

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, under-utilisation 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.



Salehuddin Ahmed

"There are formidable problems in budget implementation."

Mirza Aziz said the government did not have the administrative capacity to implement such a huge Annual Development Programme.

Also, what course the country's politics would take was another matter for consideration, he added.

Ahsan H Mansur, executive 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 higher economic growth.

He, however, said implementation would be the main challenge of the new budget. It would be more difficult if the country failed to achieve the targeted growth rate.

He said the government had to depend on both internal and external sectors to achieve its inflation target of 7.5 percent.

"If the government can retain the existing judicious implementation of the monetary policy, maintain a consistency between fiscal and monetary policies and the downward trend in commodity prices at the global level continues to remain the same, it will help Bangladesh achieve its inflation target."

Ahsan said because of the unstable global situation, achieving the target would be not easy for the government.

He said the government had been over-ambitious

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."

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."

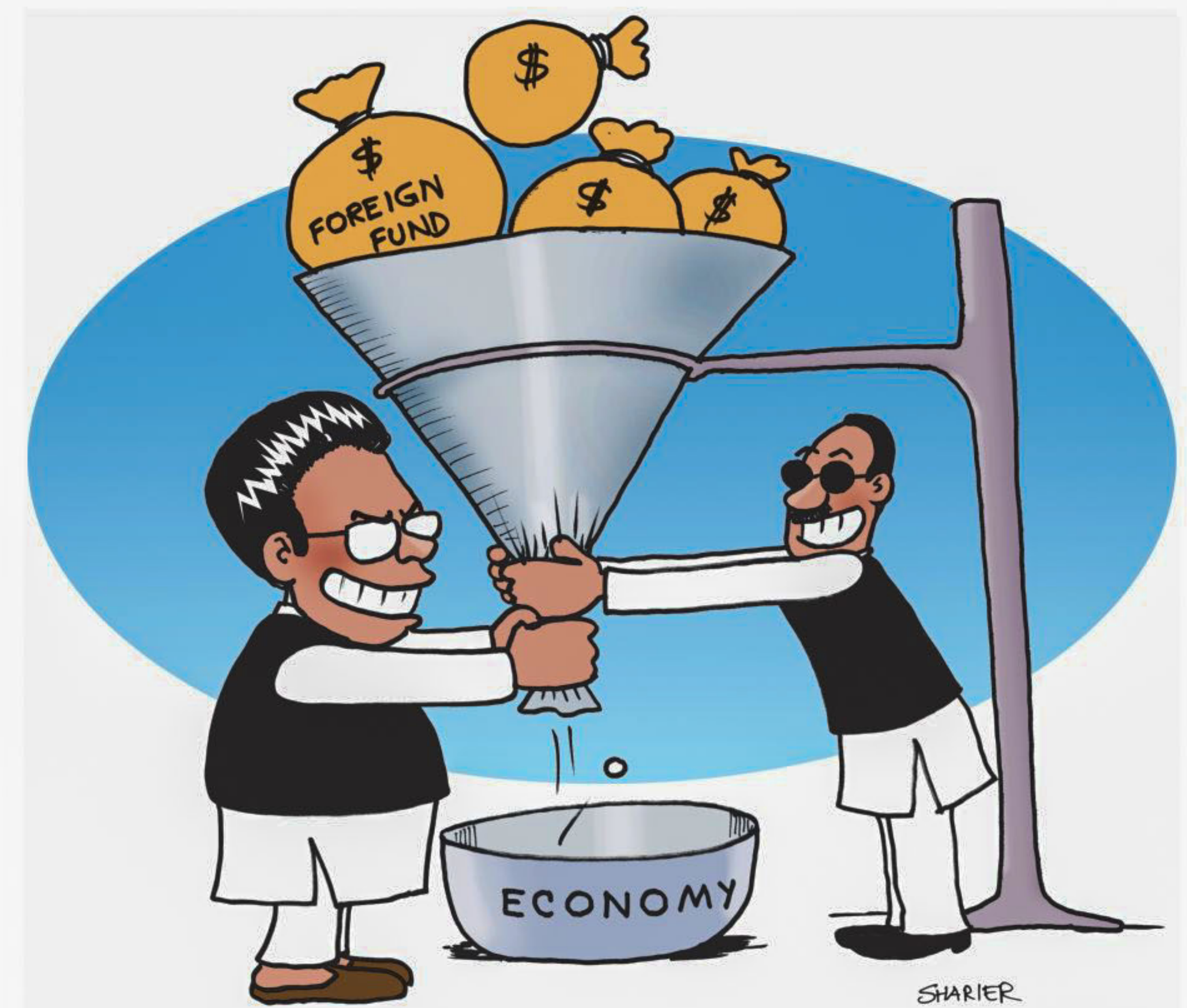
The government's GDP target of 7.2 percent in the new fiscal year and 8 percent in the following fiscal year would face a credibility crisis and generate a lot of debate.

"We have seen that there are a number of deficits in the trends and strategic ideas that can help Bangladesh achieve the growth."

The budget implementation 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."

The country was facing a 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 strong enough manner, he added.



SHARIF

Rail on priority

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highways is going on at a snail's pace, the finance minister claimed that their upgrading works are going on in full swing.

He also said a flyover has 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 claimed.

There is little hope of circular waterway and railway around Dhaka city to ease traffic movement despite Muhith's pledge made last year and this year.

HOPE FOR RAILWAYS
Finance minister proposed an allocation of around

Tk 5,000 crore for the development in the railway sector. But the railway officials concerned said the allocation is very inadequate.

Muhith said Line of Business (LOBs) has been introduced in the railway sector as the government has decided to turn the 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 locomotives, wagons, coaches would be added in future.

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.

43pc higher 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 said.

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, said the government had been over-ambitious about drawing the foreign aid and it would be difficult due to the country'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 cases.

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 couple Sagar and Runi, Saudi diplomat Khalaf Al Ali, an unidentified woman whose mutilated body was found in the MP hotel and garment workers' leader Aminul Islam.

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.

The proposed budgetary allocation for the home ministry is Tk 8,468 crore, which was Tk 7,720 crore in 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

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 people.

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

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 to Tk 1,980 crore," he added.

Minimum tax
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however, has been increased to Tk 3,000 for fiscal 2012-13 from Tk 2,000 set three years ago.

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.

UPS

- Private car owners to pay higher fitness tax
- Knit fabrics
- Frozen fish and meat

ALSO TO BE DEARER ARE:

- All fruits except dates
- Laundry soap
- Bed sheets, toilet paper, cleaning tissues and sanitary and kitchenware
- Undergarments
- Jam, jelly and juice

DOWNS

- 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

Modern war planes

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armed forces. "With a view to developing a time-befitting three dimensional naval force, a naval commando force has been formed. Two maritime helicopters have been purchased," he said, adding that naval ship, missile system, large patrol craft, patrol craft and oil tanker were procured for the navy.

He said in parallel with the purchasing of modern weaponry, "the government has taken initiative to upgrade operational capabilities and effectiveness of the three forces through high quality training."

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.

The government is pledge-bound to build up a strong and modern defence force capable of addressing the challenges of the 21st century, Muhith said.

Imbued with the spirit of Liberation War, the minister said with pride that the armed forces were discharging their overseas peace-keeping duties with reputation. "Bangladesh tops the list of countries sending troops to the UN peacekeeping missions," he said.

As many as 11,000 Bangladeshi peacekeepers are engaged in different missions, Muhith said. In his last year's budget speech, the minister had said that the number was around 9,000 that time.

Muhith said over the last three years, Bangladesh

Ex-minister Aminul sued for bribery

STAFF CORRESPONDENT

The Anti-Corruption Commission yesterday sued former BNP post and telecommunications minister Aminul Haque on charge of taking \$17.08 lakh as bribe from a US expatriate.

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.