Star BUSINESS

DHAKA SUNDAY MARCH 13, 2011, e-mail:business@thedailystar.net

Food inflation increases non-development outlay

BUDGET SPENDING

Ministry/Division	Implementation rate against total allocation (%)
Primary and Mass Education	11.3
Education	49.5
Local Government Division	22.1
Health and Family Welfare	30.6
Agriculture	23.2
Roads & Railway Division	24.2
Power Division	16.6
Water Resources	24.9
Bridges Division	15.0
Energy and Mineral Resources Division	21.7

REJAUL KARIM BYRON

The government's efforts to curb food inflation have increased its spending on non-development sectors in the first six months of the current fiscal year, while development spending has recorded a fall in the same period.

The government has taken several safety net programmes to offset the impact of the spiralling food inflation, giving a rise to its non-development expenditure.

The finance ministry on Tuesday presented a report to the prime minister on the overall budget implementation scenario.

According to the report, the government spent Tk 41,483 crore or 31.4 percent of the total budget in six months up to December.

The size of the total budget in the current fiscal year is Tk 1,32,170 crore.

Non-development expenditure was Tk 31,191 crore or 33.3 percent of the total allocation. But the development spending under the annual development programme (ADP) was Tk 10,292 crore or 26.7 percent.

Finance ministry officials said the government has already reduced the development expenditure of the current fiscal year by about Tk 3,000 crore. After the cut, the pace of implementation has raised doubts about how much of the revised outlay could actually be implemented. Most ministries, except education, are lagging behind the average achievement rate in budget implementation.

However, the non-development expenses may go up beyond the allocation, as the government's projected subsidy in food, energy, power, and agriculture will finally shoot up, the officials said.

The ministry officials also said an additional subsidy of around Tk 4,000 crore may be required.

They said the safety net programmes could help contain the rising trend in the coarse rice price.

They said the PM was also apprised of the share market situation and the overall economic condition through the finance ministry report.

As the government could utilise less foreign aid, the budget deficit was low, but it had to borrow from the banking system.

In the first six months, the government's budget deficit stood at Tk 51 crore. But the government had to borrow Tk 4,362 crore from banks to meet various expenses.

The report said the government's borrowing from savings instruments fell significantly due to a cut in their interest rates.

For the non-implementation of foreign aided projects, foreign credit and grant also marked a decline.

The government's receipt of foreign aid slumped but the repayment on the aid did not fall. As a result, net foreign aid receipt fell drastically.

In the six-month period, the government got net foreign aid of Tk 648 crore, which was Tk 5,270 crore during the same period in the previous year.

An under-construction water vessel is pictured at a plant of Meghna Group.

Inland water vessels to make a mark

SAJJADUR RAHMAN

Bulk importers are making their own vessels (lighterage) to carry their goods through inland water in a bid to reduce transportation costs and hassles.

Big business groups such as Abul Khair, Bashundhara, City and Meghna have made nearly 100 such vessels with a capacity of 2,000-3,000 tonnes each, in the last few years.

Making of each vessel costs Tk 8-10 crore depending on the materials used.

Meghna Group of Industries is expanding its fleet to meet its growing demand. The group plans to take its vessels' tally to 70 from present 25 in the next three to five years.

"We have finished making four vessels and started to make another 12 at a time," said Mostofa Kamal, chairman and managing director of the group, which imports and markets almost all major essential commodities from soybean oil to sugar, wheat and pulses.

The manufacturing costs of 12 ships would stand at around Tk 100 crore, according to Kamal. The vessels are being made at the group's dockyard at Meghnaghat in Narayanganj.

Lighterage is used mainly to unload imported goods from the mother vessels that cannot enter a port's dockside because of its shallow water level. Unavailability of dockside berths also prompted the use of lighterages.

The needs of those vessels are growing rapidly with the expanding economy. Bangladesh annually imports nearly $25 billion worth of goods such as food grain, cement clinker, sugar, salt, fertiliser, iron materials, chemicals, coal and edible oil.

Chittagong Port Authority statistics show the port has handled a total of 30.48 million tonnes of cargos in 2009, of which, 26.71 tonnes were imported and the rest were exported items.

Mahfuz Ahmed, managing director of Gulf Orient Seaways, which provides inland water transportation services, said about 90 percent of these imported cargos were transported through water routes.

"The trend is rising rapidly as big importers are coming into the vessels business more and more," said Ahmed.

Golam Mohammad Sarwar, deputy traffic manager (operations) of Chittagong Port, was of the same opinion. He said transport of imported goods from the jetty through the river routes in 2010 rose nearly 15 percent from 2009.

Kamal said Meghna Group made its first vessel in 1995 for hassle-free transportation of imported goods. According to him, unavailability of vessels and 'blackmailing' by lighterage owners have forced them to make their own carriers.

"It had happened many times that we did not get vessels timely. Lighterage owners had tried to charge high," said Kamal, supporting his big plan of making another 40 ships within a few years.

Each vessel takes 1-2 years to make. The manufacturers import plates and make the vessels with local technology and experts. Now some businessmen outsource drawings and designs from other countries such as Germany to ensure quality.

"The 12 vessels are being made with German (Lloyds) drawing and design. We have a plan to run these vessels to India, Myanmar and Thailand," said Kamal.

He demanded a reduction in duties for imported plates to help the industry grow.

sajjad@thedailystar.net

Premier of Canadian province due today

REZAUL KARIM

Brad Wall, premier of Canada's Saskatchewan province, is scheduled to arrive in Dhaka today on a three-day visit to explore cooperation in trade and investment, agriculture, education and human resources.

"We are attaching due importance to the visit of Premier Brad Wall because Bangladesh has its strong trade relations with Saskatchewan province. Most of our Canadian imports come from this province and majority of our exports go to Saskatchewan," said a high official of the foreign ministry.

Brad Wall will lead a delegation to discuss with the government and private sector leaders how Saskatchewan and Bangladesh can cooperate in different areas. Thirty businessmen, part of the team, have already arrived.

The delegation is expected to meet Prime Minister Sheikh Hasina and other ministers.

An initial broad based Memorandum of Understanding will be signed during his visit, to be followed by item-by-item MoUs subsequently.

Bangladesh is expected to offer export of agricultural workers to Saskatchewan province during his visit, officials said. Saskatchewan recruits agriculture labourers from the Caribbean region for its firms, so there is scope to export Bangladeshi farm labourers.

Of the South Asian countries, Bangladesh is the second largest exporter to Canada, the biggest Canadian agro-commodity buyer in the region, they added.