

Mission inflation

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the exchange rate stable. As a result, inflation will moderate," said Muhith.

To contain inflation, he added, the government would continue monetary tightening along with fiscal consolidation.

"Our efforts to control the flow of credits to non-productive sectors are continuing. I hope these steps will create a positive effect in containing inflation."

This is the second time Muhith pledged to keep inflation within 7.5 percent. Despite promises, he failed to do so in the outgoing fiscal year.

The average inflation stood at 10.86 percent during July-April of the current fiscal year owing to soaring subsidy cost to buy fuel for rental power plants, excessive bank borrowing and fall in taka's value.

Rise in fuel and power prices fuelled the inflation further cutting deep into the low-income people's pocket.

In the last two months, inflation dropped below 10 percent mark mainly due to falling prices of food, including rice. A credit tightening pursued by

Bangladesh Bank helped calm the domestic market.

Non-food inflation dropped in May to 12.72 percent from 13.77 percent in April, according to the Bureau of Statistics.

Pointing to the non-food inflation, Salehuddin Ahmed said the government added Tk 11,000 crore subsidy burden of the outgoing fiscal to the next fiscal. Costs of fuel, electricity and transport will rise, if this subsidy burden is adjusted with the current prices of fuel, he said.

"This will cause further rise in non-food inflation," he said.

Salehuddin also pointed to the risk of declining exports and remittance earning due to global economic slowdown.

"If exports and remittance earnings do not grow and imports do not fall further, pressure on foreign exchange reserve will increase. It will lead to depreciation of taka and thus make imports costlier."

"In addition, bank borrowing by the government will fuel the inflation," he said.

Mirza Azizul Islam, former adviser to caretaker

government, told The Daily Star recently that inflation was unlikely to come down in the coming fiscal year.

However, if the prices of fuel and food grains fall on the global market, it may have a positive impact on inflation, he said.

Research organisation Centre for Policy Dialogue in its report on the macro-economic performance in 2012 warned that inflationary pressure would sustain in the coming year.

Presenting the findings, CPD's distinguished fellow Debapriya Bhattacharya told reporters that private sector credit flow might be reduced through a tighter monetary policy but government's borrowing from banks would be hard to check.

GDP growth

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grew by 6.7 percent in 2010-11 and the provisional estimate was set at 6.3 percent for the outgoing fiscal year. Bangladesh now targets to take the growth to 8 percent by 2014-15.

According to the latest forecast, the growth of global economy may stand at 3.5 percent while that of the developing and emerging economies at 5.7 percent in 2012.

"In pace with economies of other emerging and developing countries, we have been able to sustain the economic growth in Bangladesh," said Finance Minister AMA Muhith in his budget speech yesterday.

In the last three years, the country had an export growth of 21.2 percent. By April 2012, export grew by 8.4 percent compared to that of April last year.

The government hopes this trend will continue due to the expansion of regional trade, surge in internal demand and bumper Boro harvest.

The finance minister also expects there would be steady credit flow to development sectors and the deficits in power, energy and infrastructure will gradually decrease.

On an average the country's import also increased by 22.2 percent in the last three years. Up to this April, import grew by 8.7 percent.

Budget shifts

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hiked by 24 percent from the revised budget of the previous fiscal year.

To meet an increased expenditure, more focus has been given on income tax, supplementary duty and non-bank borrowing in the next fiscal year's budget.

Expenditure on interest payment has increased alarmingly. In the non-development budget, the highest allocation, which is 17.2 percent, will be for interest payment.

The allocation on interest payment has gone up by about 18 percent or Tk 3,500 crore from the revised budget of current FY and Tk 23,302 crore has been kept for the purpose.

In the next budget, another big sector of expenditure in the non-development budget is subsidy.

Although the finance minister's budget speech or budget document does not provide a clear picture of the amount given for subsidy, a ministry official said the amount could be around Tk 35,000 crore.

According to the budget speech in the current FY, original allocation for total subsidies, including for agriculture, power and energy, was Tk 20,477 crore which went up to Tk 30,154 crore after revision.

In 2011-12, the government faced huge criticism for bad shape of roads and highways. In the next budget, Tk 2,148 crore has been allocated for building and repairing

roads.

Also, Tk 3,000 crore has been given to the public-private partnership (PPP) fund.

The target of revenue earning has been increased by 21.57 percent to make it Tk 1,39,670 crore. Of the amount, NBR tax has been raised by 21.53 percent and non-tax revenue by 22.82 percent.

A proposal has been made to increase income tax by 25.79 percent, VAT 17.96 percent and supplementary duty by 23.11 percent.

The deficit in the next fiscal year's budget has been estimated at Tk 52,068 crore or 5 percent of GDP.

To meet the deficit, the new budget proposes increasing net foreign borrowing by 69 percent with a target of Tk 12,540 crore, although the government in the current FY failed to utilise half of the targeted foreign assistance.

But, in the face of huge criticism, the government has cut the bank borrowing by 21 percent from the current FY's revised budget and set it at Tk 23,000 crore for 2012-13.

However, in the current FY's revised budget, bank borrowing has been upped by 54 percent from the original target and fixed at Tk 29,115 crore.

The same way, borrowing target from the non-bank sectors, including savings instrument, has been increased by 95 percent over the ongoing FY's revised budget and set at Tk 10,484 crore.

It's impossible

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about funds and the government's administrative inability, the main opposition BNP said yesterday.

A big amount had been allocated for some projects, aiming to award those to ruling party men prior to the next parliamentary elections, said party policy makers. The budget had deflated people's hopes, they said.

The budget will not be able to meet public aspirations, said MK Anwar, who led an opposition panel to review the budget. Prices of essentials will not decrease, investment will be uncertain, he said, adding, "As a whole, the budget has nothing good for the people."

The panel members--Osman Farruk, Abdul Moyeen Khan, Amir Khasru Mahmud Chowdhury, Abdul Awal Minto, Mahabub Ullah, Saiful Islam and Fazlul Haque--gave their reactions after watching the budget speech by Finance Minister AMA Muhith on television at the BNP chairperson's Gulshan office in

the capital.

The government will again borrow money from banks at home as it did in the previous years, which will trigger an increase in prices of essentials and create instability in economic management, said former minister MK Anwar, a member of the BNP standing committee.

He said the finance minister had targeted 2021 in making all his projections and criticised the government for the proposal to whiten black money.

Prof Mahabub Ullah said the government had placed a "populist budget", taking the 2014 general elections into consideration, but funding would be a major issue in implementing it as the government and donor agencies were not on good terms.

Abdul Moyeen Khan said there were no new political and economic directions in the budget. There was not even any proposal to rescue the economy from the ongoing downturn, he added.

Surplus electricity

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gone up significantly because the economy is on a path of dynamic growth, he said.

The per capita consumption, which used to be the lowest in the region a few years back, has gone up to 265 kilowatt hour (unit) from last year's 220 unit. Electricity coverage has also reached 53 percent from 47 percent of the population.

Muhith said the government has planned to produce 8,294 MW electricity by next year. Agreements have been signed for setting up 52 power plants, and many of them will begin operation next year.

Besides, he hoped that by next year the country will be able to import 250 MW power from India.

The proposed budget placed a lot of emphasis on the power and energy sector by allocating it Tk 9,544 crore with most of the expenditures set for power development. The allocation is up by more than a thousand crore taka from that of last fiscal year.

The minister was concerned about the increased dependency on fuel-based power plants, which has made power generation costlier and forced the government to allocate Tk 5,200 crore as fuel subsidy for power in the last fiscal year. This time, an updated road map on power and energy spelled out a subsidy of Tk 6,400 crore.

The bulk price of power per unit rose to Tk 4.02 in March from Tk 3.74 while power is being sold at Tk 2 less than the generation cost.

But this will be reduced at a planned rate over the next four years. In the fiscal year 2013-14, fuel will produce 21.6 percent of the total power. This will come down to 6 percent by 2015-16. To achieve that, the government is all set to start producing much cheaper coal-based and other large power plants.

The minister admitted failure in importing Liquefied Natural Gas (LNG) from Qatar. In his Budget speech last year, he had projected that LNG equivalent to 500 million cubic feet per day (mmcf) gas will be imported by December this year. But this is not happening.

He also regretted that repair and maintenance of old power plants were neglected. But this time, programmes have been taken up to repair the 26 old plants.

Considering high

demands, the government now targets 8,644 MW power generation capacity in 2014, which is up from the previous target of 7,154 MW.

In gas sector, the finance minister claimed that the government has increased daily production of gas from 1,750 mmcf to 2,156 mmcf. However, gas production had actually reached 2,000 mmcf back in December 2009.

Coal & open pit mining
The government looks at coal-based power as a solution of mainstream energy in future. So far it has taken steps to set up close to 3,000 MW coal-fired power plants.

In the road map presented at the budget session of parliament, Muhith said Bangladesh has a coal reserve of 3,300 million tonnes, and its heat generation capacity is equivalent to that of about 87 trillion cubic feet of gas. Despite such potentials, there is concern about the method of extraction as well as the technological security. At present, the government has opted for imported coal-based power, but it should take steps to tap the local resources in the future.

Muhith's suggestions include finalisation of coal policy as early as possible. The finance minister has been saying this during every budget speech since 2009.

He also suggested creating mass awareness about open pit coal mining, eliciting public opinion in the locality concerned, ensuring environmental safeguards and rehabilitating the affected people of the area where open pit mining is found to be economically viable.

Misleading statement
The finance minister said Bapex has "already discovered oil reserve at Haripur and Kailashtila". He also said the drilling of wells of "newly discovered gas field 'Sunetro' has begun".

Experts term these findings "political discoveries". However, oil was discovered in Haripur back in the late eighties but the deposit was abandoned after producing some oil since it was not commercially viable.

In a three-dimensional seismic study, Bapex determined oil deposit in Kailashtila but it is not considered as a discovery since no drilling has taken place to confirm it. Similarly, through a seismic study, Bapex pinpointed gas potentials in Sunetro two years back. But till now there has not been any drilling to

confirm it.

US company Chevron, through a three-dimensional study, pinpointed potential additional gas reserves in the Moulavibazar field three years back. But when it drilled wells there, it found nothing last year.

The finance minister's road map for energy also said the present demand for power is about 7,518 MW. But the Power Development Board officially puts this at around 6,000 MW, and unofficially 6,700 MW.

12 Qaeda gunmen killed in south Yemen

AFP, Aden

An air strike killed five al-Qaeda militants yesterday in southern Yemen while seven others died in separate incidents in the region where the army has been fighting to recapture territory lost last year, a local official said.

The air raid struck the eastern outskirts of Jaar, a town in Abyan province that is controlled by al-Qaeda, killing five Islamist militants and wounding three others, the official said.

Two other al-Qaeda fighters were killed in clashes with local militiamen belonging to the Popular Resistance Committees, who are fighting alongside the army, in the village of Batis, north of Jaar, the official said.

The clashes erupted when the militants attempted to return to the village which they had controlled until they were chased out by the army last week.

And five more jihadists were killed in an ambush near Batis, the official added.

He said the ambush by pro-army militiamen was led by a former al-Qaeda militant, Abdullah al-Sayed, who defected last year in protest at the presence of "foreigners" in the ranks of the Islamists group.

Yemeni forces launched an all-out offensive on May 12 aimed at reclaiming the Abyan provincial capital Zinjibar and other towns and cities lost to al-Qaeda during the past year.

Since the beginning of the attack, 423 people have been killed, according to an AFP tally combined from different sources. This includes 315 al-Qaeda militants, 68 soldiers, 22 local armed men, and 18 civilians.

Pay more for cars

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would be 129 percent on these vehicles.

For example, a 1.5 litre reconditioned car now that sells at around Tk 21 lakh would be costlier by Tk 2 lakh.

The importers said their sales would dip and many of them would have to close down if the duties come into effect.

One hundred to 350 percent supplementary duty would be imposed on vehicles with engines over 1.5 litres and below 4.0 litres (4,000cc). The total tax burden on these vehicles may range from 213 percent to 599 percent.

Abdul Mannan Chowdhury Khoshru, president of Bangladesh Association of Reconditioned Vehicles Importers and Dealers Association, said the prices of new and reconditioned cars had increased as the taka had been losing

ground against the US dollar and the Japanese yen for quite some time.

"The prices will go up further when the new supplementary duties come into effect," he said.

He said the government is not encouraging import of cars but it is interested in importing reconditioned buses.

He said the lifespan of a 15-litre (15,000cc) bus was at least 40 years and if the government opened scope to import 15-20 year-old buses for Dhaka city, traffic jam would ease to some extent.

This move would also discourage the middle-class to buy cars, Khoshru claimed.

Hamid Sharif, a former secretary general of the association, said the government had not incorporated any recommendation of the car importers in the proposed budget.

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TENDER NOTICE

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Intending Tenderers having prerequisite qualification & at least 7(seven) years' practical experience may apply on their letter head pad alongwith the attested copies of requisite work completion certificates, upto date IT clearance certificate, VAT Registration Certificate, valid Trade Licence and academic certificates of the Architects under their regular service for purchasing Tender Documents from the office of the undersigned on cash payment of Tk.1,000/- (Non refundable) per set on or before 17.06.2012 during office hours. Firms having no working experience for the same nature of Internal Renovation & Decoration Works valued not less than 20.00 lac in a single work order for a single Branch / Office in any Govt. Bank or Private Bank within the last 3 years and not having at least 1 (one) Graduate Architect with minimum 3 years' practical experience or at least one Diploma Architect with minimum 5 years' practical experience in their regular service need not submit any application.

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Tenders will be received upto 2-30 P.M. on 18.06.2012 in the Tender Box placed at the office of the undersigned. Tenders will be opened on the same day at 03-00 P.M. in presence of the tenderers or their representatives, if any. Other details will be available in the Tender Document. For any further details anybody may contact the undersigned during office hours.

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