

PM, govt staff

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Hossain Zillur Rahman, former adviser of the immediate past caretaker government, applauded the move, saying it will help ensure accountability in the top level.

"It's a good initiative, although the popular demand of publishing the wealth statement of these dignitaries and politicians remains unrealised.

However, it's a step forward to ensuring accountability of the top officials of the country," he told The Daily Star.

"The decision isn't significant in terms of revenue collection; instead, it's a major leap in policy from the governance point of view," Zillur added.

He, however, suggested that the government take firm stance to implement the initiative.

Stocks denied

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budget speech.

Different quarters mounted pressure on the government to give scope for whitening money through the bourses claiming that it will boost the capital market, said a finance ministry high-up asking not to be named.

The idea was mooted in a high-level meeting last week with the finance minister in the chair.

The finance ministry considered giving the scope to lift the sluggish sharemarket.

However, stockmarket experts including former finance advisers opposed the idea.

They argued it may fetch a temporary benefit but black money holders will take out their investments after making hefty profits causing another debacle in the market.

Corruption watchdog Transparency International Bangladesh also strongly opposed giving such a scope.

The present government in fiscal year 2009-10 gave the scope for whitening money in four sectors including the stockmarket. About Tk 423 crore was whitened in the capital market during the period.

Experts say black money played a dubious role in causing a bullish trend in the stockmarket but the market saw a huge slump when they pulled out with huge profits.

Considering the overall situation, the government high-ups backtracked from their stance on giving the scope for whitening money in the stockmarket again, the official said.

However, the scope for whitening money through investment in infrastructures and treasury bonds has been given at the insistence of pressure groups that argue black money holders would otherwise launder money, finance ministry officials said.

TIB Executive Director Iftekharuzzaman appreciated the fact that no scope has been given to whitening of black money in the stockmarket. But he expressed disappointment over such practice in infra-structure and treasury bonds.

"This is discriminatory, morally unacceptable.... We call upon the government to withdraw the provision or at least impose more than 25 percent tax if the government feels obliged to keep the provision, so people with honest income are not unfairly treated," Iftekharuzzaman added.

Confusion

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Wahiduddin Mahmud said in principle property tax is justifiable on equity ground, since assets are more unequally divided compared to income.

"But the way the tax has been proposed, it is in effect a surcharge on income tax. The way net asset value is estimated in income tax returns is not very meaningful," he observed.

During Muhith's first stint as the finance minister in 1983, he scrapped the wealth tax saying it only earned Tk 10.5 million in that fiscal year. Analysts said it is true that the situation in the real estate sector should be addressed properly as prices of land and residential properties are increasing fast. There could be a measure to bring such properties under tax net.

Ahsan H Mansur, executive director of Policy Research Institute, supported wealth tax saying properties have been transferred through generations without paying taxes.

"I strongly endorse imposition of wealth tax for social causes," he insisted.

Big boost for jute sector

Tk 1,170cr allocation proposed for state-owned mills

SOHEL PARVEZ

The government proposed to provide state-owned jute mills with Tk 1,170 crore to help them come out of losses and turn the sector lucrative.

It has already decided to take over Bangladesh Jute Mills Corporation's (BJMC) all liabilities and obligations, that is Tk 2,396 crore, as BJMC has adopted a business plan to revitalise the jute sector, said Finance Minister AMA Muhith in his budget speech.

"The government has decided to turn BJMC into a holding company," Muhith said.

Of the proposed amount, Tk 200 crore is for supporting BJMC to buy raw jute and Tk 500 crore for refinancing. It has also allocated Tk 105 crore to resume production of two previously closed mills -- Kawmi Jute Mill and People's Jute Mill under new name under Public Private Partnership.

The remaining Tk 364.83 crore will be used to pay the outstanding bills for jute, its storage, power, gas, wages and financial benefits of retired employees. BJMC runs 20 mills, four of them newly opened over the last two years.

Muhith said the govern-

ment has agreed to pay the amount up to June, 2010. The government is encouraged by the rapid popularity of green products at home and abroad.

Prospect of jute goods brightened up domestically after the government passed a law making use of jute mandatory for packaging products like grains, cement, fertiliser and sugar.

The law has already come into effect with the Ministry of Textiles and Jute asking public sector agencies to use jute instead of polythene for packaging seeds, fertiliser and foods.

In July-April 2010, jute fetched \$ 924 million, 42 percent higher earning, in a span of just one year.

"Hopefully, BJMC will prevail over the past losses and emerge as a profitable organisation and restore the lost glory of jute," said Muhith.

Citing the successful decoding of jute genome, he said, "This crucial discovery has opened up a new vista for further experiment of new high-yielding species of jute, which will be salinity-resistant and tolerant to drought, insects and diseases."

Opposition

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hartal programme protesting the budget.

Few other political parties including Jatiya Party and Workers' Party, allies of Awami League (AL), however, said controlling inflation will remain a major challenge for the government.

Meanwhile, the ruling party has welcomed the proposed budget for 2011-12 fiscal year, terming it a pro-people one that will help flourish development in the country.

AL Joint General Secretary Mahabubul Alam Hanif told The Daily Star "Highest priority has been given for economic development of the country in this budget."

"No tax has been imposed so that people may get affected anyhow. This budget will also encourage investors to put their fund in the stock market," he added.

BNP standing committee member Moudud Ahmed said, "People are aware about skyrocketing of the price of essentials. But no steps have been taken in this budget to contain such crisis."

MK Anwar, another member of the standing committee, said "People have doubt over the information given in the budget. So, this budget will not bring anything good for them."

Terming the budget highly ambitious, Jamaat-Islami Secretary General ATM Azharul Islam said the government emphasised on bank loan that will increase inflation and bring misery in public life.

Jatiya Party Chairman Anwar Hossain Manju and its secretary general Sheikh Shahidul Islam hailed the proposal for expansion of social safety net programme in the proposed budget.

Workers' Party President Rashed Khan Menon said "Finance minister did not give clear concept regarding inflation in the budget."

Communist Party of Bangladesh acting president Haidar Akhbar Khan Rono and its general secretary Mujahidul Islam Selim said inflation and unemployment rate will make public life more miserable.

"Even the existing gap between rich and poor will increase manifold," they observed.

GDP growth

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provisional estimate set at 6.7 percent for the outgoing fiscal year.

"Considering the prospects and potential risks in the context of global and domestic economic perspectives, we have set our real GDP growth target for FY 2011-12 at seven percent," the finance minister said in parliament.

But despite unlimited growth potentials, there are challenges too, he added.

"We want to achieve a real GDP growth of eight percent by 2014 and take it to 10 percent by 2017 and sustain it thereafter."

More investment is required to achieve the target.

He stressed the need for mobilisation of domestic revenue to reach the goal. Government's revenue income might increase by 1.2 percent of the GDP in the outgoing financial year compared to the previous year.

However, there are debates over the estimate of the GDP growth rate.

According to the Centre for Policy Dialogue (CPD), an independent think-tank, the economy is likely to grow by 6.2-6.3 percent, not 6.7 percent as calculated by the Bureau of Bangladesh Statistics.

The World Bank and the Asian Development Bank estimated the growth at 6.2 percent and 6.3 percent.

Tax-free

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Analysts, individuals and political parties have been demanding raising the ceiling in line with the inflation. The opposition BNP on Wednesday proposed the threshold at Tk 3 lakh.

This April, point-to-point inflation rose by 10.67 percent.

Big budget meets

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from the roadmap right at the beginning will call into question the credibility of the Plan. To meet these challenges, one would expect strong cost-cutting measures as well as measures for improving the quality of public spending and the overall public resource management. Such initiatives are not in sight. But these are not matters only for the finance minister to deal with.

No doubt, a large-sized budget has helped in accommodating political demands and in avoiding difficult decisions regarding spending priorities. Even then, allocations for some important sectors like healthcare or environment protection have got squeezed. Fund allocations alone are not of course sufficient for a multi-dimensional problem like environmental protection. The finance minister's budget speech last year mentioned a number of policy and programme initiatives in this respect involving the relevant ministries; but not much has happened since then.

To protect its centre-left ideological image, the government has felt obligated to commit spending on subsidies, agricultural and rural development, and social safety net measures. At the same time, to achieve the goal of economic growth, priority has had to be given to public investment in power, energy and infrastructure. Whether budgetary revisions or course corrections will be needed in the middle of the fiscal year will depend on how things take shape in respect of inflation and macroeconomic balances. For example, restraint on public spending will be needed for macroeconomic stabilisation if the government's domestic bank borrowings exceed the limit.

There are a number of uncertainties. The extent of fuel subsidies will ultimately depend on the trends in fuel prices in the international market. Similar uncertainty is there regarding the extent of power subsidy arising from the government's purchase of power from the rental power plants at high prices and the possibility of future price adjustment at the consumer level. Again, large government-sponsored projects including those under public-private partnership may strain the external balance if these are financed entirely from domestic sources while machinery and other inputs are imported.

The success in overshooting the revenue target in the current fiscal has encouraged the finance minister to go for an ambitious revenue target for the next fiscal year as well. However, continued high growth in revenue from an already high base will require substantial reforms in the revenue collection system. The target set for the external financing of the budget seems modest. The problem here is not aid commitments which are aplenty, but actual disbursements. The increasingly strict conditions set by the donors are responsible in part for slow aid utilisation, but weakness in project implementation also remains a major hurdle.

There are not many changes in the rates of indirect taxes, so there should not be any immediate impact of the budget on market prices. The continued tax exemption for the import of essential foods and certain other raw materials will help in not further fuelling inflation. The proposed support for some industries like pharmaceuticals and furniture manufacturing appear to be in the right direction, but such support measures need to be judged in the context of the entire industrial incentive structure.

OTHER ECONOMISTS' REACTION

Noted economists are split over the size of the annual development programme in the proposed budget but unanimous in suggesting that the government enhance its implementation

capacity.

In an instant reaction after the budget announcement, former finance adviser Mirza Azizul Islam



MIRZA AZIZUL

said the size of the budget and the ADP is bigger this time.

"The ADP of Tk 46,000 crore is comparatively bigger but it is unlikely that the government will be able to spend more than Tk 32,000 crore. I think the priority sectors are alright."

The former adviser to caretaker government said the government would face challenges in achieving the revenue generation target.

"Although our performance has been quite good in the last three years, it will be difficult to maintain the same rate."

He said the government's plan to borrow more from internal sources could squeeze the credit flow to the private sector.

Islam said the economy is under pressure from different fronts such as falling remittances, depreciation in exchange rate, liquidity crisis in the banking sector and serious decline in trade balance that are affecting reserves.

"But I have not seen effective strategies to help the country get out of these crises."

The government should have been bold about the loss-making state-owned enterprises (SoE), Islam said.

"The finance minister has only spent out plans about Bangladesh Jute Mills Corporation. But we always see that the SoEs approach the government in the middle of a year, plead for money and get it."

"The government has already opened two loss-making jute mills. I do not see any clear indication of a reform of the SoEs," he said.

Mustafizur Rahman,



MUSTAFIZUR RAHMAN

executive director of the Centre for Policy Dialogue (CPD), said the government has rolled out a major investment plan but it has to maintain quality in investment.

"The accomplishment of seven percent economic growth will depend on the country's capacity to implement the budget in terms of money and quality."

He said the government is giving incentives such as tax holiday to decentralise industrialisation.

"If we can give infrastructure facilities including gas and power supply, the plan can be implemented."

"These are good as policies, but the result depends on our ability to make good infrastructure available, and solve problems that hold back entrepreneurs to invest outside Dhaka and Chittagong."

"If we can ensure that the incentives will be effective. Otherwise, only tax holiday will not solve any problem and entrepreneurs will not feel encouraged to go and invest there."

Rahman said it would be challenging to realise tax from non-NBR (National Board of Revenue) sources.

The CPD top official, however, does not think that the size of ADP is bigger. "Tk 46,000 crore is about

Social safety

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Finance Minister AMA Muhith proposed an allocation of Tk 22,556 crore for SSNPs for fiscal year 2011-12, which is 13.79 percent of the national budget and 2.51 percent of the GDP.

Allocations for SSNPs were Tk 19,497 crore in the outgoing fiscal year and the figure was revised at Tk 20,893.52 crore, which is over 16 percent of that year's budget and 2.64 percent of GDP. Spending for SSNPs was Tk 16,706 crore in 2009-10 and Tk 12,198 crore in 2008-09.

The number of beneficiaries has gone down to 7.68 crore for the next fiscal year from revised 8.08 crore in the outgoing year.

"It seems the government has emphasised implementation of the programmes," said Prof Mustafizur Rahman, executive director of Centre for Policy Dialogue.

The government currently runs a total of 84 programmes under the SSNPs. In the proposed budget, a number of new programmes have also been introduced to reach out to the poor.

Some of the important programmes are implementation of One House One Farm Project, introduction of Returning Home Programme, establishment of Disabled Service and Assistance Centre and Child Development Centre, formulation of a Ration Distribution Policy for freedom fighters and enhancement of their allowances and increased amount of allowance and coverage of the safety net programmes.

Social safety nets, or "socioeconomic safety nets", seek to prevent the poor or those vulnerable to shocks and poverty. On average, spending on safety nets accounts for 1 to 2 percent of GDP across developing and transition countries.

Safety nets in low-income countries like Bangladesh are increasingly being recognised as effective tools to reach out to the most vulnerable groups.

Common interventions vary from public works and food-based interventions to more recently cash and conditional cash transfer programmes.

Major SSNPs are employment generation programme for the hardcore poor, vulnerable group development (VGD), vulnerable group feeding (VGD), old age allowance, rural maintenance programme, freedom fighters' allowance, open market sale (OMS), test relief, gratuitous relief, food for work, allowance for the financially insolvent disabled, etc.

"Formation of a monitoring committee and development of a database will be very helpful to make SSNPs effective and sustainable," said Rahman of CPD.

He hailed the government for introducing a pension insurance scheme, which he termed a move to social protection from social safety net.

SIM tax

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Subscriber Identity Module) cards. Earlier, there was no tax on SIM cards based on its capacity.

The operators welcomed the SIM card valuation proposal, but expressed their frustration over the SIM taxes. They said the existing and proposed SIM tax would not help the industry to move ahead. They are still hopeful that the government would rethink to reduce duties on SIM.

"It is utterly insignificant," said Abu Saeed Khan, secretary general of Association of Mobile Telecom Operators in Bangladesh (AMTOB). "This reduction cannot make any difference to whatsoever damage it has been causing to the industry."

Kazi Monirul Kabir, chief communication officer of Grameenphone, however, said, "The reduction of duty on SIM is a good move, but government should review taxes on the total sector."

The phone users, however, pay about Tk 100 to Tk 150 for every SIM as the operators subsidise the rest with 15 percent VAT (value added tax).

DEBAPRIYA BHATTACHARYA

increase by 0.5 percent to one percent compared to that of the outgoing fiscal year.

"The income will increase by one percent but the expenditure, more specifically development spending, will also rise. The question is how the government will meet the deficiency," he said.

"Our recent experience shows the government takes more and more loans from banks to meet deficit. This may lead to non-availability of resources for investment from individuals, and interest rate may shoot up."

Debapriya, also former ambassador to the World Trade Organisation, said another challenge for the government would be to get funds released from foreign sources.

"I have not seen implementation strategy in the proposed budget for any sector."

Fahmida Khatun, chief of the CPD research wing, said the proposed budget would not be sustainable unless the government enhances employment opportunities or sources of income for the people.

Special attention should be given to financial and revenue sectors to reduce inflationary pressure, she said.

Fahmida said the government would have to take effective measures for quick release of foreign aid to make them available for timely use.

MF Husain

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most highly prized - and perhaps most controversial - painter and his work sold for millions of dollars.

His paintings of nude Hindu goddesses angered hardline Hindus who accused him of obscenity. He left India in 2006 and took up Qatari nationality in 2010.

Husain has also made two Bollywood films, although both failed at the box office.

The maverick artist was often called the "Picasso of India" and influenced a whole generation of artists in the country.

Leading Indian artist Anjolie Ela Menon said that Husain's "enormous body of work is matched by Pablo Picasso's body of work."

"Husain never aged. He retained his energy, humour and his amazing capacity to work. He was restless, often saying he never had a bedroom in which he slept. He was a nomad, a gypsy," Menon said.

Art critic S Kalidas said Husain was painting until two weeks before his death, and led a "full life".