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ECONOMY

Hurdles pretty high to clear



Mirza Azizul Islam

FROM PAGE 1

Former Bangladesh Bank governor Salehuddin Ahmed said the budget had become just a mathematical exercise.

The budget has paid less attention on how it would address the major challenges such as unemployment, declining foreign direct investment, underutilisation of foreign aid and liquidity crunch the economy faces.

He also said the government would find it hard to bring down the inflation to 7.5 percent from nearly 10 percent.

Former finance adviser AB Mirza Azizul Islam said at this stage it would be extremely difficult to implement the budget if seen from the view point of financing.

The government would also face problems in attracting higher levels of foreign aid.

Mirza Aziz said the foreign aid disbursement had been estimated to be Tk 26,442 crore or over \$2.5 billion.

This year the disbursement will be at a maximum of \$1.1 billion or so, as it has been \$835 million till April. "It would be impossible to more than double it."

He said the finance minister had also proposed selling national savings certificates to the tune of Tk 7,400 crore.

"But up to March or April in the current fiscal year, the government has been able to sell such certificates worth only Tk 380 crore.

"It will be difficult to sell such a huge amount of savings certificates," he said.

The former finance adviser said if these two

sources did not give expected revenue, then the government would be left with one option -- borrowing from the internal banking system.

Firstly, if the government borrowed more from the banking system, it would have adverse impacts on private sector borrowing, investment and growth and inflation, he said.



Ahsan H Mansur

Secondly, the government would run into problems with the IMF [International Monetary Fund] if it borrowed more from the internal banking sector beyond the targeted Tk 23,000 crore.

"If the government's bank borrowing exceeds the target, it will be tough for Bangladesh to get the \$1 billion credit from the IMF.

"Under the circumstances, I think the budget implementation will be a problem." He said although the

finance minister had said he would bring down inflation to 7.5 percent in the next fiscal year, he had not disclosed the mechanism.

"The one option is contractionary monetary policy, which is not alone good enough to reduce the inflation, which we have been witnessing in the last few months."

"If we cannot improve the exchange rate, we won't be able to contain inflation. Given the country's export growth scenario, particularly due to ongoing trouble in the European market, the scope for exchange rate appreciation is not in the horizon. As a result, it will be tough to bring down inflation to that level."

about foreign aid. "Here the growth is 43 percent. It will be difficult to achieve given the country's ongoing tension with the donors, especially the World Bank."

Salehuddin Ahmed

problems in budget imple-

ernment did not have the

administrative capacity to

implement such a huge

Annual Development

country's politics would

consideration, he added.

take was another matter for

Ahsan H Mansur, execu-

tive director of Policy

Research Institute of

Bangladesh, said the finance

minister had presented a

very expected budget, which

was consistent with budgets

from the previous years and

the government's political

policies such as poverty

alleviation and achieving

mentation would be the

main challenge of the new

budget. It would be more

difficult if the country failed

growth rate.

7.5 percent.

to achieve the targeted

had to depend on both inter-

nal and external sectors to

retain the existing judicious

implementation of the mon-

etary policy, maintain a

consistency between fiscal

and monetary policies and

the downward trend in com-

modity prices at the global

level continues to remain

the same, it will help

unstable global situation,

achieving the target would

be not easy for the govern-

had been over-ambitious

inflation target."

ment.

He said the government

"If the government can

He, however, said imple-

higher economic growth.

Also, what course the

mentation."

Programme.

"There are formidable

Mirza Aziz said the gov-

Economist Hossain Zillur Rahman said the finance minister had talked about several achievements, mainly on paper.

"There has been a lot of talk about the country's



Hossain Zillur Rahman

power sector. But I have not seen the reflection of such debates in his budget speech."

Zillur Rahman said financing would be the main challenge of the new budget. "There is slowdown in the growth process, but I have not seen any credible efforts to face the challenges."

The government's GDP target of 7.2 percent in the new fiscal year and 8 percent in the following fiscal year would face a credibility crisis and generate a lot of debate.

FROM PAGE 20

on in full swing.

claimed.

vear.

Private car owners to pay

ALSO TO BE DEARER ARE:

higher fitness tax

minister claimed that their

upgrading works are going

been opened for cargo

transportation at

Chittagong port while the

construction of five more

flyovers has been in the

pipeline. Construction

work of Kuril and Gulistan-

Jatrabari flyovers has got

momentum, the minister

circular waterway and

railway around Dhaka city

to ease traffic movement

despite Muhith's pledge

made last year and this

Finance minister proposed

an allocation of around

HOPE FOR RAILWAYS

There is little hope of

He also said a flyover has

"We have seen that there are a number of deficits in the trends and strategic ideas that can help Bangladesh achieve the growth." achieve its inflation target of The budget implementa-

tion would depend on good governance, right strategies and the government's implementation capacity.

He said the outgoing budget faced some major challenges such as financing and coordination among policymakers. "These challenges have continued to remain major challenges." Bangladesh achieve its

The country was facing a Ahsan said because of the number of critical challenges and the budget should have provided scope to it to make a turnaround, which had not been seen happening in a He said the government strong enough manner, he added.

Rail on priority Tk 5,000 crore for the develhighways is going on at a opment in the railway snail's pace, the finance sector. But the railway

FOREIGN

quate. Muhith said Line of Business (LOBs) has been introduced in the railway sector as the government has decided to turn the

officials concerned said the

allocation is very inade-

Bangladesh Railway into a corporate organisation. "We are considering a total of 231 projects at a cost of Tk 1,25,929 crore under a 20-year roadmap plan to turn the railway into a modern mode of transport sector by improving its services," he said, adding that some locomotives have already been added to the sector while a

good number of locomo-

tives, wagons, coaches

infrastructure so much and

traffic jam is a stumbling

block in business, this kind

of non-commitment does

But then again the pro-

posed budget has not prom-

ised any new thing in most

areas of human develop-

ment including education

and health. The minister

has basically basked in his

The proposed budget's

major challenge once again

remains its financing.

Foreign financing of the

budget has been estimated

at 1.8 percent of GDP,

which is quite high if com-

pared with this year's 1.3

percent. The question is

how the foreign funds will

be made available. When

there is a sluggish ADP

implementation, foreign

aid faces the major cut.

This becomes more possi-

ble when Muhith himself

has confessed that "we

have not yet been able to

formulate the policies

required for simplification

of the processes of formu-

lation, processing, imple-

mentation and evaluation

occasions, the pressure will

come on domestic financ-

ing. In the proposed bud-

get, domestic financing has

been kept at 3.2 percent of

GDP, which is quit low

compared to this year's 3.8

will have to resort to

domestic financing once

again. And that would

build inflationary pressure

once again. Muhith has

proposed to more than

double non-bank financ-

ing, mainly savings

schemes, to Tk 7,400 crore

by adjusting interest rate

on such instruments. But

even after increasing inter-

est rates, this year's result

of non-bank instrument

These all pose the risk of

sales is poor.

And the finance minister

percent.

Then, as on previous

of development projects".

not give much relief.

would be added in future.

FROM PAGE 1

past glory.

But construction works of double rail lines between Dhaka-Chittagong, third and fourth lines between Dhaka-Tongi and another line between Dhaka-Narayanganj are only at their primary stages.

On the other hand, the government failed to start the construction works of Dohazari-Ramu-Cox's Bazar and Ramu-Dundum new rail tracks in a year.

Railway officials said the government gave emphasis on developing railway sector. But, it entirely depends on the implementation of the projects undertaken by the government.

The government should create a special fund for development in the railway sector, they observed.

depending heavily on bank

borrowing, contrary to his

promise, if he has to gener-

ate growth, and then infla-

tion will be difficult to

high, the budget's vision of

more private investment

may remain elusive

because of high interest

rate. The finance minister's

view that investment-

interest rate correlation is

not very significant may

not come true here.

Because very little ground

exists to reduce business

rightly pointed out that

investment depends on

infrastructure and good

governance. But his outlin-

ing of good governance

steps and corruption is

The finance minister

wants agriculture to play a

major role and yet it has

not received any new

offers. The proposed sub-

sidy has reduced from this

year's. Role play of an

endowment fund created

in the past has been cited

for research in agriculture.

But the fact remains no

money has been spent

plan has no new initiative

and dwells on past

programmes. So is his

health sector and infra-

structure vision

also packed with past pro-

has talked about reforms,

but these are all old initia-

tives, again. And they have

done little to reduce cost of

enter a new fiscal year, we

all hope and pray that the

So in balance, when we

doing business.

getting mauled.

The proposed budget

His education sector

from this fund so far.

The finance minister has

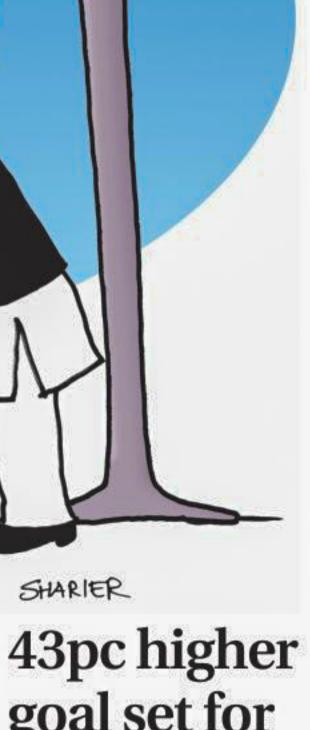
And if inflation remains

Problems aplenty

tame.

cost.

scanty.



goal set for foreign aid

MD FAZLUR RAHMAN

The government has proposed to set the foreign assistance target at Tk 26,442 crore in the upcoming fiscal year to finance its development projects.

The proposed foreign assistance is 43 percent higher over FY 2011-12 despite under-utilisations of external funds over the years.

The government trimmed the target down to Tk 18,496 crore in the revised budget of 2011-12 after fixing it at Tk 23,623 crore.

According to former finance adviser Mirza AB Azizul Islam, the government would face problem in achieving higher foreign aid

disbursement. The foreign aid disbursement would be maximum \$1.1 billion or so because it had been \$835 million as of

April. It would not be possible to more than double it, he

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, said the government had been overambitious about drawing

the foreign aid and it would

be difficult due to the coun-

try's ongoing tension with

the donors, especially the

World Bank.

Police may get separate probe unit

STAFF CORRESPONDENT

Finance Minister AMA Muhith yesterday emphasised the need for

creating a separate investigation unit to strengthen the police force. The proposal came at a time when the government

and law enforcers are being criticised for their failure in solving several sensational murder and disappearance

In 2010, the government recruited an investigation inspector in every police station to speed up probes and trials. But the move could not bring any notable improvement in the force.

This year, police have so far failed to find missing BNP organising secretary M Ilias Ali, killers of journalist Industrialisation plan is couple Sagar and Runi, Saudi diplomat Khalaf Al Ali, an unidentified woman whose mutilated body was found in the MP hostel and garment workers' leader

> Despite this, the minister proposed a traditional budget for police for the next fiscal year without mentioning any steps for reforms or ensuring transparency and accountability.

Aminul Islam.

finance minister has thought through the fig-The proposed budgetary ures he has presented so allocation for the home that the nation does not get ministry is Tk 8,468 crore, which was Tk 7,720 crore in another surprise of targets the outgoing fiscal year.

Social safety net shrinks

Allocation slashed by 2pc

Sajjadur Rahman

Allocation for social safety net programmes (SSNPs) has gone down by two percentage points in the proposed budget, which according to an analyst is a reflection of financing challenge for the government.

Finance Minister AMA Muhith yesterday allocated Tk 22,750 crore for the programmes, which is 11.86 percent of projected total budget outlay.

The allocation for the SSNP was Tk 22,556 crore or 13.79 percent of the total budget in the outgoing year. In fiscal 2010-11, the government spent over 16 percent of the allocation under the programmes.

However, the government has strengthened its initiatives to avoid duplication and overlapping of SSNPs.

"In this connection, the

"With a view to developing

a time-befitting three dimen-

sional naval force, a naval

commando force has been

formed. Two maritime heli-

copters have been pur-

chased," he said, adding that

naval ship, missile system,

large patrol craft, patrol craft

and oil tanker were procured

purchasing of modern weap-

onry, "the government has

taken initiative to upgrade

operational capabilities and

effectiveness of the three

forces through high quality

He proposed to allocate Tk

12, 985 crore for the defence

sector in the next fiscal which

is Tk 851 crore higher than the

outgoing year's allocation.

He said in parallel with the

FROM PAGE 20

armed forces.

for the navy.

training".

citizen core data structure has been finalised. Steps have been taken to form national population register and database for the hardcore poor," said the finance minister.

According to different surveys including those by World Bank and the UNDP, 16 percent beneficiaries under SSNPs are not targeted peo-

Dr Hossain Zillur Rahman, an economist who works with different SSNPs, said this lower allocation in the proposed budget reflects the financing challenge of the government.

"It is less a strategic shift than a financing problem," Rahman told The Daily Star.

He, however, observes that ensuring good governance under safety net programmes, such as 'One House, One Farm', remains a big challenge for the government.

Currently, the government

The government is pledge-

bound to build up a strong

and modern defence force

capable of addressing the

challenges of the 21st century,

said with pride that the armed

forces were discharging their

overseas peace-keeping

gladesh tops the list of coun-

tries sending troops to the UN

peacekeeping missions," he

Bangladeshi peacekeepers

are engaged in different mis-

sions, Muhith said. In his last

year's budget speech, the

minister had said that the

number was around 9,000

Muhith said over the last

three years, Bangladesh

that time.

As many as 11,000

Modern war planes

Muhith said.

runs around 90 programmes under SSNP, which remain unchanged in the proposed budget.

According to Advocacy for Social Challenge, a wing of Brac, 97 percent of the total allocation is usually spent for 30 programmes.

In the proposed budget, the government has allocated Tk 10 crore to rehabilitate 2,000 beggars in Mymensingh, Barisal, Dhaka and Jamalpur districts.

The number of beneficiaries under Maternity Allowance has been increased to 101,200 from 60,000, while for poor lactating mothers by 78,000 and Vulnerable Group Feeding (VGF) by 31 lakh.

Some other important programmes under SSNP are: Employment of Hardcore Poor, Rehabilitation of Hardcore Poor, Old Age allowance, Insolvent Freedom Fighters' allowance.

peacekeepers earned a total of Tk 4,430 crore. "This year's foreign exchange earnings from this source is equivalent toTk1,980 crore," he added.

Imbued with the spirit of Minimum tax Liberation War, the minister FROM PAGE 1 however, has been increased to Tk 3,000 for fiscal 2012-13 from Tk 2,000 set three years duties with reputation. "Ban-

This proposal has been made, considering economic growth and the increase in per capita income, the finance minister said in the budget speech.

Analysts, individuals and political parties have been demanding that the ceiling on tax-free income be raised in line with the inflation that rose to 9.15 percent in May, according to Bangladesh Bureau of Statistics.

Ex-minister Aminul sued for bribery STAFF CORRESPONDENT

The Anti-Corruption Commission yesterday sued former

Md Toufikul Islam, assistant commissioner of ACC, filed the case with Ramna Police Station stating that Aminul took the money from his relative Mizanur Rahman for helping him (Mizanur) secure a contract with Siemens Bangladesh, said Ramna police.

According to the case statement, the former minister took the bribe between 2001 and 2006.

Knit fabrics Frozen fish and meat All fruits except dates Laundry soap Bed sheets, toilet paper, cleaning tissues and sanitary and kitchenware Undergarments Jam, jelly and juice Info-tech to get a boost with prices of multimedia projectors, flash drives and flash cards coming down Private medical and engineering colleges to get VAT exemption Pharmaceutical and ceramic industries to enjoy huge tax rebate on imported machineries and raw materials Freezer at lower price to quench summer thirst Plastic and rubber shoes and sandals to cost less

BNP post and telecommunications minister Aminul Haque on charge of taking \$17.08 lakh as bribe from a US expatriate.