

# No stimulus for RMG export

## Cash incentive for potato rises

REFAYET ULLAH MIRDHA

Finance Minister AMA Muhith has not awarded any stimulus package to the country's main export-earner readymade garment sector in the fiscal year of 2011-12, dashing the hopes of apparel exporters.

However, a proposal to increase cash incentive for potato exports to 20 per-

cent from 10 percent was made in the budget unveiled yesterday.

The minister in his budget speech recognised that the textile sector, particularly the yarn and clothing sub-sector linked to garment industries, faces problems. He said they are looking into the matter and would take steps accordingly.

On April 19, 2009, the government announced a Tk 3,424 crore stimulus package for export-oriented industries, except for the RMG sector, to cushion the blow of global economic downturn.

Later, the government announced a second stimulus package worth Tk 1,000 crore along with policy supports for the garment sector on November 25, 2009 to face the recession fallout.

As for policy support, the government had pledged to pay the licence renewal fees for captive power plants used by different RMG units between November 1, 2009 and June, 2010, extend bank loan re-scheduling without any down payment, and a five percent cash incentive for apparel export to new destinations.

During July-April of 2010-11, exports of RMG, raw jute and jute goods, leather and leather goods, frozen foods, electronics, petroleum and engineering products grew by more than 40 percent,

said the finance minister giving credit to the stimulus package.

However, AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, said exporters did not get the fund from the stimulus package in time due to bureaucratic tangle and some paperwork issues.

"Now, we are receiving some money from the package. We were able to survive the recession even without the stimulus package due to political stability and normal production environment," he said.

Jahangir Alamin, president of Bangladesh Textile Mills Association, said there is no mention of raising cash incentives for the textile sector.

"We have been demanding a raise in cash incentive for primary textile sector to 10 percent from the existing 5 percent, but the minister did not propose it," he said.

Alamin said the spinners are going through a decline in sale of locally made fabrics because of the relaxation of Rules of Origin by the EU, and selling of yarn at dumping price by India. "We demanded the enhancement of cash incentive to help us face the problem," he said.

The minister yesterday boasted of the way the government tried to protect the

export sector in the wake of the global recession.

He said in 2008-09, Bangladesh achieved 5.7 percent real GDP growth against 5 percent negative growth in the global economy. This trend continued in 2009-10, helping the economy expand by 6.1 percent.

"We have achieved a provisionally estimated 6.7 percent growth in the current fiscal year. Exports, imports and remittances recorded 10.3, 4.1 and 22.4 percent growth respectively whereas globally these sectors posted negative growth," he said.

Muhith said surplus on current account balance increased to 3.7 percent of the GDP in 2009-10 from 2.7 percent of 2008-09. During the period, Bangladesh earned credit ratings of BB- and Ba3 from internationally reputed agencies Standard and Poor's (S&P) and Moody's, he said.

The upward trend in investment in the manufacturing sector still continues. "By this time, our export-oriented industries have also consolidated their position. Up to March 31, 2011, the disbursement of industrial term loan posted 30 percent growth," he said.

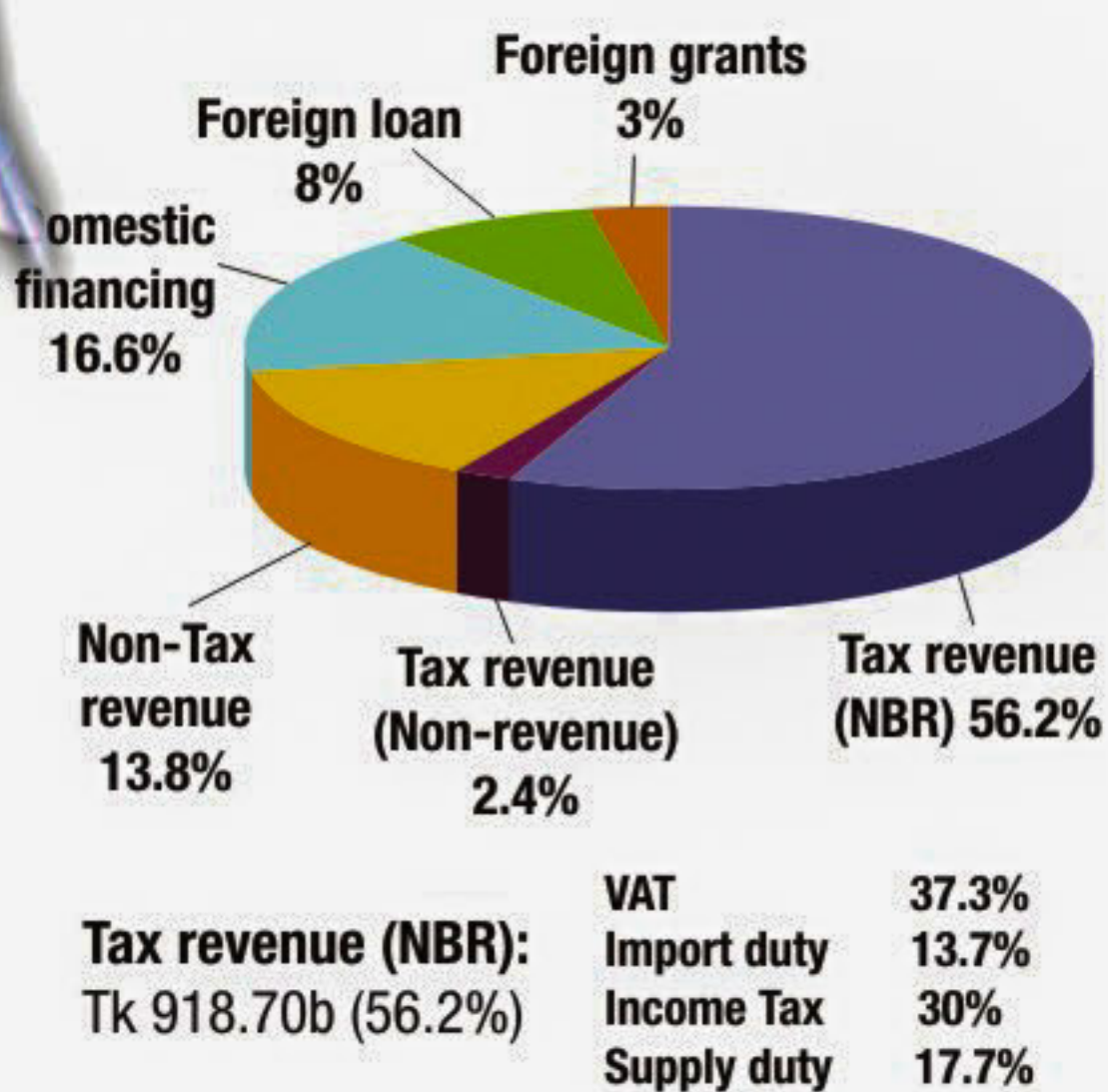
The import of capital machinery and industrial raw materials also recorded a significant growth, making up 54 percent of total import, the minister said.

### NON-DEVELOPMENT & DEVELOPMENT

BUDGET: 2011-12

(Tk 1,635.89b)

Resources coming from



# Farmers left in the dark

SOHEL PARVEZ

Hours before Finance Minister AMA Muhith unveiled the budget for fiscal 2011-12 yesterday, Refayet Ullah, a farmer from Pargachha in the northern district of Rangpur, wished the government would provide farm inputs at low prices.

His expectation may remain unfulfilled in the upcoming fiscal year.

The minister proposed a 21 percent cut in subsidies on farm inputs to Tk

In his budget speech, the minister talked about the steps taken to boost farm output through increased distribution of quality seeds by Bangladesh Agricultural Development Corporation (BADC) and expansion of surface water irrigation facilities.

Other points include the target to increase farming of salinity resistant rice in the south and formation of farmers' marketing groups and farmers' club, to help them get fair prices for their produce.

Greater use of guti (granular) urea and

"The government speaks of safeguarding farmers' interests. But it has not been reflected in the budget. The cut in subsidy will hurt the farmers," he said, coming down on the drastic cut in allocation for agriculture.

He said the reduction in subsidy for agri-input may also reduce the government's purchasing capacity to buy the required amount of fertiliser from the international market, which records a rise in prices.

However, the fisheries and livestock

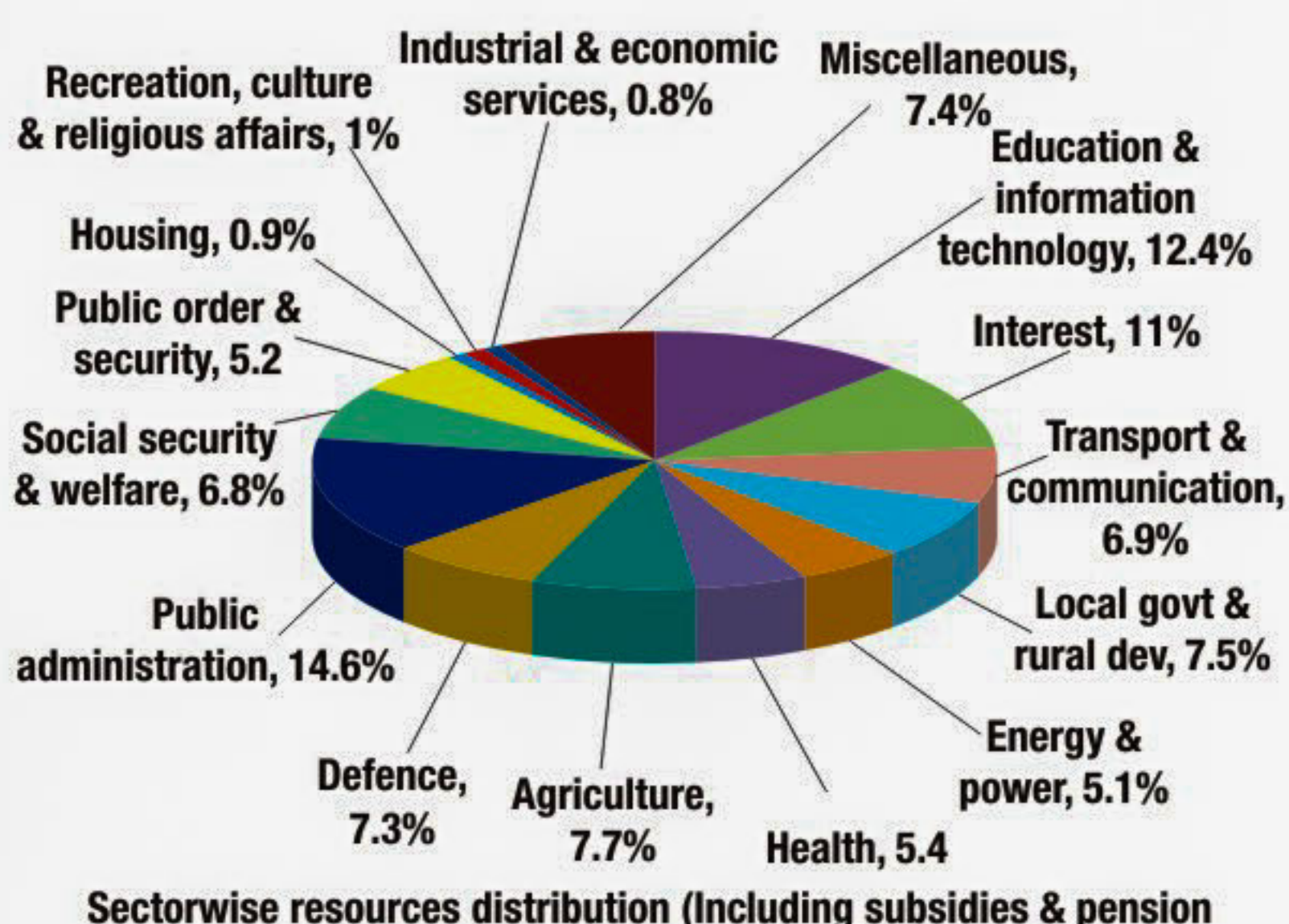
He said research programmes have already begun with the profit generated from the agricultural research fund, which was created with an allocation of Tk350 crore earlier.

He said all kinds of agricultural research programmes on jute, tea and others crops will be brought under this fund. Other than this, there has been no additional outlay for agri-research to speed up research on the introduction of seeds capable of facing various negative consequences of climate change.

### NON-DEVELOPMENT & DEVELOPMENT BUDGET: 2011-12

(TK 1,635.89B)

USE OF RESOURCES



4,500 crore from a revised allocation of Tk 5,700 crore in the outgoing fiscal budget.

With this, the agriculture ministry has a total allocation of Tk 7,406 crore in the proposed budget, down 12 percent from the revised allocation of Tk 8,435 crore in the outgoing fiscal year. This move may look like a lack of prioritisation in terms of allocation, even though Muhith said the economy is dependent on agriculture and the farmers.

leaf colour chart to cut indiscriminate use of urea for arresting degradation of soil fertility, and dredging of rivers, excavation and re-excavation of canals as well as building of dams are also expected to help boost farm productivity in future.

But a major part of this year's proposal is a continuation of last year's promises and the ongoing programmes -- what economist Mahabub Hossain referred to as 'dodging' in terms of allocation.

ministry has received a spike in allocation to Tk 977 crore from the revised Tk 794 crore in the outgoing fiscal year.

Looking back at last year's pledge, agriculture insurance is yet to be introduced but Muhith said Sadharan Bima Corporation has drawn up a pilot project to introduce 'Crop Insurance' in one upazila.

"The crop insurance scheme is expected to be introduced on a pilot basis in the next fiscal year," said Muhith.

The issue of ensuring fair prices for the farmers by modernising the department of agriculture marketing also did not get priority. Muhith said 15 wholesale market infrastructure and 60 growers' markets have been built in the outgoing fiscal.

"We want the government to ensure fair prices of our produce," said farmer Refayet Ullah, citing the government's decision to buy rice from millers instead of buying paddy from growers.

## Tk 1,000cr fund for job creation

STAR BUSINESS REPORT

The government plans to spend Tk 1,000 crore to create 15 lakh temporary jobs for the rural poor in the upcoming fiscal year.

"This programme [employment generation for the ultra poor] has been playing a pivotal role in coping with prolonged Monga [seasonal famine] in the northern region," Finance Minister AMA Muhith said yesterday. "I, therefore, plan to continue this programme."

The employment opportunities created in 2010-11 were equivalent to 621.56 lakh man months and the target for fiscal year 2011-12 is 656.26 lakh man months.

Muhith also proposed to allocate Tk 5,925 crore for "One House, One Farm" project. "I hope this will bring qualitative changes in the rural economy."

The project has been implemented in 9,640 villages of 482 upazilas in the last financial year and the government intends to expand it to all the villages of those upazilas.

## Govt discourages old car imports

STAR BUSINESS REPORT

The government has discouraged the import of reconditioned cars in the proposed budget for the upcoming fiscal year.

More than four-year old cars may become costlier accordingly.

In order to discourage the import of old vehicles, depreciation benefit at a flat rate of 25 percent as well as the 10 percent dealers' commission in the existing budget will remain. But the

facilities will only be applicable for vehicles three-years old, instead of four.

To prevent concealed declaration, the value of new cars cannot be in any case lower than the value of reconditioned cars of the same brand and capacity, according to the proposal. At the same time, a tax assessment of the new vehicles against the invoices issued would be only by manufacturing companies.

## No reflection of ICT policy

ABDULLAH MAMUN

The budget proposal for the upcoming fiscal year will not help the country implement its Digital Bangladesh Vision as the government's outlay does not reflect its ICT Policy, said industry insiders.

The government has allocated Tk 510 crore to the ICT ministry, but sector people say there is no clear indication in the budget how the funds will be utilised.

The government's proposal to increase import tax on fibre optic cable to 12 percent from 3 percent now will certainly increase internet service cost, said experts.

"Somehow, we don't see the reflection of the Digital Bangladesh dream in the budget, as the government didn't allocate anything to digitalise its own mechanism," said Mustafa Zabbar, president of Bangladesh Computer Samity.

Experts said the government wants higher internet penetration in the country, which now stands at a meagre 8 percent. But it did withdraw the existing 15 percent value-added tax on internet usage.

The industry hoped that tax-VAT holiday in case of software would be offered until 2018 as per the ICT policy, but the government has extended the facility only up to 2013, said Mahboob Zaman, president of Bangladesh Association of Software and Information Services (BASIS).

"The budget has also not spelled out when funding for the high-tech park or software park will be available."

There is no budgetary allocation for public-private partnership initiatives, said an IT businessman. Software and IT-related services are still not included in any category, although the sector's leaders are pressing the government for a long time.

Zaman said the budget should have adopted the ICT policy, saying what the sector needs. The entire budget document is filled up with jargons such as automation, Digital Bangladesh, e-commerce, e-government, he added. "The sector cannot be benefited from these jargons."

There are 306 projects to be implemented in short-, medium- and long-term, according to the ICT ministry. The BASIS chief said it would have been good for the sector if the government had allocated at least 10 percent of the Tk 700 crore fund it was supposed to utilise under long-term programmes. "But the government did not."

"The government moves in the budget contradict its vision, and the budget won't help the industry," Zaman said.

The budget will help import telecom equipment, as it has exempted import duties on such products, said Sumon Ahmed Sabir, vice president of Internet Service Providers' Association of Bangladesh, (ISPAB).

"But it won't be helpful for the industry. ISPAB won't get any benefit from the proposal, as import tax was not withdrawn for fibre optic cable."

The government has exempted educational institutions of VAT for internet usage, but it will not enhance internet penetration, said Sabir.