

Budget fixes to hit rough waters

Govt to appease voters, donors amid political tension

REJAUL KARIM BYRON

The government is having a tough time preparing the next budget due to the three-pronged pressures: appeasing voters ahead of the election, dealing with political unrest and complying with IMF conditions.

The International Monetary Fund has stipulated that the budget deficit be kept within 4.3 percent of the GDP.

But it is unlikely to happen owing to calls for massive spending from different ministries and politicians, an official of the finance ministry said.

An ambitious revenue collection target, however, would offset the expenditure demands and keep the deficit within IMF's prescribed limit, the official said, asking not to be named.

But, given the political unrest and slow economic growth, a higher revenue growth is unlikely to materialise.

"Balancing the budget figures this time is going to be a hard act. It is troubling us greatly," the official said.

The total budget outlay for the upcoming fiscal year would be Tk 222,650 crore, meaning a 16 percent increase over the current year's budget, according to the Finance Division's draft estimates.

The official said it is a draft estimate and the amount may increase or decrease depending on the revenue growth target agreed by the National Board of Revenue.

Meanwhile, the total expenditure in the current fiscal year's budget is likely to be revised down to Tk 189,330 crore, a cut by Tk 2,408 crore

2013-2014 EYE ON BUDGET TALKING POINTS

Budget size
16% bigger

Biggest share of the pie to go to transport:
23% of total allocation

Development expenditure to increase around **26%**

Agricultural subsidy to increase **50%**

Borrowing costs **30% higher**

from the original outlay.

The size of the annual development programme in the next fiscal year may rise by 25.78 percent to Tk 65,870 crore.

A planning ministry official said the initial size of the ADP was set at Tk 64,343 crore, but owing to the extra demand from ministries for rural roads, bridges, culverts and electricity lines, the figure could go up.

The transport sector is poised to get

the highest allocation (22.37 percent of the total outlay), followed by power (13.64 percent) and education (12.93 percent).

Meanwhile, the government payroll is likely to rise by around 20 percent next year, the official said.

"A host of government staff have demanded dearness allowance, and with the election in sight the government is considering the demand," said the official, preferring not to be named.

The total number of government staff is around 12 lakh, and if the demand is met, the expenditure on payroll would stand at around Tk 28,000 crore. The allocation this year was below Tk 23,000 crore.

To encourage farmers, the government may raise subsidy in the agriculture sector by 50 percent to Tk 9,000 crore by diverting from other sectors.

Due to the IMF conditions, a special bond may be released in the next budget to make up the capital deficit of state banks and pay loans of Bangladesh Petroleum Corporation to these banks.

In the social security sector, the number of beneficiaries is set to go up by about 10 percent, for which a big chunk will be allocated in the budget.

As the government's income and expenditure are not in agreement, it has to borrow both from foreign and domestic sources every year.

In the next budget, among the non-development expenditures, the highest amount will be spent on interest payment, which is more than Tk 30,000 crore, about 30 percent hike year-on-year.

The transport sector is poised to get

Dipu Moni to talk GSP with European leaders

DIPLOMATIC CORRESPONDENT

Foreign Minister Dipu Moni will fly to Brussels next week and meet European Union high-ups to convince them to continue the generalised system of preferences for Bangladesh.

During the three-day visit from May 27, Dipu Moni will hold talks with High Representative of the European Union Catherine Ashton and EU Trade Commissioner Karel de Gucht, foreign ministry officials said.

After the collapse of the Rana Plaza building that killed 1,127 people last month, the EU expressed concern and warned it would rethink Bangladesh's preferential trade access to the EU market.

The EU also said it would take actions that encourage better safety standards and labour conditions in Bangladesh.

The EU now provides GSP benefits through which Bangladesh receives duty-free and quota-free access to its market under the 'everything but arms' scheme.

The foreign minister will also brief the EU officials on the recent steps the government has taken to ensure workers' rights and workplace safety and bring changes to labour law.

Fresh protests hit five factories in Ashulia

STAR BUSINESS REPORT

Workers of five garment companies in Ashulia took to the streets yesterday, demanding a pay hike and immediate reopening of the factories.

The demonstration that began in the morning at Medlar Apparels, Cosmopolitan Industries, Gilden Shahriar Garment, NASSA Group and Unicorn Sweater continued for one and a half hours.

The workers of Medlar Apparels gathered in front of their unit around 8am and started demonstrations, said SM Badrul Alam, a police inspector in Ashulia.

At one stage, a group of workers blocked the highway, halting traffic, he said. Locals said the police clubbed the workers to disperse them.

Production at Medlar Apparels has remained suspended following the unrest that began on May 1, said Reaz Bin Mahmood, vice-president of Bangladesh Garment Manufacturers and Exporters Association.

Garment makers kept around 200 factories closed in Ashulia for three days from May 13 due to continued labour unrest for a pay hike and attendance bonuses, Mahmood said. Most factories reopened after the shutdown.

But the owner of Medlar Apparels reopened the factory on May 17 only to shut it again following fresh labour unrest over the same demands. The factory has since remained closed.

Meanwhile, workers of NASSA Group held a rally in front of their factory, demanding lunch allowance, said Nazrul Islam Mazumder, chairman of the group.

Production at the factory came to a halt as the workers left the unit, Mazumder said.

The workers of Unicorn also left their factory premises demanding a hike in their salaries and other allowances, said Siddiqui Rahman, chairman of the company.

Meanwhile, Ha-Meem Group, a leading garment maker, resumed its production yesterday morning after a one-day halt following labour unrest.

A senior official of Cosmopolitan Industries said at least 6,000 workers demonstrated in the morning for double payment for three days of work, as the factory was open during the recent shutdown.

"We cleared the normal payment for the three days. But the workers are now demanding double pay. We agreed to the workers' demand," the official said, seeking anonymity.

Bangladesh may get duty-free access to Thailand

STAR BUSINESS DESK

Thailand plans to give duty-free and quota-free access to Bangladeshi products, in a move to boost trade between the two Asian nations, the commerce ministry said in a statement yesterday.

The Thai government will approve the duty waiver for some selected products from Bangladesh, according to the statement.

The move came as part of a plan of action to double two-way trade to about \$2 billion by 2016.

A joint working group consisting of businessmen from both countries has

been formed to materialise the agenda, the ministry said.

Thai Prime Minister Yingluck Shinawatra decided to reduce the trade deficit between the two countries during a visit to Bangladesh in December last year.

Commerce Minister GM Quader led a Bangladeshi trade delegation to a ministerial meeting in Bangkok on May 15.

The plan of action also emphasises further cooperation between the businessmen of the two countries, increasing Thai investment in infrastructure, textile, food processing, pharmaceuticals, agriculture and agro-based industry and power.

Insurers come up with higher dividends

SARWAR A CHOWDHURY

Most of the insurance companies declared higher dividends for 2012, compared to the previous year, as they spent less on commission paid to their sales agents.

Of the 35 listed firms, 34 announced dividends so far -- 15 came up with higher dividends than the previous year, 11 with lower dividends and eight with the same, according to the Dhaka Stock Exchange.

Insurers said they were able to announce higher dividends due to strict enforcement of a rule on commissions to their sales agents.

The Insurance Development and Regulatory Authority, the regulator, in mid-2011 mandated a cut in commission to 15 percent from 17.5 percent before.

Although the commission ceiling was 17.5 percent, there was hardly any company that followed the limit.

Rather, the companies used to pay 40 percent commission on average to rope in clients. Even in some cases, the rate went up as high as 60 percent, officials said.

The agency commission is a fee paid to an agent or an insurance salesperson as a percentage of the policy premium.

"The insurance companies made higher profits as they paid less commission," said Sheikh Kabir Hossain, chairman of Bangladesh Insurance Association.

Despite a dull business in some cases, many of the insurers were able to maintain growth in profits due to the new rules on agency commission and strict monitoring by the regulator, he said.

"The cost of business remained almost the same, but the earnings increased helping most insurers announce higher dividends," said Hossain, also chairman of Sonar Bangla Insurance.

Farzana Chowdhury, the newly appointed acting managing director of Green Delta Insurance, said financial strength and profitability of a company depends on how it manages the underwriting and claims.

"The insurance business was good last year," she said.

She, however, said the recent political turmoil and incidents like Rana Plaza collapse put a negative impact on the insurance sector.

"The future of the sector is bright. We need policy support and a strict supervisory role from the regulator," she added.

There are 62 insurance companies, of which 44 are general and 18 life insurers.

Of the 44 general insurance firms, 35 are listed on the bourses; while 11 out of the 18 life insurance firms trade on stock exchanges.

DIVIDENDS (IN %)		
Agrani	10B	10B
Asia	10C, 5B	15C, 15B
Asia Pacific	12C	10C
BGIC	16C	10C, 5B
Central	12B	15B
City General	10B	10B
Continental	10C	10B
Dhaka	20C	25B
Eastern	18C	10C, 5B
Eastland	30B	40C
Federal	12B	10B
Global	12B	10B
Green Delta	15C, 15B	25B
Islami	12B	10B
Janata	10B	10B
Karnaphuli	12.5C	15C
Mercantile	12B	10B
Nitol	10C, 5B	5C, 8B
Northern	12B	15B
Paramount	5C, 5B	5B
Peoples	15C	No dividend
Phoenix	25B	30B
Pioneer	10C, 20B	30B
Pragati	7.5C, 7.5B	15C, 10B
Prime	15B	10B
Provati	12B	12B
Purabi General	10B	10B
Reliance	15C, 10B	15C, 15B
Republic	12B	10B
Rupali	20B	20B
Sonar Bangla	11C	10C
Standard	15B	10B
Takaful	15B	17B
United	7.5C, 10.19B	10C, 10B

*B FOR BONUS SHARES, C FOR CASH

Labour leaders urge Wal-Mart, Gap to sign factory accord



Left, A boy's shirt by Wal-Mart's brand Faded Glory and, right, a pair of men's cargo shorts by Gap. Both US retailers made their clothes in Bangladesh.

STAR BUSINESS REPORT

The local arm of IndustriALL, a global union federation, yesterday appealed to Wal-Mart and Gap to join a legally binding accord immediately to ensure safety in Bangladesh's garment factories.

A total of 37 international clothing retailers have already signed the agreement designed by IndustriALL to contribute financially towards minimising occupational risks in Bangladesh's garment sector.

"The world's largest retailer Wal-Mart and another US company Gap should join the process and give appropriate compensation to the building collapse victims of Savar," said Roy Ramesh Chandra, general secretary of IndustriALL Bangladesh Council.

The appeal mounts pressure on the two US retailers to make meaningful contributions towards improvement of factory conditions in Bangladesh.

The Europe-based organisation has