The Daily Star

DHAKA FRIDAY, JUNE 11, 1999

Highlights

Following are the highlights of the proposed national budget for 1999-2000:

* No new taxes proposed
* Highest ever allocation for education sector
* Tk 100 crore subsidy in agro-sector
* 5.2 per cent GDP achieved
* No inflation since January last
* Over Tk 1000 crore spent for post-flood relief activities
* Tax burden reduced to encourage and support local industries
* Special tax reduction for increased export earning
* Contain smuggling through readjustment of taxes and duties
* Reduction of duty on raw materials and intermediate products to encourage indigenous industries
* Tk 25 crore special fund for distressed women
* Tk 15 crore for housing fund
* Revenue earning Tk 24,151 crore
* Revenue expenditure Tk 17,800 crore
* Annual Development Programme (ADP) Tk 15,500 crore
* Tk 14.51 crore allocation for the welfare of the freedom fighters
* Drastic duty cut for agro-based industries
* Allocation of Tk 2519.3 crore in health sector
* Allocation of Tk 561 crore subsidy and financial assistance for export sectors
* Enhanced allocation of Tk 72.25 crore in sports and cultural sector
* 100 million dollar "Sonali Bond" for Bangladeshi expatriates
* Tk 500 crore 'Agrani Bond' for expansion of industrial investment
* Tk 829.6 crore for police which is 54 per cent higher than the previous fiscal
* Tk 680 crore additional allocation for government officers and employees
* Reduction of import duty from 25 per cent to 5 per cent for public transport
* Special measures for protection of environment and forest —BSS

Tk 561 cr export subsidy

The Finance Minister in his budget for 1999-2000 yesterday proposed an allocation of Tk 561 crore subsidy to exporters of certain items, including leather products, quilts, and fresh and artificial flowers, to promote exports, reports UNB.

"Exporters of non-traditional products may be given assistance up to 50 per cent of the costs," SAMS Kibria said in his budget speech. "We will have to encourage our exporters to create market for their products on the basis of competition."

He spoke of the potentialities of leather sector and proposed to provide 10 per cent ad valorem assistance to selected finished leather products, including shoes and handbags.

Similar facility will be extended to quilts made with domestic materials, and exporters of fresh and artificial flowers.

Kibria said the existing financial incentive for using domestic raw materials in readymade garments, and the special assistance on jute goods at 10 per cent will continue during the next financial year.

Military rulers blamed for default culture

Finance Minister SAMS Kibria has squarely blamed the martial law regimes for originating the default culture which crippled banks and financial institutions, reports UNB.

In his budget speech in Parliament yesterday, Kibria said the military dictators had sanctioned loans indiscriminately with a view to luring supporters. The bank management was also partly responsible for this.

"The whole nation is now required compensate for these misdeeds", he said.

He added: "Unfortunately, unacceptable levels of classified loans have crippled banks and financial institutions in Bangladesh."

The Minister, however, did not mention the total amount of classified loans.

He quoted justice Earl Warren as saying about default loans, "the crime problem is in part of an overdue debt that the country must pay for ignoring for decades the conditions that breed lawlessness."

About the measures taken against the loan defaulters, the finance minister pointed to the Money Loan Court Act.

Five new exclusive courts have been set up to try cases regarding money loan and bankruptcy in Dhaka and Chittagong metropolitan areas, he said.

A high-level task force has been set up in each nationalised commercial bank and Bangladesh Bank to monitor classified loan.

Kibria told the House that laws relating to loan defaults have been examined and amendments to these laws will be brought shortly.

Besides, he said, Bangladesh Bank would be reorganised as an effective and strong institution with a view to restoring discipline in the financial sector.

Non-resident Bangladeshis to pay tax

By Staff Correspondent

Non-resident Bangladeshis will now have to submit annual tax returns.

The Finance Minister in his budget speech said that he is introducing a system to collect tax from overseas Bangladeshis.

"The amount of tax can be paid through the Bangladesh mission abroad through account payee bank drafts in favour of the concerned Deputy Commissioner of Taxes. The concerned mission will accept the returns by giving receipt to the taxpayers and will send the returns to the National Board of Revenue."

Pre-shipment inspection compulsory

The government has proposed to introduce compulsory pre-shipment inspection (PSI) instead of present voluntary pre-shipment inspection (PSI) system to stop revenue loss, reports UNB.

Announcing re-introduction of the system, the Finance Minister said it would be possible to prevent system loss in revenue collection once the mandatory PSI system is introduced.

He said: "I hope additional Tk 550 crore revenue will be collected through this measure."

Under the present system, an importer employs a PSI company for his personal interest. "But if the PSI company is employed and paid for by the government, then they will be answerable to the government," Kibria said.

He added: "For various reasons introduction of mandatory pre-shipment inspection system is justifiable excluding imports of government and autonomous organisations, relief goods and some other cases, including defence imports."

Budget at a Glance

(Taka in crore)

Statement No	Description	Budget 1999-2000	Revised 1998-99	Budget 1998-99
	RESOURCES			
I	Revenue Receipts	24151	19700	20776
IV	Foreign Grants	3269	3552	2990
IV	Foreign Loan	5091	5332	4392
V	Domestic Capital (net)	1360	1280	1284
VIII	T and T Board	171	150	150
VIII	Self Financing by Autonomous bodies	250	184	184
X	Financing from Banking System	0	1465	0
	Total:	34292	31663	29776
	USE OF RESOURCES			
I	Non Development Budget	17800	16765	15937
VIII	Annual Development Programme	15500	14000	13600
IX	Non-ADP FFW included in Development Budget	571	306	279
VII	Net Outlay for Food Account Operation	224	441	40
IV	Non-ADP projects	197	151	0
	Total:-	34292	31663	29776

Slight fall in forex reserve

The reserve of foreign exchange on May 31 this year stood at 1.514 billion US dollars, slightly down from 1.67 billion dollars the same day in 1998 mainly due to increased trade deficit, reports UNB.

Announcing the national budget yesterday, the Finance Minister said the forex reserves fell by about 156 million dollars during last 12 months.

"The present reserve is adequate to meet 2.3 months' import requirements and it is satisfactory at the moment," he told Parliament.

Trade deficit

Meanwhile, the survey further said the trade deficit in the first six months of 1998-99 amounted to 1.271 million dollars against 1.073 million dollars during the corresponding period in 1997-98.

It means, the report said, trade deficits in first six months in comparison to the corresponding period of last fiscal rose by 18.5 per cent.

Reason behind the higher trade deficit is century's worst floods that caused 1.5 per cent fall in exports but pushed imports 4.3 per cent up, the survey report said.

However, it said the deficit rose at a slower pace to 112 million dollars in first six months of 1998-99 from 104 million dollars during corresponding period in last fiscal as rate of remittances continued to increase.

Cabinet okays budget

The cabinet yesterday approved the proposed budget for the financial year 1999-2000, reports BSS.

The approval was given at a meeting of the cabinet at the Jatiya Sangsad with Prime Minister Sheikh Hasina in the chair.

The cabinet also approved the revised and supplementary budget of the 1998-99 fiscal, and taxation system and programme for revenue earnings for the 1999-2000 fiscal.

5.2 pc GDP growth rate

Despite the century's worst floods playing havoc with productive sectors, GDP growth rate in 1998-99 will stand at 5.2 per cent or Tk 75,573 crore decreasing from previous two years, reports UNB.

The growth in gross domestic product was 5.7 per cent and 5.9 per cent in 1997-98 and 1996-97 fiscal years.

Bangladesh Economic Survey placed in Jatiya Sangsad yesterday along with a new national budget, also showed per capita GDP for the current fiscal (1998-99) at Tk 13,655 with a growth rate of 11.6 per cent.

In fiscal 1997-98, it was Tk 12,240 with an 8.4 per cent growth.

"The achievement in growth of the GDP was possible following bumper Boro harvest although Aus and Aman crops were affected seriously by last year's deluge," says the survey.

The growth in agriculture in 1998-99 will be 5 per cent.

Highest allocation for edn sector

Highest priority has been given to education sector in the budget for 1999-2000 as well as in the revised budget for 1998-99 fiscal, reports UNB.

While presenting his budget speech in Parliament yesterday the Finance Minister proposed an allocation of Tk 5,149.28 crore for the education sector for fiscal 1999-2000.

He mentioned that before the present government assumed office, total allocation for education sector in 1995-96 fiscal was Tk 3,521.93 crore.

Within three years of the government headed by Prime Minister Sheikh Hasina, Kibria said annual allocation for the education sector is proposed to be raised by about Tk 1,627 crore.

He told the parliament that compared to 1995-96, total allocation for education sector has been raised by about 46 per cent.

The Finance Minister said that in the revised revenue budget for 1995-96, total allocation for education was Tk 2151.45 crore. It has been raised to Tk 3,220.16 crore in 1999-2000.

"Two-thirds of the increased allocation in education is required for higher salaries and for new teachers," he said adding that about 2,000 primary schools were understaffed with sanctioned strength of either one or two teachers.

A view from the Gully

By Tawfiq Aziz Khan

Lord's was basking in glorious sunshine and in the glory of cricket.

The battle of David against the Goliath, or should we say, the humans against the gladiators in the mecca of cricket inspired many hearts around the world to the competitive spirit of the game. Zimbabwe gave the Australians a run for their money and produced a rare spectacle where the heart tried to touch the vanquished rather than reach for the victors. Yet there were patches of blue in the Aussie innings created by the Waugh twins — Mark and Steve — revered and remembered for their sublime ability with the bat and the ball alike. The two can sing a duet that can be melodious and murderous at the same time. There is hardly any match for them in the contemporary history of cricket.

Faltering Steve, the senior of the two, caught up with the junior Wednesday and with some help from the lower order they easily sailed past the magical mark of three hundred plus in this tournament. Campbell must have lamented his decisions to invite them in such an ideal condition but the Aussies relished this opportunity to improve their runrate also besides adding two points to their total of two.

Australia were offered the opportunity for a much needed batting practice before their big match against South Africa on next Sunday. Undaunted by the recent success of Glenn McGrath, Johnson went about his business of providing a lesson or two in copybook strokes. Neither McGrath nor the mover of the ball Fleming nor Warne had any influence on this elegant left-hander who was waging his own crusade against the top class bowlers of world cricket. This was a classic example of one man against a country — Johnson versus Australia.

Both Reiffel and Warne came in for a bit of stick but the former had his reward for his zeal and tenacity, the latter proved expensive. Johnson took a leaf out of Mark Waugh's book and hammered a century which will long be remembered for its sheer class and aggression. None of the Aussie bowlers could either contain him and neither been able to defeat him.

Campbell and company have sent strong signal to Wasim Akram. A chill must have ran down the spine of the Pakistan captain. A crunch match he expected and he shall have it today at the Oval, if everything goes well.

This will be Pakistan's last chance for a train to Edgbaston or Old Trafford.

Savings rates down

Last-monsoon's devastating floods also brought down domestic and national savings in 1998-99 fiscal as the calamity hit hard productive sectors reducing incomes, reports UNB.

The savings rates for the two categories in the current fiscal year will be 8.37 per cent and 14.29 per cent of the GDP respectively, down from 8.6 and 14.86 per cent in 1997-98.

"The fall is due to drop of GDP growth rate following the flood damage and lowering of public and private-sector savings in meeting the rehabilitation programme after the deluge," said Bangladesh Economic Survey 1999 placed in Jatiya Sangsad yesterday.

It said the rates of country's domestic and national savings were still far below that of the least-income countries of the world although the figures marked rise in comparison to the early 90s.

Tk 1,800 cr for power sector

The government has earmarked Tk 1,800 crore, including the project aid of Tk 550 crore for the power sector in the 1999-2000 fiscal, reports UNB.

The allocation is 13 per cent of the total sector-wise ADP allocation for the new financial year.

Besides, Tk 745 crore has been earmarked in the ADP for oil, gas and mineral resources sector.

The government has given priority to the power sector to meet the country's growing demand. Under the plan an additional 360 mw electricity is expected to add to the national grid in the 1999-2000 fiscal.

Besides, another 500-600 mw electricity from the public and private sector is expected to add to the national grid under a crash programme.

Nothing for capital market

By M Shamsur Rahman

The proposed budget for 1999-2000 provides no direct incentives for growth of the capital market.

On the contrary, a new advance income tax on bonus shares has been proposed. The proposed tax will be deducted as in the case of dividend income.

Currently, tax at source is deducted at the rate of 10 per cent on dividend income and the income after the deduction is tax free.

In the proposed budget, Finance Minister SAMS Kibria said, "I propose to raise the exemption limit for deduction of tax at source in case of dividend to Tk 30,000 and also propose to abolish the system of treating such tax paymet as final discharge of tax liability".

Capital market analysts say such a system will cause double taxation as the income after being taxed at source will be again added with other income and taxed.

Although no direct incentives was given, the capital market may get indirect incentives with the proposal for new 10 per cent advance income tax on interest on savings certificates.

The money is likely to be diverted to the capital market.

Analysts also said profitability of some listed companies is likely to increase due to reduction of duty on primary raw-materials, intermediary products and as an affect of withdrawal of duty from a number of spares and machinery.

"Besides, the various reforms suggested in addition to pre-shipment inspection is likely to boost effectiveness in some sectors," one analyst predicted.

The minister however stressed the need for strengthening regulatory authority of the capital market regulators which, he said, would boost the confidence of investors.

The minister also said that transactions in both the stock exchanges were automated and a law was enacted for establishing a central depository system.

The Trust Act is likely to be amended to permit investment of different types of funds in the capital market, Kibria said.

Plans to spur privatisation

A bill seeking to strengthen the Privatisation Board to accelerate the process of privatisation in the country is in the offing, reports UNB.

Informing this in Parliament yesterday, Finance Minister SAMS Kibria said the procedures for privatisation would be simplified in the light of last few years' experience. A procedure for separate sale of excess land owned by the enterprises would be introduced.

Rapid privatisation of state-owned enterprises (SOEs) is an essential condition for promoting private sector investment, Kibria said in his budget speech. He added that it has to be speeded up "not only for encouraging new investors but also for reducing the liabilities and financial losses of the government.

The finance minister informed the House that the revised budget for the current fiscal year showed that 17 statutory public authorities incurred losses to the tune of Tk 1,345.30 crore and 21 others earned Tk 482.60 crore.

The government has advanced Tk 114 crore as loan for paying the dues of workers of three textile mills and the Chittagong Steel Mills which are proposed to be closed, he said.

The mounting loan liabilities of the SOEs, owing to losses, will have to be accepted by the government, Kibria said and proposed to earmark Tk 150 crore for repayment during the next fiscal year.

He also proposed to provide a loan of Tk 100 crore to BJMC for purchase of jute during the coming season beginning July.

Investment to stand at 18.5 pc

Though the last year's devastating floods downed GDP growth and caused huge expenditure for rehabilitation, the national investment fiscal 1998-99 will mark a rise and stand at 18.51 per cent, reports UNB.

In 1997-98 fiscal year, national investment was 17.81 per cent of the GDP — contribution of public and private sectors being 6.64 per cent and 11.17 per cent respectively.

Bangladesh Economic Survey 1999, placed in parliament yesterday, said despite the flood, the investment rate is increasing following the private sector-bound reforms of the national economy.

For the current fiscal (1998-99), the report said, contribution of the public and private sectors in national investment are 6.97 per cent and 11.54 per cent respectively of the GDP.

However, the survey termed the investment level as still far behind the least income countries of the world and emphasised on pragmatic steps.

Top priority for transportation in ADP

Tk 2421 crore has been allocated for the transportation sector through the Annual Development Plan (ADP) during the 1999-2000 financial year, reports BSS.

Of the allocation, 76 per cent of the money has earmarked for the road sector, 15 per cent for railways, about 5 per cent for civil aviation and 4 per cent for inland water communication laying emphasis on the improved road transportation with the commissioning of big bridges like the Bangabandhu Jamuna Multipurpose Bridge.

Elaborating, the Finance Minister said, this will include raising of Dhaka Eastern By-pass, bridges on Dharla and Rupsa and at Pakshi, Bhairab, Shikarpur and Dwarika, and a feasibility survey on Padma Bridge for its early construction. Besides, Transportation Planning and Development Board has already been set up with the assistance of the World Bank for reducing traffic congestion in Dhaka Metropolitan area with an earmarked allocation of Tk 67 crore in the budget of Roads and Highways, and Tk 29.69 crore through Dhaka City Corporation. Another Tk 230 crore has been provided for repairing damage in infrastructure of roads and highways in addition to Tk 270 crore allocated in the revenue budget for maintenance

Editor : Mahfuz Anam
Published by the Editor from City Publishing House Ltd., 90 Kakrail, Dhaka-1000 on behalf of Mediaworld Ltd., 52 Motijheel C.A., Dhaka-1000. Editorial, News & Commercial Offices: House No: 11, Road No: 3, Dhanmandi R/A, Dhaka-1205. PABX: 866772-4, Commercial: 866771, Fax No: 88-02-863035, GPO Box No: 3257, Cable: DAILYSTAR, DHAKA. Internet edition address: http://www.dailystarnews.com and Email address: dstar@bangla.net