



Women work at a handicrafts firm. The finance minister proposes to widen the small and medium enterprise fund in the national budget for fiscal 2009-10.

## Tk 600cr SME fund proposed

### STAR BUSINESS REPORT

Finance Minister AMA Muhith has proposed raising the small and medium enterprise (SME) fund from Tk 500 crore to Tk 600 crore in FY 2009-10 national budget.

The proposed budget has a provision to invest undisclosed money in different sectors, including light engineering sector. AVAT exemption for rural small industries was also proposed.

"We are committed to the development of small and medium enterprises (SMEs). Because these enterprises can make important contribution to the economy by ensuring local value addition and producing exportable surpluses and helping employment generation in a big

way," said Muhith.

"We have proposed raising the SME fund from Tk 500 crore to Tk 600 crore. In order to keep the domestic demand buoyant alongside exports, steps have been taken to make the operation of the funds with the Bangladesh Bank more comprehensive, strengthened and effective," he added.

At the same time, the government has taken initiative to provide SMEs better access to capital sourcing, where credit and refinancing facilities would be provided through Bangladesh Bank (BB).

"In order to bring dynamism in this initiative, BB has created three funds with the seed money of Tk 1,000 crore to provide refinancing facilities against loans disbursed by the commercial banks and other

financial institutions," the minister said.

Already 19 banks and 23 non-bank institutions are receiving the refinancing facilities from the central bank.

A new investment financial institution, dedicated for industrialisation, will be set up in the next financial year through the merger of Bangladesh Shilpa Bank and Bangladesh Shilpa Rim Shanghta, Muhith said.

BB has already declared policy with regard to allowing all banks and financial institutions to open SME service centres for further expansion of the sector.

"Women entrepreneurs will receive priority in this area. At least 15 percent of the allocation will be earmarked for them and the rate of

interest will be only 10 percent," said the finance minister.

He also said that the government would facilitate SME entrepreneurs with adequate training programme and necessary information.

SMEs would also get substantial duty exemptions for the imports of basic raw materials and a cut in import duty on base metals, the main input for light engineering, to the lowest possible level.

"In a labour-surplus country like ours, small and medium enterprises, cottage industries, self-employment and self-motivated economic activities will be the key fundamentals to our overall development. We are committed to providing all possible incentives to support those activities," added the finance minister.

## Tourism high-flying

### STAR BUSINESS REPORT

Tourism industry is going to receive the highest-ever allocation in its history as the budget for the next fiscal year has proposed a total of Tk 234 crore for the sector, which got Tk 31 crore in the current fiscal year.

Of the Tk 234 crore amount, Tk 228 crore will be spent for infrastructure development and capacity building of the sector.

The proposed budget for fiscal year 2009-10 has also provisions for investing undisclosed money in the tourism industry and encouraging tour operators from home and abroad to invest in the sector.

Of the Tk 31 crore allocated for the outgoing fiscal year, Tk 25 crore was for infrastructure development

and capacity building.

"We shall create an investment-friendly environment to attract increasing number of local and foreign investors and expatriate Bangladeshis to invest in the country. We shall ensure development of tourism sector, increased manpower export and productive investment of foreign remittance," said Finance Minister AMA Muhith in his budget speech yesterday.

However the existing VAT (value added tax) exemption facility has been withdrawn from travel and manpower-export agencies in the proposed budget.

Hasan Mansur, a tourism expert and managing director of The Guide Tours Ltd, has appreciated the proposed budget, as for the

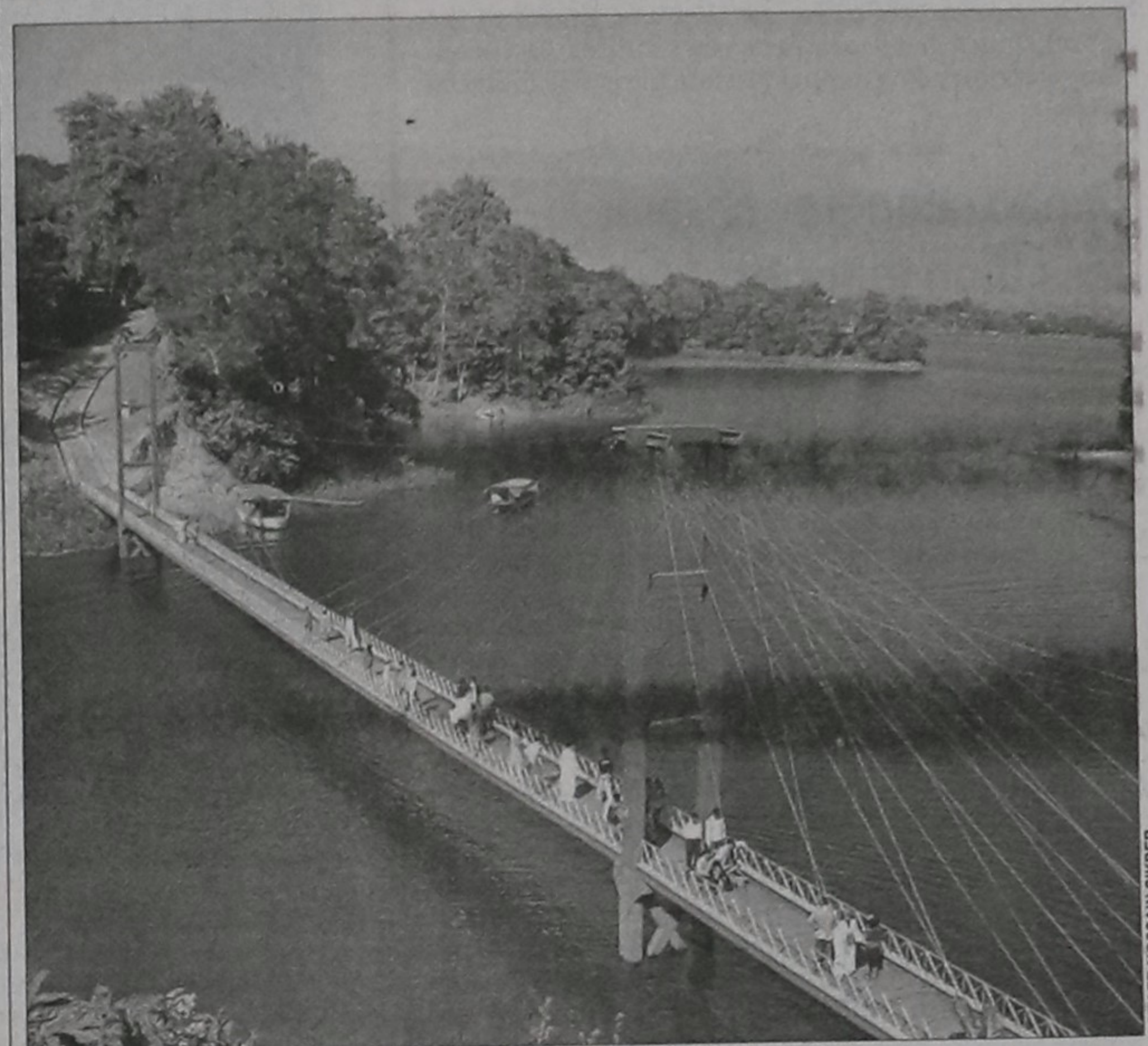
first time the government has allocated such a big amount for developing infrastructure of the sector.

"The government has allocated this large chunk considering the importance of the sector. I think it's the beginning," he said.

"We hope the allocation will increase significantly next year if we (industry people) can perform well," Mansur added.

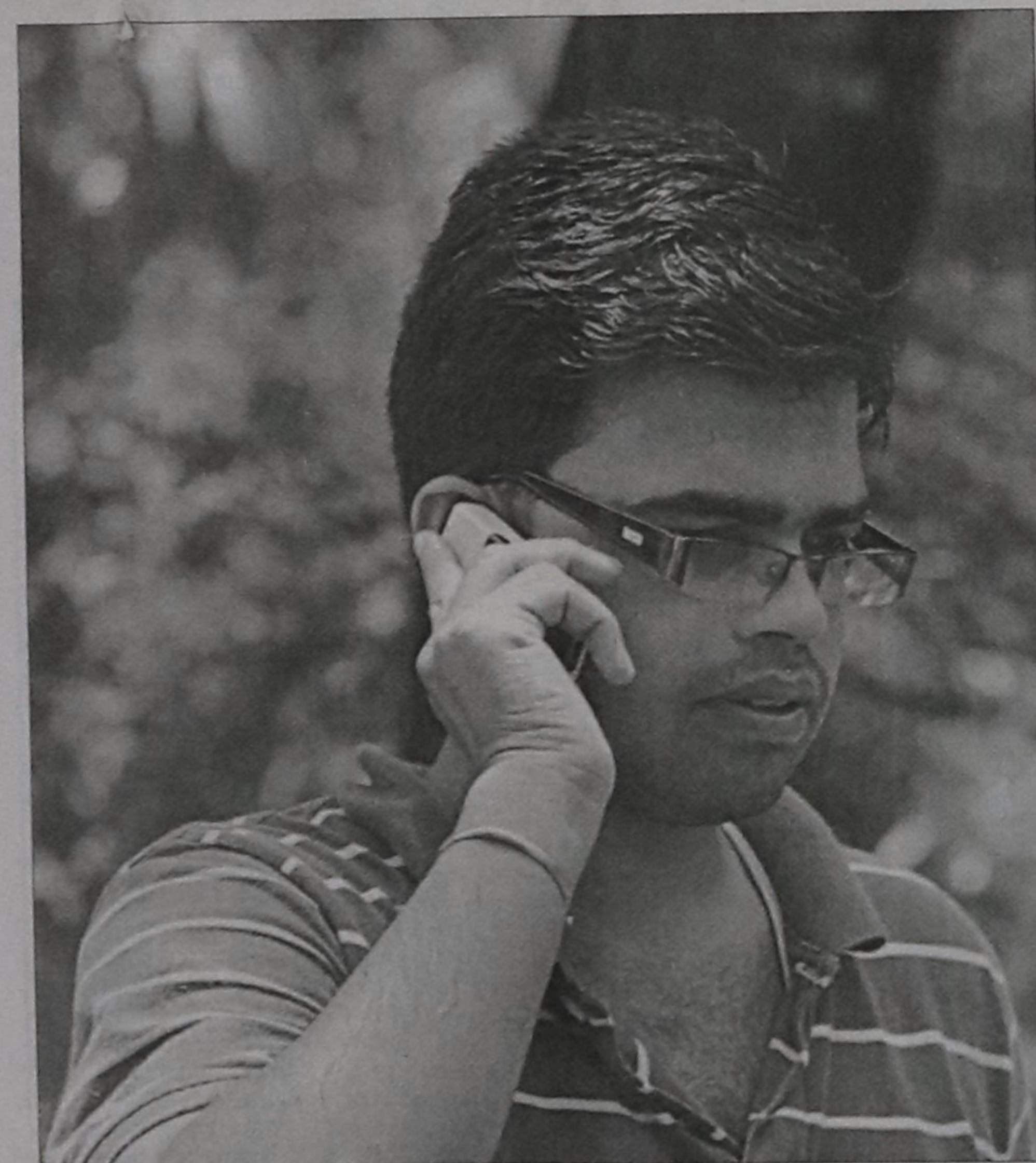
He also appreciated the provision for investing undisclosed money in the sector, saying, "It'll help attract new investments from locals and non-resident Bangladeshis."

However Mansur said the travel agencies never enjoyed complete VAT exemption facility earlier, and so the withdrawal of VAT exemption would not affect the sector much.



ZOBAYER HOSSAIN SINDHER

## Mobile sets to go costlier



### STAR BUSINESS REPORT

Mobile phone sets will be costlier as 25 percent customs duty has been imposed on the import value of each set in the proposed budget for the fiscal year 2009-10, scrapping the existing flat import duty of Tk 300 on each set.

If the new duty structure remains unchanged in the approved budget, the prices of the handsets, especially the high-end ones, will shoot up.

Prospective low-end customers will also feel the pinch as they will have to pay more for the market's low-priced handsets ranging from Tk 2,000 to Tk 3,000 now.

Bangladesh Mobile Phone Importers' Association (BMPIA) has opposed the new duty structure saying they will have to pay at least Tk 800 for import of each low-priced handset.

They also feared that it would encourage illegal

import of handsets.

The importers now pay a flat import duty of Tk 300 for each handset. It will go up to Tk 800 for a \$50 handset and much higher for high-priced handsets.

"I propose to impose 25 percent customs duty on mobile phone sets on an ad valorem basis instead of existing specific duty of Tk 300 per set applied irrespective of quality and waive all existing VAT, supplementary duty and AIT. This would entail higher duty on high priced sets and lower duty on low priced sets," said Finance Minister AMA Muhith in his budget speech.

Telepenetration rate is only 32 percent in Bangladesh at present. The new duty structure will create obstacle to the growth of the expanding mobile industry especially in untapped rural areas, observed industry insiders.

"We totally oppose the

proposed duty structure which will create scopes for hassles between the customs and importers," said Faisal Alam, general secretary of BMPIA.

"Mobile handset prices fluctuate every day on the global market which makes it difficult to fix import duty based on their prices," said Alam.

The importers recently urged the government to cut import duty to Tk 100 from existing Tk 300 on each set in the budget for fiscal year 2009-10.

Mobile handset import increased by 92 percent to 60.82 lakh pieces in fiscal 2007-08 from 31.70 lakh in fiscal 2005-06 as import duty on handsets was lowered to Tk 200 in fiscal 2006-07 from Tk 300 in fiscal 2005-06.

However, handset import in fiscal 2007-08 witnessed a fall by 13 percent as the government re-fixed import duty at Tk 300 in the fiscal year when 53 lakh handsets were imported.

## Export growth set at 16.2pc

UNB, Dhaka

The export growth has been projected an average 16.2 percent in the three FYs 2009-10, 2010-11 and 2011-12.

The projection was made in the Mid-Term Budgetary Review document placed in Parliament yesterday along with the proposed budget for next fiscal year.

During July-March period in the current fiscal year, the export growth stood at 14.5 percent compared to 12.4 percent during the corresponding period of the previous year.

During the period, RMG sector registered a growth of 19.9 percent share of woven garments being 18.4 percent and knitwear 21.4 percent.

However, raw jute, jute products, frozen foods, leather goods, and pharmaceuticals registered negative growth.

The export growth will moderate in the last quarter of the current fiscal year. As a result, there is a downward projection of export growth to 12 percent in the current fiscal year.

## Dairy industry gets safeguard

### STAR BUSINESS REPORT

The government is set to offer protection to local dairy industry to help it stand strong in competition with imported cheap milk powder that hurt dairy farmers seriously early this year.

Finance Minister AMA Muhith in his budget proposal for fiscal 2009-10 suggested imposing a five percent regulatory duty in addition to 12 percent customs duty on milk powder imported in bulk.

The minister also recommended withdrawal of 2.5 percent supplementary duty applicable to processing liquid milk to convert into powdered milk.

Muhith also suggested fixing tariff for milk powder at Tk 100 per kilogram at local level. "This would result in only Tk 15 per kg as VAT (value added tax) instead of current Tk 50 per kg," he said.

## Jobs for the poor take wider space in budget

### STAR BUSINESS REPORT

Keeping in mind the election manifesto to provide job for a person of a family by 2014, the Awami League (AL)-led government in its budget focused on employment generation in agriculture and infrastructure sectors, labour-intensive and small and medium industries.

Under various programmes, allocations have also been proposed to encourage self-employment through micro-credit and skill development programmes with special emphasis on information and communication technology, and create skilled manpower for overseas jobs.

The government also declared it will not close any industrial or commercial enterprises until alternative arrangements are made for the displaced workers, and proposed allocations for rehabilitating the expatriate workers who returned home after losing jobs due to global recession.

"We will create employment opportunities in agriculture and rural sectors. Construction of labour-intensive infrastructures will receive top priorities," Finance Minister AMA Muhith said in his budget speech yesterday.

"Eventually we will go for industrialisation in targeted sectors," he said.

Reviewing the current fiscal year's 100-day Employment Generation Scheme, the government proposed a changed programme styled Employment Generation for the Hardcore Poor with Tk 1,176 crore in FY 2009-10 to create employment for 49 lakh man-months.

"We expect that with efficient leadership and management of this programme, the rural economy will become vibrant. On the other hand, we will also be successful in tackling seasonal and local poverty like monga," he said.

Under the annual devel-

opment programme (ADP), employment for 264.8 lakh man-months of work will be created, which is 23.2 percent (49.76 lakh man-months) more than that of the revised budget of FY 2008-09.

In FY 2009-10, an additional employment of 77 lakh (6.4 lakh for the whole year) man-months will be created under non-development and development budget over that of the previous year.

Test Relief (TR), Food for Work (FFW), and such other programmes being implemented from the revenue budget will create an employment of 2.87 crore man-months, which is 10 percent (27.3 lakh man-months) more than that of the revised budget of FY 2008-09.

According to Bangladesh Bureau of Statistics (BBS) data (compiled in 2005-06), 21 lakh people above the age of 15 years are unemployed. In the next fiscal year employment opportunity for 32.57 percent of this unemployed population will be created, Muhith said.

"In line with our election manifesto, the government undertook a project styled 'One Household One Farm' to be implemented during

July 2009 to June 2014 at an estimated cost of Tk 1,246 crore, he said.

A total of 5,78,400 rural families will be brought under this programme and 29,00,000 people will be benefited from this project directly or indirectly.

"As part of our strategy for industrialisation, we shall attach priority to the development of agriculture- and labour-intensive industry, where feasible," said Muhith.

The government is also going to take up different programmes for the marginalised rural people to extend credit, impart training on social and skill development and provide significant activities for women empowerment through Pali Karma - Sahayak Foundation, the minister said.

"In a labour-surplus country like ours, small and medium enterprises, cottage industries, self-employment and self-motivated economic activities will be the key fundamentals to overall development," he said.

Muhith proposed a special allocation of Tk 20 crore in the next fiscal year for training programmes to enhance professional effi-

ciency of the youth having Higher Secondary School Certificate or equivalent.

A total of 125 youth training centres will provide training and after a 3-month training period they will be employed for two years in different fields.

The minister proposed allocation of Tk 170 crore for rural roads maintenance project, which employs poor working people, Tk 76 crore for the rural employment facilities for the protection of government assets, Tk 12.85 crore for employment generation in the northern region for hard core poor of Monga-hit areas, Tk 75.60 crore for the Char areas, rehabilitation package for the poor and Tk 57.83 crore for economic empowerment of the poor.

Muhith also put forward a proposal to allocate Tk 70 crore for skill development fund to be created for retention and expansion of labour market abroad, research for exploring new labour markets, training for the prospective workers and re-training for the expatriate workers who returned home losing their jobs.

The government has set a target of sending 6 lakh workers abroad in fiscal 2009-10.



The new budget focuses on employment generation in agriculture and infrastructure sectors and labour-intensive and small and medium industries.