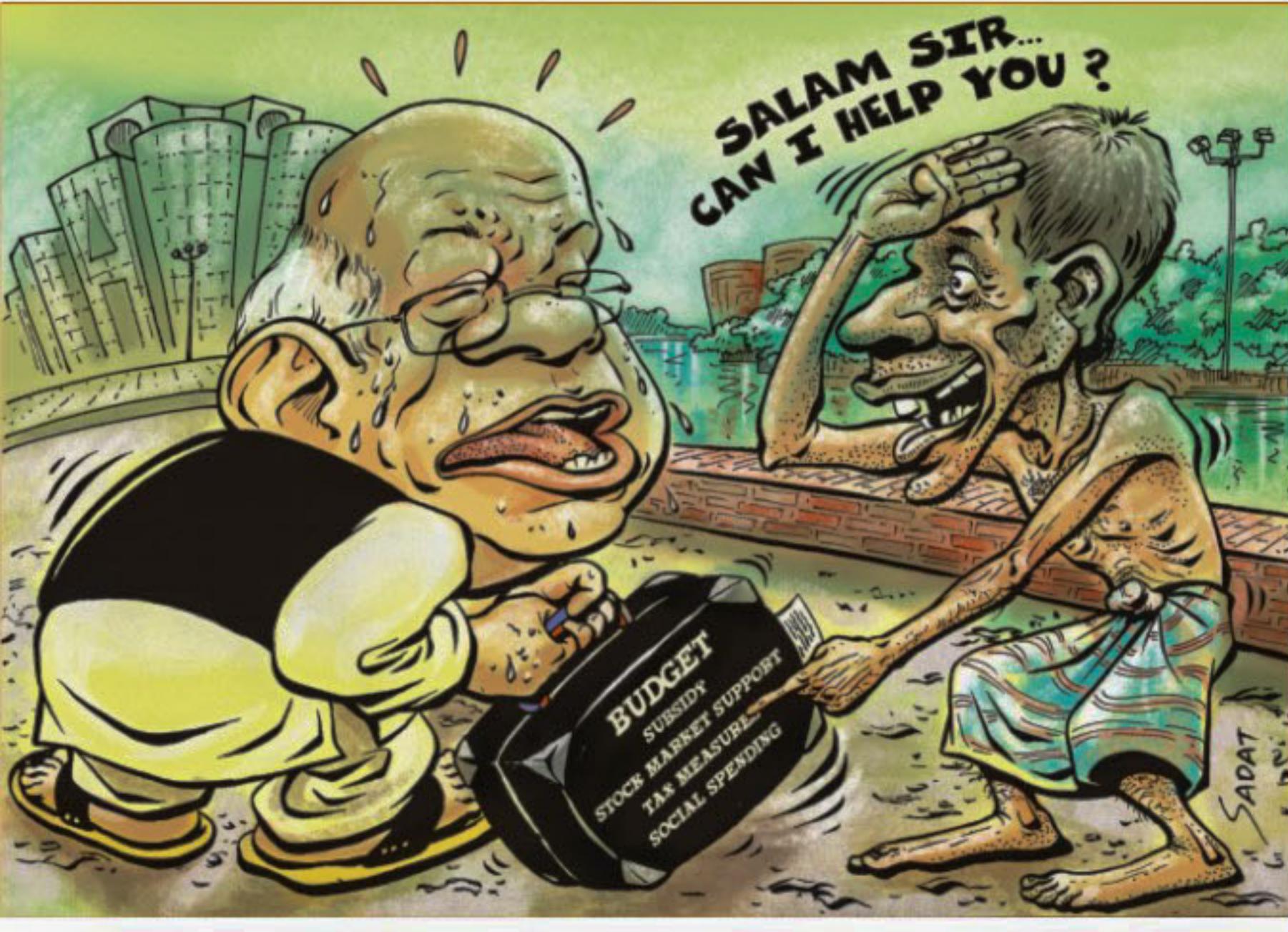


Budget of hopes and challenges



SAJJADUR RAHMAN

The national budget for fiscal 2011-12 is being presented today against a sliding macroeconomic stability and the need to balance several conflicting objectives such as inflation without hampering growth and providing subsidies with 'no additional burden' on taxpayers.

Emphasis on social spending and financial inclusion is also of paramount importance. Reviving investor confidence and stockmarket sentiment, badly hurt by the weak regulations and policy issues, is also high on the expectations list.

Yet, there are lots of challenges.

The manufacturing sector is eagerly waiting to see how the government addresses energy and infrastructure constraints. Growing subsidy requirement for electricity, fuel oil and food is also a vital issue. It is now time to see how the finance minister deals with the issues in the proposed budget.

Pressure is mounting on reserves and balance of payments, giving rise to concerns for further tensions in the economy.

Ahsan H Mansur, executive director of Policy Research Institute, said unlike last year this year's budget is different in terms of macroeconomic stability, growing needs for subsidy, tackling inflation and managing the deficit.

"The government has to be careful in managing the budget and the macroeconomic stability following a climbing pressure on the BOP," said Mansur.

Latest figures show BOP is on negative territory, point-to-point inflation soared to 10.67 percent and foreign exchange reserve went down to \$10.45 billion.

"If revenue falls short of the target, there is not enough fiscal space this year as there was last year," said Mansur. In the circumstances, the government

borrowing will be higher and consequently there will be further tensions in the money market, he added.

The national budget is a specific plan of the government's finances. Undoubtedly the budget session is the most important economic and financial event for a country like Bangladesh where one-third of the 160 million people live below the poverty line and depend much on government welfare activities.

Above all, the budget will be discussing new tax measures, incentives, pricing of commodities, and allocations for various development programmes. The private sector, the engine of economic growth, is facing severe energy shortage that ultimately affects industrialisation and much-needed job creation.

"Gas supply should be given the top-most priority," said Mostofa Kamal, chairman of Meghna Group of Industries that boasts of a \$1.5 billion turnover.

Kamal has invested Tk 1,500 crore to set up some new factories, including a Tk 450 crore chemical factory, after getting approval for gas connections in 2009. But these factories are yet to get gas connections and sitting idle.

Though corporate people were not much interested in the budget in previous years, the situation is different this year in the wake of growing borrowing by the government from the banking sector and liquidity crisis in the money market.

"The government may try alternative sources of borrowing so the money can be used by entrepreneurs for investments and job creation," said Anis A Khan, managing director of Mutual Trust Bank.

Monzur Hossain, senior research fellow of Bangladesh Institute of Development Studies, said inflation would rise in an expansionary fiscal measure, but the challenge for the government is to keep it at a tolerable level.

Govt's bank borrowing to rise 21pc

REJAUL KARIM BYRON

The government will increase borrowing from banks by 21 percent in the next fiscal year to take pressure off the budget which may go bigger because of subsidies on power, energy and food.

In the outgoing fiscal year, the bank borrowing would be more than the original budget due to a fall in sales of savings instruments and failure to utilise foreign aid.

In the next fiscal year, the target for borrowing from banks is Tk 18,960 crore, up from the current fiscal-year target -- Tk 15,660 crore.

In the revised budget of the current fiscal year, the bank borrowing would rise 11 percent to Tk 17,478 crore over the original budget.

A finance ministry official said the size of the next budget will be Tk 1,63,580 crore. The revenue earnings target will be set at Tk 1,18,380 crore to meet growing spending.

NBR makes 5-year plan

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has prepared a five-year strategic plan to boost the pace of revenue earnings.

The strategic plan will be placed in parliament along with the budget documents today.

The strategic plan will contain details of what will be done in the next five years for automation of the NBR. Besides, the steps to be taken for increasing revenue earnings will also be described in it, officials said.

A target to increase revenue earnings by 28 percent has been set to meet the expenditure of the big budget being placed for the

HSBC awards five exporters



Planning Minister AK Khandker, fifth from left, and Sanjay Prakash, extreme right, chief executive officer of HSBC Bangladesh, pose for photographs with recipients of the HSBC Export Excellence Awards 2010 at a ceremony at Sonargaon Hotel in Dhaka Tuesday night.

STAR BUSINESS REPORT

HSBC Bangladesh has awarded five exporters in recognition of their contribution to promoting Bangladeshi goods abroad.

The foreign bank handed over the "HSBC Export Excellence Awards 2010" to the winners at a gala ceremony at Sonargaon Hotel in the city on Tuesday.

The second version of the award honoured the winners from five categories this year.

The award winning companies are Square Textile, Interfab Shirt Manufacturing, Pacific Jeans, Apex Adelchi Footwear and Graphic People.

Square Textile and Interfab Shirt Manufacturing won the awards in readymade garment and textile category, while Pacific Jeans won in enterprise in the export processing zone category.

Apex Adelchi Footwear earned the recognition under the exporters in the traditional and emerging sector category and Graphic People in small and medium enterprise category.

Managing Director of Square Textile Tapan Chowdhury, MD of Interfab Shirt Manufacturing Ahsan

Kabir Khan, Director of Pacific Jeans Group Sayed Mohammad Tanvir, MD of Apex Adelchi Syed Nasim Manzur and Chairperson of Graphic People Geetara Safiya Choudhury received the awards on behalf of their respective companies.

On the occasion, Planning Minister AK Khandker, who handed over the trophies to the winners, said the readymade garment has been the brightest sector of the country over the years.

"But we should also remember the emergence of the SME sector. Quality, processing and timeliness will ensure long-term sustainability of the RMG business," he said.

Marketing guru Philip Kotler, who came to Bangladesh on a three-day visit on Tuesday, said countries such as Bangladesh and China have no global brands although the population of the two countries is higher than many other countries.

On the other hand, countries like Switzerland with a population of only seven million have produced a good number of international brands, he said.

He said even Singapore, a small country, has global brands such as Singapore Airlines, but Bangladesh

has no such brands despite having 16 crore people. "Brand is a story and marketing is the story telling," said Kotler, a distinguished professor of Kellogg School of Management.

He said there are two kinds of marketing, including expensive and creative ones. He said an average company does not last long. "Ethics and values of companies are also important regarding branding and marketing."

Sanjay Prakash, chief executive officer of HSBC Bangladesh, said more than 75 percent of the country's exports come from the RMG sector. "Sustained export growth can help Bangladesh become a developed country," he said.

Mahbub-ur-Rahman, head of corporate banking of HSBC Bangladesh, said Bangladesh is the fourth largest exporter of RMG products worldwide. But it could only grab 5 percent of the US apparel market and 7 percent of the European market. "We have scopes to grow in exports to those markets."

The jute sector is going to touch the one billion dollar mark soon, said Rahman, adding that the prospect of footwear industry is also bright.

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