for smuggling. Increase of duties on mobile phone sets should be withheld until the government is in a position to meet the demand for land telephones, it said.

The MCCI said to attract foreign and local investment consistency tax policy needs to be maintained. The proposed increase of corporate tax rates in the cases of banks, financial institutions and non-listed companies is a departure from the current trend of gradual reduction of tax rate and may discourage investment, the chamber said.

**Little effort to improve law & order: DCCI**

The Dhaka Chamber of Commerce & Industry (DCCI) said allocation for the improvement of law and order situation is inadequate.

The chamber also said withdrawal of benefits on certain items under cottage industries and imposition of VAT and lower gap of customs duties between the finished products and raw materials are negative elements of the budget.

The DCCI members yesterday held a meeting to review the proposed budget for the 2003-04 financial year with its President Matur Rahman in the chair.

In a statement, the DCCI said relaxation of ceiling of taxable income to Tk 90,000 from Tk 75,000, mandatory submission of the tax return of the government officials and allocation of Tk1,000 crore for

state-owned enterprises are some of the positive elements.

Continuation of tax holiday up to June 2006 will attract investment in agriculture sector, the meeting noted.

**Chittagong Chamber hails**  
Chittagong Chamber of Commerce and Industry (CCCI) welcomed the proposed budget but expressed reservations regarding some measures.

In a statement, president of the chamber Amir Humayun Mahmud Chowdhury said the proposed project for construction of a third bridge over the Karnaphuli river is a good decision.

The chamber held an emergency meeting with its directors on Thursday.

Terming it a pro-people and investment-friendly budget, the president said the measures will help reduce poverty.

He also appreciated proposal to up the individual income tax ceiling to Tk 90,000 from Tk 75,000. He, however, said the ceiling should be Tk 1 lakh.

Tax exemptions for poultry, fisheries and livestock will give impetus to farm sector, he said.

But it is not appropriate to increase the range of income tax of listed banks and insurance companies, he said.

He said there will be a negative impact on consumers for increasing supplementary import duty on sugar.

The chamber president lauded reduction of corporate tax on readymade garments (RMG) and textile industries from 30 per cent and 35 per cent to 10 per cent and 20 per cent.

"The measure is to help the textile sector to weather crisis prevailing in the sector," he said.

He expressed satisfaction over proposal of bringing down maximum import duty limit to 30 per cent from previous 32.5 per cent.

Reduction of duty of irrigation instruments, pump, parts of LP gas cylinder, incubator, kidney dialysis machine, pace maker is also appreciated by the chamber.

**Faridpur Chamber of Commerce and Industry**

The Faridpur Chamber of Commerce and Industry (FCCI) said the proposed budget did not mention anything about the pre-shipment inspection (PSI) system, although the importers are being harassed for a long.

**Frozen foods exporters see**

balanced proposal  
Bangladesh Frozen Foods Exporters Association (BFEEA) President Quazi Monirul Haq lauded Finance and Planning Minister M Saifur Rahman for presenting 'balanced and progressive' budget.

In a statement, Haq said the budget reflects intention to establish good governance and improve of law and order. "The incentives for agro-based industry, and the allocations for education, health, commu-

nication sectors will have positive impact on the economy."

He urged the finance minister to waive income tax from exports for minimum five years as during the last two years prices went down in the international market and exports.

**Jute sector ignored: Spinners**

Bangladesh Jute Spinners Association (BJSJA) said the proposed budget has ignored jute industry.

"There is no incentive for rejuvenation of jute sector in the budget," Ahmed Hossain, chairman of the association, said in a faxed message yesterday.

He said prior to budget, finance minister had assured specific steps would be taken to perk up jute industry but the budget do not have any impetus for the sector.

He, however, hailed the government for highest allocation in education sector and raising income tax ceiling to Tk 90,000 from Tk 75,000.

The association also lauded the government for increased allocation in power, transportation and health sector.

Supplementary duties on essentials like fish, salt and spice are to affect common people, the association apprehended.

## No immediate impact on kitchen market

STAR BUSINESS REPORT

Belying apprehension of a sharp rise in prices of goods where supplementary duty was proposed, the kitchen market remained static a day after the announcement of the budget for FY 2003-2004.

Most of the retail level traders appeared to be ignorant of the facts that supplementary duty was imposed on chocolates, powdered milk, toys and fruits.

However, the prices of some essentials including sugar, palm oil and salt shot up by one to five taka on the budget presentation day, which were steady till yesterday. "It was mainly because of widespread apprehension that prices would increase in line with the announcement of budget," said Jasim, a grocery shop owner of Karwan Bazar.

This correspondent yesterday visited some city markets and observed the post-budget market situation. Most sellers were found little bit aware of the proposed taxes and duties that would give a rise to the prices of some essential items.

However, some of them said the impact of the proposed budget would be visible within a week or two.

Karim, a shopper, said prices of sugar increased up to Tk 30 from Tk 26-27 per kilogram and salt went up by Tk 1 to Tk 10 per kg.

Palm oil prices rose to Tk 40 from Tk 36 per kg. But Jasim, another shopper, said this increased price took place a week ago.

Sohel, a grocery shop owner, said the prices of lentil and dry chillies increased four to five days back. Now, lentil sells at Tk 40 per kg which was at Tk 36 earlier. The chili price is now Tk 70 to Tk 75 a kg but it was selling for Tk 60 to Tk 65 four to five days ago.

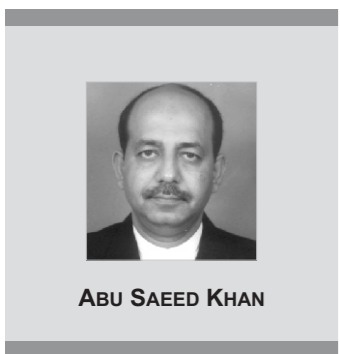
However, the fish market was still stable, according to Qasem, a fish seller of Karwan Bazar market.

Soybean, other oil including mustard and kerosene also remained stable, sellers said.

They said the prices of apple, grape and banana remained unchanged but may increase in the next few days. However, the prices of mango rose on supply shortage.

Mahiuiddin, a government service holder who came yesterday to Karwan Bazar for shopping, said, "I had to get ready for spending extra money, but the prices of most essential goods are stable today."

## Donors' shock therapy: From system loss to systematic loss



ABU SAEED KHAN

The annual loss of Tk 400 crore (US\$ 68 million) incurred by the Power Development Board (PDB) is quite disturbing. After all, such financial disaster is not due to the historical ailments like power theft or mismanagement. Rather the donor-driven power sector reform has been "systematically ruining" the PDB. The Daily Star broke this news last Tuesday.

This report says it costs PDB Tk 1.99 to produce each unit of power. Experts may debate on the reality of this figure. But the government has been penalising this state-owned enterprise to outsource by paying as high as 120 per cent extra cost. PDB pays Khulna Power Company Tk 4.33, NEPC Tk 3.93, and Westmont Tk 2.96 for each unit of power.

Whereas PDB sells power to Dhaka Electric Supply Authority (DESA) at Tk 1.96 per unit. Why such a garage sale? Because in the name of reforms, the World Bank forced to dismantle PDB and created DESA. Therefore, the books of DESA must not be red until further "reforms" are accomplished.

The Asian Development Bank (ADB) sponsored Rural Power Company Limited (RPCL) to generate power for Rural Electrification Board (REB). But PDB has been compelled to purchase power from RPCL at Tk 4.67 and sell it back to REB at Tk 1.84, sustaining 155 per cent loss in every unit!

Quite a way to cook-up the multi-lateral donors' successful reform

stories. Interestingly these donors preach austerity measures by scrapping various socio-economic subsidies. Dhaka Electricity Supply Company (DESCO) and Power Grid Company Bangladesh (PGCB) were also created by the donors.

The donors termed PDB as a corrupt, inefficient and losing concern causing system loss, to justify the birth of DESA, DESCO and PGCB. Evidently it is no longer the

"performance criteria" imposed by the IMF in 2001 was that the nation stops requiring import licences on foreign-made cigarettes. It was a joyride for Marlboro.

Greg said, "It is perhaps not a coincidence, then, that the 'triggers' of these loans so often are friendly to the interests of Western corporations." Such allegations were confirmed with graphical presentations in the 11th International Anti-

priced and inappropriate for Tanzanian needs. It was temporarily halted but Tony Blair supported the deal and resumed British aid. Britain subsequently increased its aid commitments to Tanzania by 50 per cent. This case study concludes, "Aid agencies tolerate, and in some cases help underwrite, acts of grand corruption."

Cooksey presented another case study of donor's corruption in

after being accused of accepting bribes. He allegedly pushed for the signing of the power purchase agreement in which Uganda would lose huge sums of money to AES. The allegations were not only ignored by the World Bank, but Kajjuka was rewarded with the job of alternate director to the board of the World Bank.

Preliminary work on the dam was stopped in July 2002 due to renewed allegations of corruption. In January 2003, Kajjuka resigned from World Bank, over an alleged \$10,000 bribe which he was paid in 1999 by Nor-Icil Ltd, the British subsidiary of Veidekke, the main contractor for the dam.

There was no competitive tendering procedure for the dam construction. But Uganda's President was blindly obsessed with this project. There has been government intimidation of those who speak out against the project in the dam region. At one point, a US government official said that failure to approve the scheme would damage the US-Uganda relations.

Sounds familiar? Are not we equally susceptible to such threats? Diplomatic guns were promptly pointed on the head of US-Bangladesh relation and the fate of investments was threatened when deals were not closed with SSA and Tyco.

Nevertheless, would it be impractical to suspect that someone from the donors has not been benefited out of our power purchase or other deals? Can the donors assure us that no Gautam Sengupta or Richard Kaijuka exists in Bangladesh?

We don't need their answer. The University Press Limited is publishing a book. It exposes that multilateral donors are not at all Robin Hood. We look forward to the book which is likely to provide interesting reading.

The writer is a telecom analyst

## PASSWORD

Ecuador received World Bank loan only after it permitted the construction of a controversial gas pipeline over the Andes that had long been sought by British Petroleum. In Sierra Leone, one of the "performance criteria" imposed by the IMF in 2001 was that the nation stops requiring import licences on foreign-made cigarettes. It was a joyride for Marlboro.

system loss but the systematic loss of blood from PDB's ruptured vein of internal power tariff structure, due to the donors' lethal shock therapy.

This is a pathological ailment of the multi-lateral donors. Greg Palast reports for BBC and the Guardian newspaper. Last March the Harper's Magazine published his article: 'Resolved to ruin: the World Bank/IMF takeover, in four easy steps.'

Greg exposed the systematic destruction of Argentina's economy by the World Bank and IMF. He labelled their loan agreements as de facto legislation for the developing and underdeveloped countries. "Although couched as loan conditions or as helpful development advice, these reports more closely resemble the minutes of a financial coup d'etat," Greg commented.

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Corruption Conference in Seoul last month. Nearly 900 participants from more than 100 countries, including Dr. Kamal Hossain and others from Bangladesh, attended that event.

Brian Cooksey presented his case studies titled, "Aid and corruption: A worm's-eye view of donor policies and practices." He presented inconclusive evidences on donors' connivance with the vested groups in sectoral reforms.

The Bank-funded \$115 million urban transportation project in Kenya involved grand corruption. Long-term World Bank employee Gautam Sengupta pleaded guilty to having received \$127,000 in kickbacks and had helped bribing \$50,000 to the concerned Kenyan government official of this project.

In 2001, British Overseas Development Secretary Clare Short (Lately resigned protesting the Iraq scandal) objected the Tanzanian government purchasing \$40 million radar from British Aerospace, just after Tanzania obtained pledges of \$3 billion in debt relief.

This radar was reportedly over-

## Jobs in Mongla Port declared essential services

UNB, Dhaka

All categories of jobs in Mongla Port Authority and Mongla Dock Workers' Management Board under the Shipping Ministry have been declared essential services.

This announcement of the government will remain in force for next six months, an official handout said yesterday.

## BEA post-budget seminar today

UNB, Dhaka

A "Post-Budget 2003" national seminar will be held today at 3 pm at the Planning and Development Academy auditorium at Nilkhet in Dhaka.

Professor Nurul Islam, first Deputy Chairman of Bangladesh Planning Commission, will be the guest of honour at the seminar, organised by Bangladesh Economic Association, says a press release.

Besides members of the association, eminent economists, researchers, teachers, professionals and politicians will participate in the seminar, to be chaired by association president Dr Qazi Kholiquzzaman Ahmed.

## Free Dubai break for Emirates first, business class passengers

Emirates' First and Business Class passengers flying to Dubai and beyond this summer are being rewarded with a free stay at a luxurious five-star beach resort in Dubai, offered by the airline, says a press release.

Award winning Emirates is offering First Class passengers a two night break at the stylish all-suite Jumeirah Beach Club staying in a junior suite, whilst Business Class travellers can spend a night at the elegant Ritz-Carlton resort in the comfort of a deluxe sea-view room.

During their stay, travellers can also enjoy one free activity, choosing from a round of golf at the renowned Montgomerie Golf Course, a dune dinner safari with Arabian Adventures or a relaxing Balinese massage.

## India's industrial production up

REUTERS, New Delhi

India's industrial output rose in April from a year earlier as higher spending helped boost the manufacturing sector in Asia's third-largest economy but analysts said the pace in coming months would depend on the annual monsoon.

Data released by the official Central Statistical Organisation on Thursday showed output rose 4.9 per cent over the same month last year, compared with 4.1 per cent growth in April 2002.

"There is strength in the industry numbers. I don't see it coming down. We should see an average five per cent for the current year," Ajit Ranade, chief economist with ABN Amro Bank, India told Reuters.

But April's growth was slower than the preceding two months as a truckers' strike disrupted the movement of goods across the country. The nine-day nationwide strike is estimated to have cost the nation an

estimated 15 billion rupees per day, analysts say.

Industrial output rose by 6.0 per cent in March and 6.4 per cent each in January and February.

Manufacturing, which accounts for 80 per cent of the industrial output index, grew 5.0 per cent in April compared with 4.0 per cent in the same month last year.

Robust industrial growth is critical for government finance because a large chunk of tax revenues come from industry since the farm sector is not taxed.

Industrial growth in coming months will depend on the monsoon season, analysts said. Rains are crucial for strong farm output and for demand in a country where some two thirds of the billion-plus population depends on agriculture for a living.

Bumper rains results in higher crop output leading to a rise in rural incomes and increased rural purchasing power.

## BoJ chief sees slowing inflation, warns against deflation risk

AFP, Tokyo

Bank of Japan Governor (BoJ) Toshihiko Fukui said Friday that inflation is slowing worldwide and warned that authorities should guard against it evolving into falling prices.

"Disinflation is a global trend and it is the job of any central bank to tackle it," Fukui said at a regular press conference.

Disinflation occurs when the rate of inflation slows over time but is not yet negative, whereas deflation is an absolute fall, defined as a general prolonged decline in prices and which encourages consumers to postpone buying until prices fall further.

Earlier this week the BoJ said Japan's key price indicator fell for

the 33rd consecutive month in May and at a faster rate than expected as personal computer and auto parts prices saw a sharp decline.

A debate is currently raging in Germany, the biggest but worst-performing economy in the European Union's 12-country euro zone, over whether it is currently experiencing disinflation or deflation.

Fukui's comments came a day after the central bank warned of slumping exports in its economic assessment for June due to the SARS epidemic in Asia and shaky demand from South Korea.

"I am not so optimistic about the prospects for the economy and we will continue to watch closely any developments," Fukui said.