

EDUCATION SECTOR

Allocation does not match budget size

WASIM BIN HABIB

Although budgetary allocation for education sector has increased over the years, the share of the amount as percentage of the total outlay is actually decreasing.

Finance Minister AMA Muhith yesterday proposed Tk 25,114 crore for education sector in fiscal year 2013-14, up by 17.3 percent from the outgoing year.

An allocation of Tk 11,935.37 crore was set for the primary and mass education ministry, and another Tk 13,179.23 crore for education ministry.

In the proposed budget, education gets the third largest allocation, but the percentage of the allocation declines to 11.3 percent from 14.3 in the revised budget of 2009-10 fiscal year.

In the revised budget of 2010-11, the percentage was 14.0 that slid to 11.4 in the 2011-12 budget. In the outgoing fiscal 2012-13, the percentage stood at 11.1.

The inflation continues to rise and the sector has witnessed a rapid growth

with the increase of students, teachers and institutions in the last decade, the experts said.

But the allocation did not increase in proportion to the growth of the national budget, they added.

It is evident when it comes to GDP (gross domestic product). The ratio of education budget to the GDP is hovering around 2 percent in the last four years.

Education requires a high priority for human resources development in a country like Bangladesh, said experts, stressing that the allocation for this sector should be increased proportionately.

They feared that the country would not be able to achieve its goals set in the National Education Policy 2010, Vision 2021, and the perspective plan unless the government increased its investment in education.

"The trend shows that we are going backwards. If the trend continues, we will not be able to achieve any of our goals," said Dr Manzoor Ahmed, senior adviser of the Institute of Education Development, Brac.

The budgetary allocation for education in our country is not adequate comparing with those of other South Asian and developing countries which allocate at least 5 to 6 percent of GDP for education sector, putting education at the top of the policy agenda, Manzoor said.

He suggested that the allocation in the country's education sector should be double in terms of GDP, and 20 percent of the total budget.

Although the finance minister proposed increasing allocation for the education sector, he did not unveil any new plan in his budget speech.

He rather talked about government's ongoing efforts especially infrastructure development of the institutions across the country.

Muhith said the government was planning to bring more than 7 lakh children to school under the 'Education for All' programme between 2013 and 2017.

"We propose to make a special allocation for this purpose to widen this facility allowing access to education for all," he added.

No good news for agriculture

REAZ AHMAD

Agriculture seems sidelined in the budget as allocations for the new fiscal year do not reflect any major thrust toward boosting the sector.

Such a reality comes in light of the release of official statistics that projected a sluggish growth in the sector.

Much to the displeasure of Agriculture Minister Matia Chowdhury, provisional data released by the Bangladesh Bureau of Statistics (BBS) three weeks ago showed that the agriculture sector grew by only 1.18 percent in fiscal year 2012-13, compared with 2.46 percent in the previous year.

In the run-up to yesterday's budget placement, a series of formal and informal parleys were held where people from finance, agriculture and the BBS had debated such "low" projections of farm sector growth.

But sector experts were surprised to see that there has been little reflection of this concern in the budget.

Finance Minister AMA Muhith proposed an agriculture budget of Tk 12,275 crore for 2013-14, around Tk 2,500 crore less than the revised budget of FY 2012-13.

Though the budget outlay for food has been increased from Tk 9,461.43 crore (revised FY 2012-13) to Tk 10,392.84 crore, the government refrained from making any commitment on the target time for attaining food autarky. In two previous budget speeches, the finance minister had set a target to attain self-sufficiency in food.

Again, the subsidy to the farm sector has been slashed down to Tk. 9,000 crore from Tk 12,000 crore in the revised budget of FY 2012-13.

Economist M Asaduzzaman finds it tricky to cover farm subsidy requirements with the proposed amount.

A professorial fellow at the Bangladesh Institute of Development Studies (BIDS), Asaduzzaman considers that there should have been more thrust from the beginning

(four years back when the present government took over) on research investments so that agricultural growth does not slow down.

Without making new investments and pursuing farm research and development, traditional budget allocations will not do in reining in any slide in the farm sector, he observed.

"It can be safely said that our agriculture has reached, somewhat, a saturation point. We need great push, new momentum and a breakthrough to break the plateau," said Dr Wais Kabir, executive chairman of Bangladesh Agricultural Research Council.

He suggested that farm sector growth would not be as low as projected provisionally by the BBS since the Boro and wheat harvest prospects are good.

"Our research must be accelerated and brain drain must be stopped by providing agricultural scientists with incentives," added Kabir.

Interestingly, it is not the BBS alone that has projected a lower agricultural growth. Clear indications of growth deficit are also there in the finance minister's last two budget speeches.

"We have been experiencing consistent growth in our agriculture sector over the last three years. This sector has posted an average growth rate of 4.7 percent per year," reads Muhith's budget speech in FY 2012-13.

This time around, Muhith says, "Agriculture sector has grown annually at an average growth rate of 3.9 percent during our tenure."

The proposed budget reflected well the government's urge to attain greater productivity by introducing crop insurance, compost manures and high-yielding and stress-tolerant varieties of crops.

The government through its prudent policy moves has already enhanced its granary capacity to ensure more grains are stored, thereby giving price support to growers and relief to low income consumers through a more effective public food distribution system.

Newspapers

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"Total tax incidence for newsprint for the publication industry is 23.45 percent, including a 3 percent customs duty, whereas the total tax incidence for commercial importers is 61.09 percent. As a result, domestic paper-producing industries are facing an uneven competition," the minister said in his budget speech.

To end this discrepancy, he added, the facility for the newspaper and publication sectors needed to be withdrawn.

To encourage the local paper and pulp industries, Muhith also proposed an exemption of the 12 percent customs duty on bamboo, the main raw material for producing pulp.

GDP growth

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and 7.3 percent.

Over the past four years, Bangladesh's average real GDP growth stood at 6.2 percent. But for fiscal 2012-13, the government projected the real GDP growth to be in the region of 6.3-6.8 percent.

"I firmly believe that if we could prevent the recent violent political programs, GDP growth for the current fiscal would have been higher," said Muhith in his budget speech yesterday.

Public investment as percentage of GDP is going to rise to 7.85 percent from 6.5 percent. "This will certainly make positive contribution to the overall growth rate," he said.

With the steady recovery of trade partner economies in the latter part of 2012 and the external demand picking up, the country posted a 10.1 percent export growth. In tandem, remittance inflows grew 16 percent.

Strip Bangladesh of GSP

Senator Menendez asks US govt

DIPLOMATIC CORRESPONDENT

US Senator Robert Menendez yesterday asked the Obama administration to seriously consider suspending Bangladesh's duty-free privileges unless it took significant action to improve workers' rights.

He said the suspension of Generalised System of Preferences (GSP) would send a strong signal that the United States was serious about protecting workers and improving workplace safety.

Menendez, also the chairman of Senate Foreign Relations Committee, was addressing a hearing in Washington on labour rights in Bangladesh.

He had called a hearing on the issue weeks after the Rana Plaza building near Dhaka had collapsed on April 24 killing 1,131 people.

"We have been sabre-rattling, but that hasn't produced the results that we want to see," Menendez said, adding, "How many more people have to die before we decide that is not something we can morally sustain?"

Highlighting his commitment to the issue, Menendez pointed out that this was the first hearing on labour rights since Congress debated China's entry into the World Trade Organisation 12 years ago.

Menendez said the United States valued its relationship with Bangladesh, a trade partner with annual flows topping \$6 billion and supporting 10,000 American jobs.

"As the world's seventh most populous country, Bangladesh has made dramatic strides on everything from global food security to

gender equality to maternal and child health," he said, adding that Bangladesh is a poor, developing country with lots of economic challenges. What set it apart from other countries was the sheer size of industry and rate of growth.

The US government officials at the hearing said Bangladesh had made some efforts, notably with last month's adoption of legislation expanding benefits for garment workers and making it easier to start trade unions. But they said Bangladesh did not go far enough.

"US officials have been explicit with the government of Bangladesh concerning specific actions it should take to provide greater freedom of association and to ensure that workers have safe factories," said Assistant US Trade Representative for Labour

Lewis Karesh, who was present in the hearing.

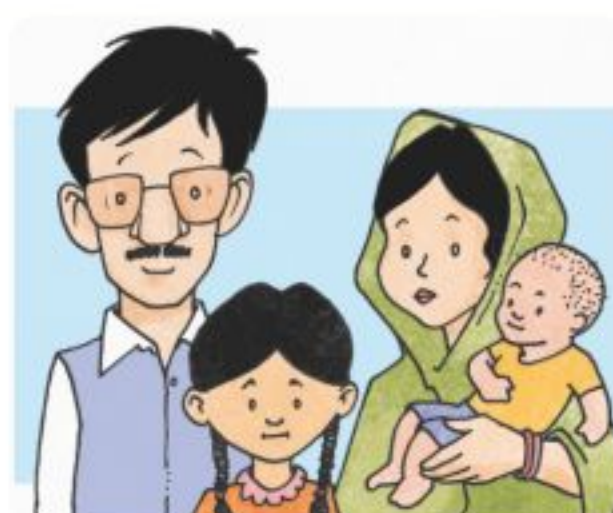
He said, "Despite our many efforts with Bangladesh, beginning in late 2012, we grew increasingly concerned that the workers' rights situation was in fact deteriorating."

The Office of the US Trade Representative was considering "possible withdrawal, suspension or limitation of Bangladesh's trade benefits" under the GSP, said Lewis, adding that the Obama administration would announce next steps in its GSP review by the end of the month.

Assistant Secretary of State Robert Blake said the US hoped Bangladesh's parliament would amend its labour laws to address worker safety and freedom of assembly before the end of the month.

HOW WILL BUDGET 2013-14 AFFECT YOU?

Income Tax
Men: Tax relief on first Tk **2.20** lakh of income
Women & Aged taxpayers
Tax relief on first Tk **2.50** lakh of income

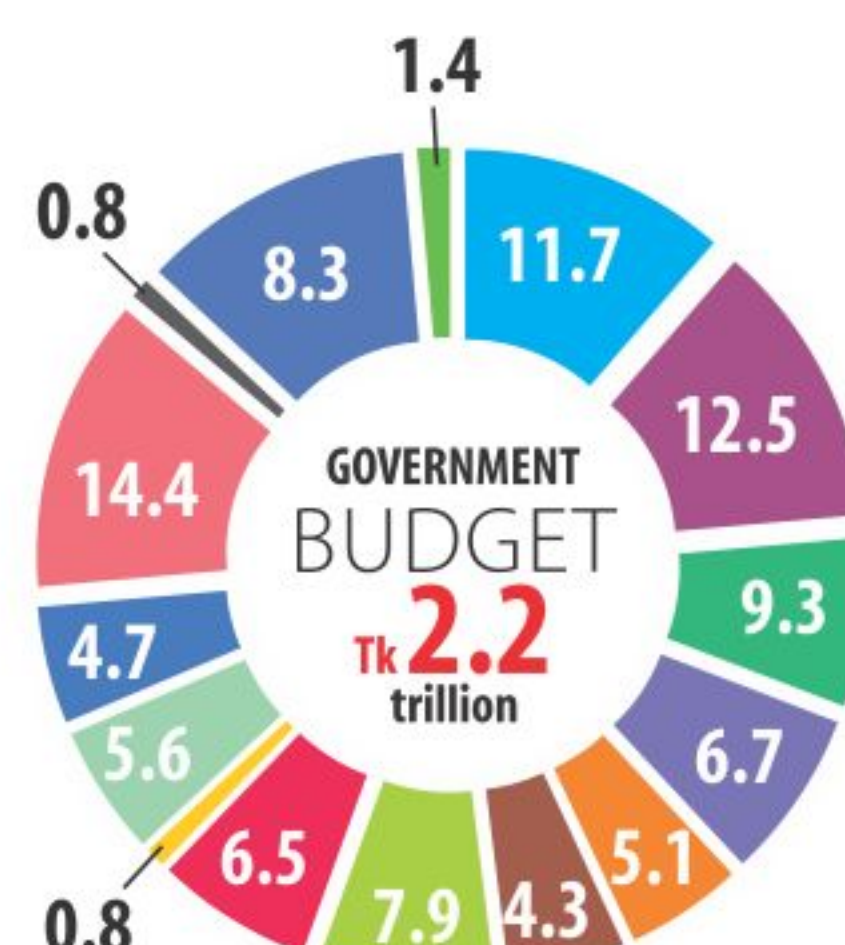


Tax on houses/flats located in Gulshan, Banani, Baridhara increasing to Tk **7,000** from Tk **5,000** per sq metre

Tax on safety caps for biking/skating is **5%** now from previous **25%**

Tax on imported mosquito coils is **45%** now from previous **20%**

Tax on 4-5 yr old cars going down as depreciation rate is increased to **45%** now, from previous rate of **35%**



Tax increased on potato chips, milk powder and tobacco

Tax reduced on webcams, digital cameras, sweet biscuits, sugar confectionary & waffles

Budget lavish, plan poor

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The finance minister's opening remarks that he had placed his first budget with a vision of "high performance growth" and stabilisation of commodity prices also looks unfulfilled four years down the line.

Growth has dipped for the second consecutive year and his new budget has infused little vision of how that magic growth will come.

And the economic survey accompanying the budget documents shows private investment has gone down significantly this year to 18.99 percent of GDP from last year's 20.04 percent. The budget has not come up with any innovative investment

plan.

His only explanation for growth that there would be a global turnaround to yank the economy up is a matter of high risks. Muhith also banked on agriculture, to which he has also slopped chunks of money. But incremental growth from the slowing down sector needs incremental investment in research, which the proposed budget has not promised much.

Muhith's high expenditure budget should have explained high revenue collection drive too. He has made mention of "comprehensive reform initiatives". But when one turns to his "future plans",

only two short paragraphs look up, mention of things like "utmost sincerity and integrity", commitment to "build a happy and prosperous Bangladesh", "remarkable success" and so on. Only a lot remains unanswered.

Such vagueness poses remarkable threats to macro-economic stability since there should have been clearly outlined contingency plans in case of revenue failure because of future threats of political unrest.

To finance his big budget, the finance boss has thought up a big \$3 billion foreign financing, which might be too ambitious. This is because

even this year, when project aid performance was good, foreign financing did not reach that amount. And in an election year, how much foreign funds can be mobilised is an open question. There is no clear statement on improved ways of aid mobilisation.

There are also no new thoughts on improving ADP implementation, though the size of the development budget is huge.

Muhith's boost for industry deserves a pat in the back. Cleverly designed, it protects the domestic industry on a wide scale and at the same time plays to the IMF's demand for liberalisation.

Essentials to stay affordable

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The average inflation, which hit the highest in 15 years at 10.62 percent in 2011-12, came down to 7.75 percent in May this year. Much of this credit goes to the increased rice production that kept rice prices stable in the last one year.

Rice output in FY 2011-12 increased nearly by 1 percent to 3.38 crore tonnes from that of the previous year, according to Bangladesh Bureau of Statistics.

In the outgoing fiscal, production of Aus rice declined while that of the second biggest crop Aman increased. This kept prices of medium and fine quality rice stable, except for a marginal spiral for coarse rice.

Prices of loose cooking oil

and sugar declined in the last one year thanks to falling prices on the international market. Prices of potato and eggs also came down due to increased domestic production.

Compared to last year, prices of per litre loose soybean and palm oil were 11 percent and 27 percent lower respectively on June 5. Sugar prices fell by 13 percent to Tk 45-56 a kilogram, according to TCB data.

Influenced by this relatively stable food prices, non-food inflation has also decreased gradually.

Muhith expects that inflation would come down to 5.5 percent in the medium term.

Zaid Bakht, research director of Bangladesh Institute of

Development Studies, said the target to keep inflation at 7 percent would be difficult.

One of the reasons is that the government expenditure would rise in the run up to the election, he observed.

"Taka is likely to depreciate amid recovery in imports, especially those for public sector investment. Political instability will also cause supply disruption and push traders to ask for higher prices," said Bakht.

Ahsan H Mansur, executive director of Policy Research Institute, said the target to bring down inflation is not unreasonable, given the stable commodity prices.

"But continuation of the tight monetary policy will be

needed," he said.

The finance minister also focused on the competition law, but did not clarify the reason for the delay in implementing it.

"The law remains non-functional even after its enactment a year ago. The enforcement of the law is necessary to prevent cartel or syndication among the market players," said Quazi Faruque, president of Consumers' Association of Bangladesh.

He said prices of essential commodities were relatively stable because of adequate supply in the market.

"The government has little contribution to keeping the prices steady, rather we saw that it worked in favour of businessmen," he said.

Local govt gets only ideas

Muhith leaves implementation to the next government

SHAKHAWAT LITON

Just one year ago, the finance minister in his budget speech promised that his government would present a roadmap within its tenure on empowerment of the local government system.

After a year yesterday, he came up with some highly ambitious ideas to that end. He however said all those were his personal views and his government would not have time to think about those as its tenure came to the fag-end.

So, he has left the ideas for the next government to address the issues and offer a national debate to forge a consensus.

His ideas include distribution of responsibilities among the zila, upazila and union parshads, ensuring coordination among them, and giving them some responsibilities both regulatory and developmental in nature.

The ideas also include creating an effective and inspirational bureaucracy for local governance. Around 11 lakh government officials need to be transferred to the district level administration for this.

As per Muhith's ideas, a fixed portion of the central revenue has to be transferred to the local government bodies. In return, regular revenue collection at the local level has to be ensured.

In defence of the ideas, he said in a densely populated country like Bangladesh it was extremely difficult to govern and

deliver services centrally from Dhaka. "We, therefore, would like to effect more decentralisation and more delegation of powers in course of time, at the district, upazila and union levels."

In light of the opinions to be found in the budget discussion, Muhith said his government would prepare a concept paper on the local government issues and arrange a national debate.

The minister's ideas, though he claimed to be his personal, however reflected the ruling Awami League's electoral promises to make the local government bodies stronger and self-reliant through decentralisation of power.

But the truth is different. His government could not perform on the party's electoral pledges. One year ago, he also acknowledged that the government could not make much headway in its tenure to strengthen the local government system.

He then claimed substantial progress had been made in furthering the election process of zila parshads. He made the statement six months after his government appointed 61 administrators, mostly AL men, to the same number of zila parshads.

No election was held to the zila parshads, although the AL in its electoral manifesto promised for holding the polls.

The finance minister yesterday claimed: "The district administrators have been appointed to pave the way for having elected public representatives."

Ambitious

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budget could not fulfil people's expectations.

"This is a large budget. The government has no such capacity to implement it," BNP lawmaker MK Anwar told newsmen at a press conference in the parliament.

Another BNP lawmaker Moudud Ahmed said the budget had been formulated from a political perspective, targeting the next general elections.

Ruling Awami League, however, said it would formally give its reaction in a day or two.

HM Ershad, chief of Jatiya Party, key component of the AL-led alliance, termed the budget "election-friendly".

In a statement, he said the government had given the biggest budget in the country's history to satisfy people.

Mujahidul Islam Selim, president of Communist Party of Bangladesh, said it would be tough for the government to implement the budget, as it had already failed to fulfil its pledges made in the last budget.

Jatiya Party (JP-Manju) Chairman Anwar Hossain Manju also expressed doubt about the implementation of the budget.

Workers' Party General Secretary Anisur Rahman Mallik said although the budget was pro-election, it failed to make good allocations for education and agriculture sectors and the workers.