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Eyes locked on immediate priorities

Tackling inflation, improving power generation, expanding social safety net get major attention in proposed budget

INAM AHMED

Finance Adviser Mirza Azizul Islam yesterday proposed a budget for the next fiscal year setting his eyes on the current development priorities—tackling inflation, spending on power and infrastructure, expanding the social safety net programme and supporting the agriculture.

He has prioritised power generation as a thrust action for the next three years and has sequenced the generation as 345MW in the first year, 900MW in the second year and 1,050MW in 2010 by when he aims to bring load shedding to nil.

However, industrialists will not find much to cheer about, except for retaining and increasing the current export subsidy to Tk 1,100 crore. Entrepreneurs will need to go through a more detailed work to understand whether the new harmonisation of duty slabs and supplementary duty and withdrawal of infrastructure development surcharge will gnaw away their protection and competitiveness. The textiles sector, which acts as the backward linkage for the main export sector readymade garment, will face a jolt as zero duty facility for textiles machinery import will be abolished.

Aziz has tried to be transparent in a number of areas. He has clearly shown, for the first time, what the nation buys with the resources mobilised—34.4 percent to be spent on physical infrastructure, 34.3 percent on social infrastructure and 19.3 percent on public administration. He has also internalised Tk 7,523 crore of the liabilities of Bangladesh Petroleum Corporation, which from a macroeconomic point of view was the right thing to do to relieve the nationalised commercial banks from losses.

Full text of budget speech on pages 12, 13, 14

However, in meeting all these goals, Aziz had to go for an expanded budget for the next fiscal year with the expenditure increasing by 19 percent from the revised expenditure of the current fiscal year. The current year's budget was only 14 percent bigger than the previous year's revised budget.

Such huge expenditure crucially needs bigger revenue collection target and effort too. He plans a 15.82 percent higher revenue collection for the next fiscal year from this year's revised figure. This

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Tk 87,137cr budget banks heavily on bank borrowing

REJAUL KARIM BYRON

The caretaker government yesterday proposed a budget of Tk 87,137 crore for the fiscal year 2007-08, making it 30 percent bigger than the revised budget for the current fiscal, relying heavily on massive increase in domestic borrowing and foreign assistance.

The new budget has received the boost largely to bail out Bangladesh Petroleum Corporation (BPC) of its outstanding debt of Tk 7,523 crore to national commercial banks.

Without taking into account the amount needed to bail out BPC from the debt, the budget proposal of Tk 79,614 crore is nonetheless 19 percent bigger than the revised budget of the current fiscal.

The last fiscal's proposed budget was also 14 percent bigger than the previous fiscal's revised budget.

Out of the projected domestic borrowing of Tk 19,276 crore for the next fiscal, the government will issue Tk 7,523 crore worth of bonds just to bail out BPC of its outstanding loans.

Sources said the government has resolved to improve BPC's financial situation through various reforms to at least ensure that the corporation reaches a break-even point in its accounts.

As part of the initiative, the government recently hiked up the prices of petroleum goods and it will install a pricing formula opening up local petroleum pricing mechanism to global market forces.

The initiative to finance BPC's loan repayments by issuing bonds will go on simultaneously with the reform programmes to improve its finances.

To pay for such a significant

increase in expenditure, the government is depending heavily on domestic borrowing and assistance from donor countries and agencies, rather than banking on its own revenue earnings.

The inflow of foreign grants is expected to rise by 98 percent compared to the current fiscal's revised budget, while the net foreign loan is expected to rise by 22 percent.

The government has targeted a 92 percent increase in domestic borrowing for the next fiscal setting the amount at Tk 19,276 crore, compared to the target of Tk 10,031

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Safety net brackets more beneficiaries

Tk 25cr fund proposed for RMG workers' welfare

STAFF CORRESPONDENT

The caretaker government (CG) has proposed to strengthen the ongoing social safety net programmes by increasing the number of beneficiaries and funds for them in the budget for the next fiscal year.

In addition to the ongoing project for developing skill of garments workers, it also proposed to create a fund initially with Tk 25 crore for their welfare.

The CG seeks to continue some funds introduced under these programmes that include rehabilitation of acid victims and physically handicapped, and development of garment workers' skills.

Finance Adviser Dr Mirza Azizul

Edible oil, lentil import made duty free

STAFF CORRESPONDENT

Islam in his budget speech said under the proposed budget, poor expecting mothers will get an allowance of Tk 300 per month. "Initially, 45,000 mothers in 3,000 unions will be brought under the programme. I propose an allocation of Tk 17 crore for this programme in the budget for next fiscal."

This will help ensure safe motherhood, and better health and nutrition of hardcore poor mothers as well as safe birth and sound upbringing of infants, the adviser hoped.

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ESSENTIALS

Drastic measures to rein back prices

SHAKHAWAT LITON

In the proposed budget, the caretaker government has unveiled various measures including complete withdrawal of customs duties on some commodities and distribution of 10 lakh metric tons of food grains to curb the current unbridled price hike of essentials and to build up food security.

It continued duty free benefit on import of essential commodities like rice, wheat, onion, peas and gram, life-saving drugs including insulin, and fertilisers.

The import duty slabs have been fixed at 10 percent, 15 percent and 25 percent instead of previous 5 percent, 12 percent and 25 percent.

Duty on import of raw sugar has been re-fixed at Tk 4,000 per tonne instead of Tk 2,250.

The new budget imposed fixed duty of Tk 20,000 and Tk 39,000 per tonne on import of base lubricating oil and finished lubricants.

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public sufferings have been mounting mainly due to skyrocketing of prices of essentials, a problem which many experts have already started to identify as a possible Achilles heel of the government.

In the wake of such a dire situation, the government yesterday proposed the measures to ameliorate the public sufferings by reining in the prices of essentials.

In a bid to keep stable the market prices of a range of commodities including the essentials, the finance adviser proposed complete withdrawal of customs duties on crude edible oil and lentils, and continuation of duty free benefits for essential commodities including rice, wheat, onion, pigeon pea, and chick pea.

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Tax-free income limit pushed up to Tk 1.5 lakh

STAFF CORRESPONDENT

The budget for fiscal 2007-08 brings forward a 13-point proposal for changes in the income tax structure including increasing the exemption limit of income tax for an individual to Tk 1.50 lakh from Tk 1.20 lakh.

The other changes proposed include offering tax holiday for solar energy plants and rebate for the non-resident Bangladeshi investors, abolishing advance tax on the government bonds, raising the rate of tax to be deducted at source to 7.5 percent from the existing 5 percent and the limit of advance income tax to Tk 3 lakh from Tk 2 lakh.

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EC gets Tk 536cr for election preparation

STAFF CORRESPONDENT

Finance Adviser Mirza Azizul Islam yesterday proposed an allocation of Tk 536 crore for the Election Commission (EC) to complete all preparations for holding the next parliamentary election.

According to Chief Election Commissioner ATM Shamsul Huda, the EC had demanded Tk 350 crore for a digital electoral roll with photographs.

Sources said the government allocated the bigger amount than that of the EC's demand so that the preparatory works are not hampered.

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Budget big in size, highly ambitious

Term AL, BNP

STAFF CORRESPONDENT

Terming it highly ambitious and big in size, the Awami League (AL) yesterday said the proposed budget does not outline how the interim government will go about tackling price hike of essentials.

Speaking for the party, AL Presidium Member Ataur Rahman Khan Kaiser told The Daily Star last night that the administration would have to be super cautious about implementation of the budget.

"Although the prices of essentials had begun shooting up long before its placement, the budget does not

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Newsprint import duty cut by 10pc

STAFF CORRESPONDENT

The finance adviser has proposed reduction in customs duty on newsprint import from the existing 25 percent to 15 percent.

He said the reduction proposal was made "considering the problems of newspaper industry and at the same time keeping the raw materials for newsprint duty-free to develop the local newsprint industry."

Bangladesh Sangbadpatro Parishad and Newspaper Owners Association of Bangladesh said the duty cut is not enough and demanded zero duty.

Worry over proper implementation

Says Akbar Ali

Appreciating the first-ever provision of taking public opinions about budget into account, former caretaker government adviser Akbar Ali Khan set out power sector development and checking high inflation as major challenges to implementation of the proposed budget 2007-08.

"I'm not worried about the size of the proposed budget. I have

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WHAT'S UP, DOWN

Price of textile machinery, computer and computer accessories, telecommunications equipment and all types of pumps will go up while price of crude edible oil, lentils and reconditioned cars will go down due to proposed new tax.

UP The proposed budget withdraws zero duty on textile machinery, computer and computer accessories but it did not specify new duty.

Without specifying new duty, it proposed withdrawal of existing duty exemption on telecommunications equipment and liquid dielectric transformer, and to impose duties on these items to bring them at par with VoIP equipment and other transformers.

The budget proposes imposition of customs duties at a uniform rate of 10 percent on all pumps including those used for agriculture to avoid mis-declaration and misuse of duty facilities.

DOWN The budget proposes withdrawal of customs duty on crude edible oil and lentils to keep their market price tolerable.

It proposes increase of dealers' commission discount rate of used reconditioned cars from 25 percent to 30 percent.

It proposes continuation of duty free benefit on essential commodities like rice, wheat, onion and lentils.

The proposed budget maintains existing duty-free facilities for different lifesaving drugs including insulin and also fertiliser imports.

Customs duty on CNG run trucks may be reduced to 10 percent from 25 percent.

Solid support for farm sector

Tk 2,250cr subsidy proposed on fertiliser, diesel

STAFF CORRESPONDENT

The proposed national budget for 2007-08 fiscal year introduced Tk 750 crore subsidy for diesel used to run irrigation equipment and increased the fertiliser sub-sector subsidy from previous Tk 1,100 crore to Tk 1,500 crore.

Finance Adviser Mirza Azizul Islam also proposed distribution of Tk 6,351 crore as agriculture credit and Tk 100 crore to the Fund for

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Disaster Affected Small Farmers.

In his budget speech, the finance adviser said, "Farmers using electricity-powered pumps receive 20 percent subsidy against electricity bills, but no subsidy is given for diesel-run irrigation equipment."

"The government is committed to subsidise the extra cost farmers will have to bear because of diesel price hike."

This is the second judgment by the special courts set up at the MP Hostel in Sher-e-Bangla Nagar in the capital for quick disposal of the corruption cases.

"The sentence shall take effect at once," said Fifth Special Court

Judge Ashraf Hossain.

After the conviction, Mamun's counsel barrister AKM Fakhrul Islam said, "We will file an appeal in the High Court against the verdict."

The same judge's court on May 21 gave first judgement of the special court and sentenced Harris Chowdhury, political secretary to former prime minister Khaleda Zia, to three years' imprisonment for not submitting wealth statement to the Anti-Corruption Commission (ACC).

This is the second judgment by the special courts set up at the MP Hostel in Sher-e-Bangla Nagar in the capital for quick disposal of the corruption cases.

Mamun, now in jail, was produced before the court yesterday while the judge read out the written judgment.

"The sentence shall take effect at once," said Fifth Special Court

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