

BUDGET AT A GLANCE

Description	Budget 2005-06	Revised 2004-05	Budget 2004-05
Revenue and Foreign Grants			
Revenues (Statement I)			
Tax Revenue			
NBR Tax Revenue	45722	39200	41300
Non-NBR Tax Revenue	37312	31950	33640
Non-Tax Revenue	35652	30500	32190
Foreign Grants/1 (Statement IV)	1660	1450	1450
Total :	3305	2644	1889
	49027	41844	43189
Expenditure			
Non-Developmental Expenditure			
Non-Development Revenue Expenditure (Statement II)	38082	33670	33208
Non-Development Capital Expenditure/2 (Statement III)	35523	31590	30518
Net Outlay for Food Account Operation (Statement VII)	2559	2080	2690
Loans & Advances (Net)/3 (Statement VA)	158	168	215
Structural Adjustment Expenditure (Statement VA)	-1161	-1152	-974
Developmental Expenditure	750	270	960
Programmes Financed from Non-Development Budget/4 (Statement II)	26554	22676	23839
Non-ADP Employment Generation Programmes (Statement VA)	790	994	860
Annual Development Programme (Statement VIII)	491	595	296
Non-ADP FFW and Transfer/5 (Statement VIII)	24500	20500	22000
Total - Expenditure :	773	587	683
Overall Deficit (Including Grants) :	64383	55632	57248
(In percent of GDP) :	-15356	-13788	-14059
Overall Deficit (Excluding Grants) :	-3.7	-3.7	-3.8
(In percent of GDP) :	-18661	-16432	-15948
Total - Financing :	-4.5	-4.5	-4.3
Memorandum Item :	7015	6187	6960
	10045	8897	9441
	-3030	-2710	-2481
Domestic Borrowing (Statement VB)	8341	7601	7099
Borrowing from Banking System (Net)	3640	3601	2599
Long-Term Debt (Net)	194	430	129
Short-Term Debt (Net)	3446	3171	2470
Non-Bank Borrowing (Net)	4701	4000	4500
National Savings Schemes (Net)	3726	3017	3554
Others/6 (Statement VI)	975	983	946
Total - Financing :	15356	13788	14059
	417100	368475	370123

Farm subsidy doubled

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production of minor crops like pulses, mustard seeds, spices and maize will also be reduced to two percent from the existing eight percent from July 1.

Introduced in the outgoing fiscal year, the programme for providing 25 percent subsidy on the import of Urea, DAP, MOP and TSP fertilisers will continue in FY 2005-06, he said.

In the previous budget the government had waived the interest on agricultural loans up to Tk 5,000 expired on December 31, 2003. The repayment period of the principal amount has now been extended from March 30 this year to March 30, 2006.

The 20 percent subsidy on electricity bills of the Palli Bidyut Samitis (PBS) for electricity use in irrigation will continue while the minimum charge for all electricity connections for irrigation throughout the country will be waived with effect from July 1 this year.

The 20 percent subsidy on electricity used in agro-based

industries will also continue in the next fiscal year to help the agro-based entrepreneurs.

To encourage export of agricultural products, the 30 percent cash subsidy introduced for the export of agricultural commodities, vegetables and fruits will continue in the next fiscal year.

Bangladesh Bank will provide the refinancing as required to relevant banks at 5 percent interest rate to enhance agricultural credit flow in the next fiscal year.

Programmes for agricultural extension, research, field training, production, preservation and distribution of HYV seeds, storage and marketing of agriculture produce, and irrigation will be further strengthened in FY 2005-06.

The finance minister said Bangladesh Agricultural Development Corporation (BADC) will be restructured in the next fiscal and its work of seed production, preservation and distribution will be expanded further.

Safety net widens

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specific areas in the country have to remain unemployed for certain periods in a year owing to natural and geographical constraints. To mitigate their miseries and create employment for them, a fund of Tk 50 crore will be created, said the finance minister.

Monthly allowances for elderly people will be raised to Tk 180 from Tk 165 now and beneficiary coverage will be expanded to 15 lakh people from 13.15 lakh now, he proposed.

Under the existing programme for the widowed, deserted and destitute women, Saifur Rahman proposed to enhance monthly allowance to Tk 180 from Tk 165 and the number of beneficiaries to 6.25 lakh from 6 lakh.

The number of beneficiaries under the honarun programme for insolvent freedom fighters will be raised to 70 thousand from 60 thousand, as proposed.

Allocation of funds for mitigating risks due to natural disaster will be doubled from Tk 75 crore in the current fiscal year.

Saifur also proposed to increase allocation to the fund for rehabilitation of the acid burnt and physically handicapped by Tk 20 crore from Tk 65 crore this year.

The success of the poverty alleviation programme will depend on the quality of the development expenditure and good governance, checking waste of resources and how skilfully the economic policy is executed. It is not just a matter of the finance minister's allocating budget, but also a matter of the government's political commitment, Mahmud concluded.

The proposed budget also seeks to raise allocation of grains by 1.62 lakh tonnes to 10.32 lakh tonnes for VGF, Food for Work, test relief and gratuitous relief.

Moreover, an allocation of Tk 100 crore in lump to the Ministry of Food and Disaster Management has been proposed to meet emergencies due to natural disasters.

The proposed budget also seeks to be at the level of US\$ 3 billion mark and the macroeconomic fundamentals will remain stable," said the finance minister.

In his speech, Saifur said despite internal and external constraints, the country has been able to achieve economic growth of broadly about 5.5 percent in recent times. He claimed that in the last fiscal due to stronger performance of agriculture, industry and service sectors, the economic growth stood at 6.27 percent which so far is the highest recorded growth rate.

INFLATION RISES AT 6.71

The average inflation rate in the country stood at 6.71 percent in March this year.

The upward trend of inflation was attributed to the sharp rise in oil price in international market and "unusual hike in prices of some important items", according to the Economic Survey 2005.

The survey, however, said the inflation can be kept at a tolerable level by following the rescheduling of tariff measures along with restrained revenue policy and cautious monetary policy.

10,000 to get

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manufacturing industries, some machinery and spares for ready made garments, textile, hosiery, label and terry towel manufacturing industries, academic journals and periodicals essential for higher studies.

Withdrawal of 15 percent supplementary duty on refined petroleum products has been proposed in view of frequent fluctuation of their prices in the global market.

DUTY REDUCTION

Reduction of duties has been proposed on some items -- 7.5 percent from 25 percent on crude petroleum, 15 percent from 25 percent on POL products, 15 percent from 25 percent on CNG-run bus or truck engines, 7.5 percent from 15 percent on telephonic machinery, 15 percent from 25 percent on winding wire of copper and 7.5 percent from 15 percent on ball points of pens.

Customs duties were proposed to be reduced to Tk 300 from Tk 1,500 now on cellular or mobile telephone and 7.5 percent from 15 percent on raw materials needed for manufacture of parts and accessories of rice and wheat mills.

The proposed budget seeks to change supplementary duty structure, making it a three-tier one instead of five tiers earlier. The existing four-tier structure for customs duty has however been retained.

The high rate of supplementary duty on some goods related to health and environment will continue considering the negative impact of those items, the finance minister said.

Concessionary rates of customs duties were proposed for some dyes and chemicals used in leather and leather goods industries.

Tax holiday

FROM PAGE 20
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Wahiduddin doubts

FROM PAGE 1

meet the large-sized development budget. It was estimated that the revenue income would increase 17 percent in the current year but it increased 11 percent at the most. It has again been estimated that the revenue income would increase 17 percent. Doubts are there over how far the revenue collection target could be achieved before the general elections.

In fact, the development expenditure in comparison with the GDP rate or development demand has not been set very high. But the problem is to provide resources for the budget. The revenue income is very low as compared to the national income, which has been constant at 10 percent. The finance minister has expressed his disappointment over this because this is the biggest limitation to poverty reduction programme.

Mahmud said the amount of foreign aid the country hopes to fetch has also been set a little higher than what is realistically achievable. But the World Bank's special loan assistance has temporarily helped to provide resources for the budget. With this, the additional International Monetary Fund's (IMF) loan has helped to increase the foreign exchange reserves. Taking the remaining instalments of the loans into account, stability of the macro economy has been planned to sustain.

Going by past experience, it can be predicted that the proposed development budget for this year will also not be materialised completely, which means the government's internal borrowing would perhaps not be excessive. Besides, a large portion of the development expenditure of this year that has been shown in the revised budget remained utilised with the project officials, which will be used for real development work towards the beginning of the coming fiscal year.

But, he said, the problem of having a big development budget is that the priority of development expenditure and discipline get hampered. Specially, there will be a tendency to distribute local infrastructure development projects for providing facilities at various constituencies.

There is another risk that may stem from the prevailing macroeconomic indicators. The flow of private loan is increasing fast and the import volume is also rising rapidly due to increased industrial production and private investment. The price hike of fuel in the international market is also posing problems to foreign transactions.

There is a tendency to devalue the exchange rate of taka and hike the prices of food items, and so, extra caution should be taken in budget management.

It is a matter of economic evaluation as to how much the government will borrow and how much loan will be given to the private sector within the tolerable limit of expansion of internal borrowing. It is not logical that the government will borrow a certain amount just because it has got the IMF approval.

Mahmud observed that the scope for whitening black money has been extended for one more year. Controversies are there over the morality of providing such scope. In spite of this, for the sake of revenue collection, there might be a reason for providing such facility only for a previously-declared specific period of time.

It has been done in India. This kind of policy loses trustworthiness and expected result is not gained if strong action is not taken against loan defaulters after a specific period.

Under the existing programme for creating trustworthiness during his present tenure.

Introduction of the provision of imposing income tax rebate on donations at welfare and educational institutions is a very good proposal, the economist noted. Such system of rebate is in practice in most countries. It will create an opportunity for non-governmental businesses to perform corporate social responsibility.

Mahmud said a provision has been made to collect 0.25 percent income tax at the source in the RMG export and it has been proposed that it is to be considered as the final income tax settlement. The reality of limitations in collecting income tax has been portrayed in this proposal.

No matter whether it facilitates or obstructs the government's revenue collection, income tax turns into indirect tax on production in such system. Effects of both forms of such taxes are different on investment and production. Income tax only influences the interest of investment, but indirect tax also influences the use of production capacity.

Pvt investors

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It says 11 private ICDs with a capacity of 22,215 twenty unit equivalents (TUEs) have been established around the Chittagong port since the government introduced a new policy in 1995/96-2000.

The report suggests that if the government relaxed the embargo on establishment of ICDs within 20km of the port, a good number of private entrepreneurs will invest in the sector.

If the government relaxed the rule against handling import containers in the private ICDs, it may boost local and foreign investment, it adds.

Saifur skips

FROM PAGE 1
The defence allocation for FY 2005-06 remained unmentioned in the written account of the finance minister's budget speech too.

Finance ministers in their budget speeches so far mentioned the defence allocations.

Even Finance Minister M Saifur Rahman in his previous budget speech mentioned the proposed defence allocation and said a few sentences about it.

As per the proposed Tk 4,320 crore defence budget for 2005-06, non-development expenditure is Tk 4,245 crore while Tk 75 crore is for development expenditure.

Money-whitening

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"A few years ago, the opportunity to whitewash black money was given for investment in share market and industry. This scope will expire this fiscal year as this contradicts the Anti-Money Laundering Act," he explained.

"On the one hand, we are fighting against money laundering under the Anti-Money Laundering Act and on the other, we support whitening of black money. This is self-contradictory," he added.

"Internationally, there are a lot of regulations such as anti-terrorism and anti-money laundering laws. In such a context, if we allow ill-gotten money to be whitened, we will defy our international obligations," Saifur said.

Economists also argued that the provision to whiten money is an injustice to honest taxpayers.

According to an NBR report, only about Tk 1,800 crore have been whitened in the last three years, whereas many economists believe there may be more than Tk 50,000 crore in black money in the country's economy.

However, representatives of businessmen and industrialists led by Abdul Awal Mintoo, president of the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) had urged the government to extend this opportunity.

Some positive proposals have been made to help the agriculture sector. Subsidy in fertiliser has been doubled. The proposal of distributing seeds and fertiliser free of cost among the flood-affected farmers is praiseworthy. The banks have been directed to provide the farmers with loans with low interest. But the real problem with the agriculture loan is corruption and so, more means for transparent loan distribution need to be worked out.

Mahmud said allocation has been made for every level in the education sector, especially in case of the increased number and amount of scholarships for female students. This is also a praiseworthy move. Allocation has been raised for raising the standards of primary education and health care. Besides, the proposal for increased allocation for destitute allowance, small loan, food-for-work programmes and other social security sectors is also positive.

However, he said, the result will depend on how skilfully the projects are implemented. There are allegations against the officials responsible for distributing allowance to the destitute and the elderly people. Again, if the doctors do not work with responsibility, machinery is misused, or medicine stolen, the enhanced allocation in the health sector will not bring any good. The past experience in this regard is not pleasant.

It is a matter of economic evaluation as to how much the government will borrow and how much loan will be given to the private sector within the tolerable limit of expansion of internal borrowing. It is not logical that the government will