

Subsidies Bill to be further cut down

By Moazzem Hossain

Gulf crisis causes direct budgetary cost Tk 66 cr

Star Economic Report
The Gulf crisis that was triggered off by Iraq's occupation of Kuwait in early August 1990 and ended in a war leading to Baghdad's pullout from the occupied territory in February this year, has caused a direct budgetary cost of Taka 66.03 crore in 1990-91 for the Bangladesh government.
The amount has been shown as "Extra-Ordinary Expenditure" under Head of Account — 172 in the Annual Financial Statement of Ministry of Finance.
The Demands for Grants and Appropriations (Non-Development), a consolidated budget document showing expenditure (gross) under major heads of accounts, has given a detailed break-down of the cost related to the Gulf crisis.
It has shown the expenditure incurred for sending troops to Saudi Arabia at Taka 27.71 crore. Repatriation of stranded Bangladeshis from the Middle East totals Taka 38.32 crore. This amount includes Taka 36.32 crore on account of operational cost of Bangladesh Biman and another Taka two crore given to Bangladesh Missions for repatriation.

The Subsidies Bill, net out of the government's revenue budget, will be further cut down in 1991-92 to trim the overall non-development recurring expenditures. The amount will be Taka 86.50 crore lower, under the proposed budget for the coming fiscal year, than what would be spent under the revised budget for 1990-91.
Notwithstanding the proposed reduction, the subsidies amounting to Taka 683.51 crore, will still then be about 8.2 per cent of the total revenue expenditure of Taka 8083.25 crore in 1991-92.
Under the revised budget for 1990-92, the subsidies bill stood at Taka 770.01 crore which was Taka 228.43 crore lower than the original budget estimate at Taka 998.44 crore about the same for the year. The curtailment in subsidies in the outgoing fiscal year was made possible mainly by slashing the original allocation for foodgrain subsidies. The government effected hikes in open market sale and ration prices for foodgrains to plug the gap between its procurement cost and recoveries

through distribution under monetised sales and to reduce thus the bill on account of food subsidies.
The government spent Taka 791.60 crore, out of its revenue expenditure, for footing the overall subsidies bill in 1989-90.
The overall subsidies bill includes cash subsidies for the monetised food distribution channels under Ministry of food, and the subsidies given to autonomous bodies and corporations. Food subsidies for defence and police personnel are however accounted for by the separate budgetary allocations for defence (Head of Account 135) and police (Head of Account 123). Such subsidies will be about Taka 12.60 crore for defence personnel under the proposed budget for 1991-92, the amount being the same as under the revised budget for 1990-91. Likewise, food subsidies for police personnel have been proposed for 1991-92 at the same unchanged level of Taka 4.69 crore as that under the revised budget for 1990-91.
Total food subsidies, involving supplies made through

monetised channels under Public Food Distribution System (PFDS) operated by Ministry of Food and also those meant for defence and police personnel will be about Taka 380 crore under the proposed budget for 1991-92 against

Taka 390 crore under the revised budget for 1990-91. The revised budget for 1990-91 showed expenditures on account of food subsidies for supplies made through PFDS at Taka 372.71 crore compared with Taka 586.14

crore allocated for the same under the original budget for the year. The subsidies for PFDS stood at Taka 590.96 crore in 1989-90.
Under the proposed budget for 1991-92, subsidies on account of state trading of foodstuff or PFDS are estimated at Taka 362.71 crore. Distribution of foodgrains through monetised channels under PFDS by Ministry of Food is targeted at 16.50 lakh tons in 1991-92 against 15.50 lakh tons under the revised budget for 1990-91. This does not include distribution operations through non-monetised channels (Food for works Programme, Vulnerable Group Development, Test Relief and Gratuity Relief) by Ministry of Relief and Rehabilitation.
The government raised upwards the open market sales and ration prices for distribution of foodgrains through monetised channels under PFDS in 1990-91 to bring the prices "close to the market prices". This enabled it to reduce the food subsidies bill. The ration price of rice and wheat after the latest revision stand now at Taka 373.24 and

Taka 253.80 a maund respectively, showing hardly any difference from the market prices of the same. This is indicated by Bangladesh Economic Survey (1990-91), a publication of ministry of Finance.
Besides the subsidies on account of state trading of foodstuff, a substantial amount of the aggregate subsidies bill, borne out of the revenue budget, is accounted for by the autonomous bodies or corporations. In 1991-92, such autonomous bodies or corporations have been proposed an allocation of Taka 320.80 crore as subsidies. The amount was Taka 397.30 crore under the revised budget for 1990-91 and Taka 200.64 crore under the budgetary accounts for 1989-90 for the same bodies or organisations. This is indicated by the Demands for Grants and Appropriations (Non-Development) 1991-92, now under consideration by the Jatiya Sanghad.
The break-down of subsidies for autonomous bodies and corporations and other non-food operations is as follows:

Autonomous Bodies/Corporations	(in crores of Taka)		
	Budget 1991-92	Revised Accounts 1990-91	1989-90
1. Bangladesh Chemical Industries Corporation (Khalna News Print Mill)	13.00	13.36	6.66
2. Bangladesh Steel and Engineering Corporation	0.80	1.20	0.93
3. Bangladesh Jute Corporation	50.00	50.00	—
4. Subsidy for Export of Jute and Jute Goods	80.00	100.00	82.92
5. Rural Electrification Board	10.00	5.74	5.74
6. Bangladesh Inland Water Transport Corporation	0.50	0.50	0.50
7. Cash Financial Assistance to Certain Exportable Commodities	10.00	45.00	—
8. Subsidies for Agricultural Credit Interest Remission	1.50	1.50	73.88
9. Compensation to Banks on account of Segregated Loans	80.00	80.00	30.00
10. Compensation of interest on Financial Sector Credit 75.00	100.00	—	—
Total	320.80	397.30	200.64

Snippets

US economy still declining
BEAVER CREEK (Colorado), June 26: The US economy is at least several months from recovery and may in fact still be declining despite upbeat reports from Washington economists, top business executives say, reports Reuter.
The executives, gathered recently in this rocky mountain resort town for a forum that annually draw top leaders from world politics and industry, were decidedly more pessimistic than Federal Reserve Chairman Alan Greenspan and other government prognosticators.
But more than a dozen business leaders from a wide variety of industries said in interviews with Reuter that they doubted a recovery was at hand and suggested the economy might "bounce along the bottom" for a while.

Algeria faces severe economic crisis
PARIS, June 26: Algeria, wracked by political tension, is also facing a severe economic crisis, reports AFP.
The poor state of agriculture, and an out-dated industrial sector, bear witness to setbacks in efforts to move from state ownership and management toward a market economy.

US interest rates may be kept steady
WASHINGTON, June 26: US central bank policy makers meet next week and are expected to keep interest rates steady as the nation's economy struggles out of recession, reports Reuter.
With more evidence emerging that the nearly year-old slump is coming to an end, economists said Federal Reserve Board officials want to wait and see whether past cuts in interest rates have been enough to bring about a sustained recovery.
"I think they will decide to do nothing," said National Association of Home Builders David Siders. "They are going to judge the current stance of policy to be about right at this time."
What's more, economists said, Fed officials are likely to conclude that more reductions in interest rates now would risk rekindling inflation pressures.
The Federal Open Market Committee (FOMC), the central bank's policy arm, is scheduled to meet next Tuesday and Wednesday to discuss the course of credit policy over the next several weeks.

Egypt wins \$ 524m World Bank loan
CAIRO, June 26: Egypt won a \$ 524 million Dollar World Bank loan package to help ease its transition to a market economy, Egypt's MENA news agency said recently, reports Reuter.
MENA said the bank's board of directors in a meeting last week in Washington approved the package, the latest in a string of economic bonanzas Cairo has won since it took a strong anti-Iraq stand in the Gulf crisis last year.
Included in the package is a 300 million Dollar structural adjustment loan to support Egypt's budget, now running at a deficit equal to around 10 per cent of Gross Domestic Product.

Dollar closes little changed in Europe
LONDON, June 26: The Dollar closed little changed against the Mark in Europe on Friday as traders, unnerved by the week's sharp swings due to anticipation of a key G-7 Finance Ministers' meeting, withdrew to await the outcome, reports Reuter.
Shares on major European bourses were firmer, especially in Germany where excitement over the choice of Berlin as capital boosted prices. Gold bullion and crude oil were little changed.
The Dollar ended at 1.7995 Marks and 138.45 Yen, compared with Finish at 1.7925 Marks and 138.40 Yen.

60 sets of street signs auctioned off in London
LONDON, June 26: A remnant of London's colourful newspaper history — a set of seven glass and enamelled street signs from fleet street — sold for 16,000 Pounds (26,000 Dollars) on Tuesday, reports Reuter.
The city of London auctioned off 60 sets of street signs to pay for their replacement, raising a total of 83,750 Pounds (137,000 Dollars).
Fleet street used to be the hub of London's newspaper world, but all the major dailies have now moved elsewhere in the city.

Eruption won't hit Pilipino economy
NANILA, June 26: Mount Pinatubo's eruptions will cause hardships in areas near the volcano, but relatively little economic damage elsewhere in the Philippines, government economists say, reports AFP.
Economic Planning secretary Cayetano Paderanga said he was hopeful that the country's annual growth target of 1.5 to 2.5 per cent still could be reached despite damage from the eruptions.
Paderanga said areas near the volcano will continue to be threatened by mudflows from the tons of ash and debris on Pinatubo's slopes, and the damage most likely will put next year's growth target "nearer the lower levels."
Paderanga, who also leads the National Economic Development Authority, said the worst economic effect that Pinatubo's eruptions can have is to disrupt the production of goods and services in affected areas.

Japanese aid to rural uplift sought

US vessel with TSP arrives tomorrow

The visiting Japanese Parliamentary delegation Sunday called on Finance and Planning Minister M. Saifur Rahman at his residence, reports UNB.
The six-member delegation, led by Masha Yoshi Takemura, discussed bilateral relations and matters of mutual interest.
Recalling the Japanese assistance for the cyclone victims, which amounted to 90 million US Dollars, Saifur thanked the people and government of Japan for their generosity.
The Finance Minister apprised the delegation of the proposed Gumat Bridge to be built with Japanese assistance.
The additional cost for the third lane may be adjusted by the Japanese debt relief grant, the Minister suggested.
Saifur requested the delegation to divert their assistance towards other priority development sectors such as agriculture, education and rural development.
Japanese Ambassador Toshio Saiki and ERD Secretary Enam Ahmed Chowdhury were also present during the discussion.

G-7 summit from July 15 \$ 5b aid for LDCs to be announced

LONDON, June 26: Western nations will announce a 15-billion-Dollar debt relief programme for the world's poorest countries at next month's economic summit in London, the Guardian newspaper reported today, says Reuter.
It said the scale and timing of the programme were regarded as a breakthrough in attempts to coordinate western aid to sub-Saharan Africa, seriously hit by drought and famine.
The deal could be seen as a diplomatic coup for Prime Minister John Major, who launched the idea last year when he was Chancellor of the Exchequer, the paper said. Britain is host for the annual summit of the Group of Seven (G-7) leading industrial nations, beginning on July 15.
The expected debt relief programme is closely modelled on proposals he made at the International Monetary Fund annual meeting last September.
The Guardian said Major, who took over as Premier from Margaret Thatcher last

US vessel with TSP arrives tomorrow

November, called for the doubling of official debt relief, stretching repayment periods to 25 years and conceding a five-year grace period during which low-income nations would not have to pay either interest or principal on borrowings.
At the moment relief terms are fixed by the Toronto summit agreement in 1988, which gives low-income developing countries the choice of cancelling a third of their debt, stretching their repayment terms or cutting their interest payments.
The Guardian said under the deal to be announced next month debt relief was to be raised to at least 50 per cent of the value of the loan and the summit might agree to the 66 per cent relief proposed by Britain.
More than 30 billion Dollars is owed by at least 19 low-income countries and relief would be available on their debt. But as part of the deal, countries would have to negotiate their economic policies with the IMF.

US cargo vessel MV Overseas Harriate, carrying first consignment of TSP fertilizer, imported first time by private sector, is scheduled to arrive at Chittagong port tomorrow (Friday), reports UNB.
USAID and International Fertilizer Development Centre (IFDC) have assisted Bangladesh in importing the fertilizer.
Kargil Corporation, the supplier of the fertilizer, is the largest exporter of agri-products and also the largest producer of TSP in the USA.
Officials of US embassy, USAID and IFDC in Dhaka will be present during the off-loading of TSP fertilizer, a press release said today.

New UCBL branch opens

Record low in share trading

FARIDPUR, June 26: A new branch of United Commercial Bank Ltd was inaugurated in the district town recently, reports BSS.
Mohammad Abdur Rahim, Deputy Commissioner of Faridpur inaugurated the branch. SA Shakkor, Managing Director and President of the Board of Directors of the Bank was present on the occasion. Local businessmen and elite of the town attended a milad mahfil arranged in the Bank premises in this connection.

COMECON dissolved

MOSCOW, June 26: The Soviet Parliament gave its formal approval on Tuesday for the dissolution of the COMECON trade bloc, virtually defunct since the collapse of communist governments in Eastern Europe, reports Reuter.
But a report presented by Prime Minister Valentin Pavlov showed divisions between COMECON's European and overseas members about the shape of an organisation to take the place of the group.
Deputies in the Supreme Soviet voted 332 to five to back a government report calling for the disbandment of the nine-nation bloc at its meeting this week in Budapest.
The Soviet representative to COMECON told the Parliament that cooperation between the member-states "will not end with COMECON's dissolution."
"Only the structure of multinational cooperation based on definite political and economic principles will be scrapped," he said.

Economic reform to suffer: Li If US snaps MFN

BEIJING, June 26: China's hardline Premier Li Peng warned yesterday the process of economic reform and opening to the West would suffer tremendously if Washington scrapped the country's Most Favoured Nation (MFN) trade status, reports Reuter.
In a speech to foreign businesses, diplomats and journalists he painted a rosy picture of the Chinese economy, with inflation under control, robust industrial growth and market-oriented reforms proceeding apace.
"China's economy has achieved a total recovery," he said, referring to the recession of late 1989 and early 1990.
Foreign reports that economic reforms had stalled were wrong, Li said in a statement apparently designed to soothe foreign business anxious about a resurgence of Marxist-style control over the economy after a political crackdown in 1989.
Li, backed by an older generation of hardline octogenarians, tightened his grasp on

Indian tea output falls by 2m kg

CALCUTTA, June 26: Indian tea output was down by more than two million kilograms (four million pounds) in April, according to the latest official estimates made available here recently, reports AFP.
The overall output from the southern and northern tea growing states of India, still the largest tea producing area in the world, was estimated 59.32 million kgs (130.5 million pounds) in April, as against 61.46 million kgs (135.2 million pounds) the same month last year.
Production in the first four months of this year was however up by 2.07 million kgs (4.5 million pounds).
Tea production in India, facing a growing challenge from Kenya, China and Sri Lanka, has declined from 60 per cent of world output in 1940 to 28 per cent last year.
China, which produced a modest 63 million kgs (138.6 million pounds) in 1950 increased output to 303.8 million kgs (668 million pounds) in 1980 according to available figures.
India's 1980 production was placed at 569.6 million kgs (1,253 million pounds).
India has already lost its position as the highest tea exporter in the world, but tea industry sources here, the major centre of the industry in India, say the cause is due to growing domestic consumption.
It has lost its pre-eminent position to neighbouring Sri Lanka and China. Sri Lankan shipments in 1986 were estimated 208 million kgs (457.6 million pounds) as against India's 203 million kgs (446.6 million pounds). Sri Lanka has since progressed with last year's exports totalling 205 million kgs (451 million pounds), when the Indian shipments were only 195 million kgs (429 million pounds).
Kenya, which has also registered growing exports, reported shipments of 170 million kgs (374 million pounds) last year.

Oil prices rise

LONDON, June 26: Oil prices rose slightly on Tuesday, supported by renewed demand for unleaded gasoline futures in the United States, reports Reuter.
But traders remained cautious. "That's really the only factor holding up the market," one London-based oil futures broker said.
Crude oil traders said the market was well supplied and many expected prices to fall before long. Few were willing to trade before the latest weekly US oil stocks figures were released later on Tuesday.
On the New York Mercantile Exchange the light crude oil futures contract for August rose 11 cents to 20-09 dollars a barrel.
In London, the Brent Blend crude oil futures contract for August was four cents higher at 18.30 dollars a barrel.
The Singapore market reopened after a national holiday on Monday. Dubai crude oil futures closed 25 cents under Friday's settlement price.

Record low in share trading

Trading resumed on Wednesday at Dhaka Stock Exchange (DSE) after a three-day recess on the occasion of the Eid-ul-Azha.
Transactions were, however, on a minuscule level. Only 55 shares changed hands compared with 278 on Saturday last on the eve of holidays for the Eid. Yesterday's (Wednesday's) trading was at the record lowest level in the last one year or more.
Traded shares valued Taka 6,740.00 against Taka 39,253.00 on Saturday last.
Of the two stocks which were traded on the day, Green Delta remained unchanged at Taka 120.00 at its previous quoted rates. The other stock, Apex Tannery, was slightly up with its price advancing by Taka 3.00 to Taka 148.00.
Data on DSE All Share Price Index and market capitalisation were not available from the exchange.

High food prices make life unbearable in Afghanistan

KABUL, June 26: Ask any Afghan and he will tell you it is too much to stomach: The skyrocketing food prices that have made life unbearable as the country's 12-year-old war.
Even President Najibullah acknowledges that prices are spiralling. "We do realise that prices have gone very high compared to previous years," the President said in an interview with Agence France-Press, but added that essential items were available in markets.
He said the war had disrupted the shipment and distribution of supplies but was hopeful the fighting would end soon and pave the way for economic recovery.
For the time being, however, the typical housewife can only wring her hands in despair at the never-ending markups as traders hopelessly try to justify the price hikes.
"None can blame us, it is the war that is doing this," said the owner of a fully stocked grocery shop.
He said there were no shortages but petrol prices had almost doubled, forcing traders to charge more for transportation.
Presidential Advisor Eshaq Tokhi agreed that the economic plight was a product of the war.

Even after the fighting stops the state of the economy will be a painful remnant of it.

Residents said no rockets were fired this time into Kabul by the rebels, a fact the government attributes to its military gains of the past two months.
"Last year the situation was different. The biggest threat then was the rockets," said a political opposition figure who accused the President of giving excessive publicity to military gains to cover up economic hardship.
Meat, traditionally a part of the daily diet, has become a luxury. A kilogram (2.2 pounds) of mutton costs 2,200 Afghans (2.30 dollars) in May and a kilo of chicken goes for 3,000 Afghans (3.15 dollars), up from 2,200.
A kilo of flour has risen from 500 (52 cents) to 600 (63 cents) while potatoes, considered the poor man's food, cost 500 as compared to

Exchange Rates

June 26			
SELLING AND BUYING RATES, offered by Commercial Banks, for Bank Cheques (BCs) and Overseas Drafts (ODs)			
One Unit of Foreign Currencies (FC) for Taka	Selling	Buying	
US Dollar	35.9226	35.4432	
UK Pound Sterling	58.3405	57.6289	
German Deutsche Mark	19.9348	19.6579	
France Franc	5.8718	5.7904	
Saudi Riyal	9.6101	9.4819	
Dutch Guilder	17.7089	17.4597	
Pakistan Rupee (AMU*)	1.4730	1.4561	
Singapore Dollar (AMU*)	20.2495	19.9792	
UAE Dirham	9.8141	9.6831	
Kuwait Dinar		Not available	
Indian Rupee			
AMU	1.6909	1.6746	
S. Kroner	5.9223	5.444	
*AMU: Asian Monetary Unit			
SECONDARY EXCHANGE MARKET			
Wage Earners Fund/Export Performance Benefit (XPB)	Buying	Selling	Fund
US Dollar	36.48	36.53	
UK Pound	59.26	59.31	
Saudi Riyal	9.76	9.81	
UAE Dirham	9.97	10.02	

Quoted Prices of Trade Stocks

June 26	**V/M/L	Closing (Taka)	**Changes
Green Delta	100/10	120.00	Unchanged
Apex Tannery	100/5	148.00	(+3.00)

Dhaka Stock Exchange Market Profile

June - 26	
134 Listed stocks	

June 26	
1 Gains	133 Unchanged

133 Unchanged stocks include eight traded on the day at its previous quoted prices.
DSE All Share Price Index = Not available.
Issued Capital = Taka 10,146,289,601.00
Market Capitalisation = Not available.
Turnover = Taka 6740.00 (Value) 55 (Volume).