

Subsidy to double if prices not raised

REJAUL KARIM BYRON

The government will have to more than double the amount of allocation for subsidy in the current fiscal year if the prices of the government-controlled products are not increased, a finance division estimate said.

For such products, including food, fuel, fertiliser and power, the government may need Tk 47,385 crore, more than double the allocated amount of Tk 20,477 crore for this fiscal year.

A finance ministry official said the government's allocation for subsidy will rise to around 29 percent from actual allocation of 12 percent if subsidy is not cut.

A team of the International Monetary Fund that recently visited Bangladesh said the government's spending on social sector and development expenditure will be hampered if the subsidy cannot be slashed.

The government must cut subsidy, which the finance minister also hinted at in his budget speech, said Zaid Bakht, research director of Bangladesh Institute of Development Studies.

At the same time, subsidy has to be continued in agriculture and food sectors to contain rising inflation, he said.

Bakht also said the size of this year's budget is much bigger and the pressure on it is also huge. More food should be distributed among the poor to minimise the pressure on them, he added.

SUBSIDY: CHALLENGE FOR BUDGET <small>In crores of taka</small>				
	FY11 (Original)	FY11 (Revised)	FY12 (Original)	FY12 (Probable)
BPC	1,500	4,000	3,500	28,014
PDB	2,500	4,000	5,200	5,200
Agriculture	4,000	5,700	4,500	6,835
Export	2,000	2,000	2,200	2,200
Food	1,186	1,653	1,677	1,736
Others	458	358	3,400	3,400

As per the finance ministry, the probable subsidy on Bangladesh Petroleum Corporation (BPC) has been calculated at Tk 28,014 crore.

The finance ministry official said Tk 17,704 crore will be required for the BPC if fuel prices are not adjusted. The rest of the amount is the BPC's due for selling fuel at subsidised rate earlier.

The budgetary allocation for the BPC was Tk 3,500 crore in the current fiscal year.

The demand for subsidy in the agriculture sector, which gets subsidy in fertiliser, diesel and power, rose to Tk 6,835 crore, against a budgetary allocation of Tk 4,500 crore. Also, subsidy in food may be Tk 1,000 crore more than the allocation.

Fuel price will go up automatically if there is a price difference of Tk 10 per litre in local and international markets, he said.

The official citing a study of the finance ministry said if the price of diesel is increased or decreased by Tk 1 per litre, the fare of diesel-run transport goes up or down by Tk 0.01.

He said the communications ministry will ensure that the transport owners increase fares in line with the extent of rise in the price of diesel.

The poor will adversely be affected by the chain effect on the economy, if the government continues to give a huge amount of subsidy, the official added.

To bear the subsidy cost, the government will have to borrow from the banking sector which will have more inflationary effect, he said.

FBCCI wants tax return deadline until Oct 31

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry yesterday urged the government to extend the deadline for tax return submission to October 31. In a statement, the apex trade body said many will not be able to submit their income tax returns by September 30 due to

IMF-WORLD BANK MEETINGS

Muhith seeks more aid from WB, IMF

STAR BUSINESS REPORT

Finance Minister AMA Muhith sought additional financial assistance from the World Bank and International Monetary Fund (IMF) for budget and balance of payments (BoP) support.

Muhith spoke at the 2011 annual meetings of the WB and the IMF in Washington DC on Friday, Bangladesh embassy in Washington DC said in a statement yesterday.

"Bangladesh rightfully deserves budget support from the World Bank for additional investment it had to make to achieve them," the minister said. He also projected the achievements and challenges of Bangladesh economy.

Citing poverty reduction support credit programme of the WB and BOP support under the extended

credit facility of the IMF, the minister said: "Such supports will be key in creating fiscal space and mitigating pressure on the already strained country's balance of payments."

He said Bangladesh's public investments and expenditures are carefully planned and designed for achieving core of development objectives such as bringing women to the forefront of the development, creating jobs, maintaining price stability, generating power and energy, devising food and social security programme.

The minister said Bangladesh maintained a stable macro-economic situation in the face of global economic downturn.

Muhith said Bangladesh has placed poverty alleviation central to its development efforts and allo-

cated up to 53.12 percent of the budget for reducing poverty.

He proposed initiation of a meaningful restructuring of the global financial system.

He reiterated the need for enhanced focus by the World Bank on mediating surplus resources for investment in deficit countries, enhanced efforts to overcome poverty and hunger, devising a pragmatic trade financing system and managing volatility of commodity prices, particularly those of food grains and petroleum.

Muhith led a high level Bangladesh delegation to the event. Bangladesh Bank Governor Atiur Rahman, Finance Secretary Mohammad Tareq and Economic Relations Division Secretary Musharraf Hossain Bhuiyan accompanied Muhith.

Stocks claw back ground

STAR BUSINESS REPORT

Dhaka stocks gained 2.34 percent yesterday due to a heavy buying pressure of investors to benefit from low-priced shares, as the bourse returned from deep losses last week.

The benchmark General Index -- DGEN -- of Dhaka Stock Exchange closed on 5,784, after gaining 132 points.

Ahmed Rashid, director of DSE, said institutional portfolios must be more active to make the market stable for a long term, adding that the

price level is attractive for institutional investors.

Akter H Sannamat, a market analyst, said the long-term participation of institutional investors raises hopes among small investors to make long-term investments.

He said the regulator must watch out against foul play, adding that it was not a good trend of the market that the market gains with all stocks gaining, and losing while all stocks lose.

Turnover on the DSE stood at Tk 363 crore, which was 21.6 percent higher on the previous day. A total of

245 issues gained out of 258, while 13 declined.

All sectors advanced: banks 2.39 percent, non-bank financial institution 1.91 percent, pharmaceuticals 1.32 percent and fuel and power 2.19 percent.

The Chittagong Stock Exchange also advanced yesterday with the Selective Categories Index, CSCX, closing at 10,517, after gaining by 281 points or 2.74 percent.

The port city's bourse traded more than 77.74 lakh shares and mutual fund units worth Tk 52.69 crore.

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