

# Budget doesn't explain revenue source

Say analysts at a post-budget discussion

STAR BUSINESS REPORT

The government has failed to specify clearly the sources of revenue collection in the proposed budget for 2013-14, creating a challenge to the budget implementation, said Akbar Ali Khan, former adviser to a caretaker government.

According to the proposal, the government targets to collect Tk 167,459 crore in revenues in 2013-14, up by nearly Tk 28,000 crore from the previous year, he said.

"But it is not clear how the government will collect such huge amount of money," said Khan at a post budget discussion organised by Shamunnay, a research organisation, at Cirdap auditorium in Dhaka yesterday.

The government will have to raise tax and widen the tax net, rising the tax burden on the people, he said.

The government proposed to raise tax for a number of sectors, including milk powder and newsprint, he said.

But it did not spell out the amount of money it wants to collect from these sources, Khan said.

So it is necessary to give detail explanation of each tax proposal so that people can understand the revenue sources and its amount, he said.

The noted economist also urged the government to avoid "politics of statistics" as it affects the country badly.

"We often see the finance ministry does not accept many data made by Bangladesh Bureau of Statistics. It creates a serious pressure on its activities and in turn affects its independence."

The former adviser also asked the Election Commission Bangladesh to keep a close eye on budget expenditure so that the government can not spend budget money for election purposes.

The implementation of the proposed budget will largely depend on political stability and the pace of private sector investment, said

Khandaker Ibrahim Khaled, former deputy governor of Bangladesh Bank.

It will be very tough to keep inflation rate within 7 percent in the next fiscal year, he said.

Khaled, also a former chairman of Bangladesh Krishi Bank, criticised the government for allowing the money whitening provision for the housing sector.

"Money whitening amnesty was given to please a vested group. As a result, the price of plot and apartment will rise significantly."

The government has to focus on containing inflation to achieve the GDP growth of 7.2 percent in next fiscal year, said Mahfuz Kabir, senior research fellow of Bangladesh Institute of International and Strategic Studies.

So it is necessary to expedite the private sector investment, Kabir said.

Dilruba Yasmin Chowdhury, research coordination of Shamunnay, also spoke.

## Ctg customs seize illegal electronic goods

STAFF CORRESPONDENT, Ctg

Chittagong customs officials yesterday recovered two containers of electronic goods imported under false declaration at the Chittagong port.

A total of 1,371 digital cameras, 1,390 mobile phone sets, 69 LED and LCD televisions of different brands and six handy cameras were found in one container while the other one was full of air conditioners.

On June 3, the officials seized a container of twenty-foot equivalent unit and

another one of forty-foot equivalent unit, as Sun Computer, the importing firm, informed Chittagong customs in a letter that the products do not belong to it.

Officials said Sun Computer earlier declared to import computer accessories in the containers.

Chittagong Customs House Joint Commissioner Mahmudul Hasan told The Daily Star that they opened the containers yesterday and found the electronic goods instead of computer accessories.

## Use stockmarket to fund budget deficit: DSE

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Referring to an upward trend in foreign investment in the country's stock market, he requested the government to prepare specific guidelines on foreign investment, also known as portfolio investment.

He also urged the government to involve the stockmarket in big projects under the public-private partnership scheme.

Commenting on the continued provision to legalise black money via the stockmarket, Khan said it would not have any impact as the market is yet to benefit from it.

## IBBL promotes DMD

STAR BUSINESS DESK

Rafi Ahmed Begh has recently been promoted to deputy managing director of Islami Bank Bangladesh, the bank said in a statement yesterday.

Prior to the promotion, he was the head of assets management division of the bank as its executive vice president.

Begh started his career with Sonali Bank in 1978 and joined Islami Bank in 1985. He is a diplomaed associate of the Institute of Bankers' Bangladesh. He is also a graduate of Chittagong University.



## Biggest losers in India's economic slowdown

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In the preceding decade, when GDP growth averaged 6.5 percent, the poverty rate declined at 0.74 percent annually.

If these seem like really small percentages to quibble over, consider this: over the next seven years, India has the opportunity to lift anywhere from 66 million to 160 million people out of poverty. The difference between the two numbers is that the first assumes a 1 percent annual decline in the poverty rate, while the second assumes a 2 percent decline.

A recent paper from the Brookings Institute shows that poverty reduction in India is sensitive to economic growth. That is why the current slowdown is troubling -- India's growth trajectory over the next few years will have a direct impact on how many people can be raised from extreme poverty.

Economic growth in itself doesn't guarantee poverty alleviation; growth must also be evenly distributed to raise incomes at every level. In this regard, India's record is unsatisfactory. As the country's economy has grown, so has inequality. A common measure for income inequality is the Gini coefficient which ranges from 0, where everyone earns the same income to 1, where one person hoards all the income. In urban India, the Gini coefficient went up from 0.34 in 1994 to 0.37 in 2010. Rural India followed a similar trend.

To be fair, the Gini coefficient has gone up in some rich countries as well (in the United States, it increased from 0.34 in the mid-eighties to 0.38 today). But America's poor are relatively well off when compared with developing countries. In a country like India with income extremes, a widening Gini coefficient indicates that the benefits of growth are accruing to the wealthy or that the poor are worse off.

One reason for the widening gap is uneven growth in the economy. In the past decade, India's growth has been fuelled by its services sector (trade, banking, technology, etc). But the number of jobs created in this sector is small and concentrated primarily in urban areas. Consequently, the services sector now comprises over 53 percent of the country's GDP but employs only 26 percent of its workforce. In contrast, the agriculture sector accounts for over 50 percent of the country's jobs, yet contributes only 14 percent to GDP. As the share of agriculture in the economy continues to fall and with little opportunity for high-paying jobs, the income gap will only widen -- particularly in rural India.

The example of China shows that daunting as the numbers are, poverty can be overcome. Thirty years ago, nearly 84 percent of the country's population was below the poverty line. Today that number is in single digits and China is on track to virtually eliminate poverty by 2020. By some estimates, growth in the agriculture sector had a far greater impact in reducing poverty than growth in either manufacturing or services sectors.

India isn't China. It's hard to imagine the country sustaining years of high economic growth like China - the inherent contradictions within a noisy democracy mean that India will always lag China in the pace and scope of reforms. But by targeting more equitable growth, and not just headline growth numbers, India can emulate China's success in eliminating extreme poverty.

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BANK ASIA

Sunil Kanti Bose, chairman of Bangladesh Telecommunication Regulatory Commission, and A Rouf Chowdhury, chairman of Bank Asia, inaugurate the Bank Asia Scotia branch at its new location at Rangs Bhaban in Dhaka yesterday.



PROTHOM-ALOJOBS

Alia Kamal, staff researcher at the Institute of Educational Development at BRAC University, attends a discussion on "Development sector as a career choice: prospects and challenges" as part of a career fair organised by BRAC University and Prothom-alojobs on the university premises in Dhaka yesterday.

## Plans to turn Johannesburg into Africa's 'New York'

AFP, Johannesburg

City authorities in Johannesburg, South Africa's economic hub, have unveiled an ambitious plan to undo urban inequalities of the apartheid era and turn the continent's wealthiest city into the "New York of Africa".

City mayor Parks Tau says the 10-year scheme, which is set to cost some \$10 billion (7.5 billion euros), will lead to a "new era" for Johannesburg and its 4.4 million inhabitants.

Plans are on the cards for an extensive new road and railroad network, better houses and revamped buildings to spruce up the city, originally built on a gold rush in the late 19th century.

The inspiration for change is the cosmopolitan New York City in the United States, with its attractive bridges, roads and efficient subway network and parks.

"We are re-inventing the city of Johannesburg," Tau said. "We are turning this city into a New York of Africa," he added.

Officials say the project will correct urban planning dating back to white minority rule, which pushed designated black areas to the outskirts of the city, with poor access to transport and other infrastructure and services.

"This is a major step in reversing the inequalities caused by the apartheid regime," Tau told AFP.

In some cases, commuting between the city centre and northern suburbs currently takes up to nearly two hours.

A network of enhanced public transportation enabling people in outlying areas to make connections by trains, buses and taxis will be established, together with cycle paths.

Alison Todes of the University of Witwatersrand's School of Architecture

argues that the time has come for an efficient transport system that will also help reduce the city's carbon footprint.

"The city is quite spread out and a lot of people use private cars. Less travel time and less cars on the road will also be good for the environment," Todes said.

The launch three years ago of a high speed train service linking Johannesburg and the administrative capital Pretoria was a milestone in providing efficient public transport.

But the train serves limited routes and high fares make it inaccessible to the bulk of the working class, who rely on crowded privately-run minibus taxis and ageing state-owned metro trains.

"Our economy is growing, so we saw a need to prioritise investment on infrastructure to boost the economic capacity of the city," Tau said.

The city will finance the renovations from its own coffers.

Despite its established wealth, boasting the largest concentration of dollar millionaires in the country, parts of Johannesburg are dirt poor.

Clusters of palatial homes protected by gates and electric fences stand side-by-side with sprawling slums that have no running water and sanitation.

Nearly half a million of Johannesburg's population lives in informal housing. Some have been on a waiting list for state-subsidised houses for 15 years.

Almost a fifth of the total renovation budget will be channelled to low-cost housing schemes dubbed "corridors of freedom".

"Housing is the biggest challenge facing the city. We can't claim to be a world class African city when we still have people living in poor conditions," Tau said.

## PPP law on way to speed up projects

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Of the Tk 3,000 crore allocated in current fiscal year's budget, only Tk 10 crore was spent. In the upcoming fiscal year's budget too, Tk 3,000 crore has been set aside.

Muhith, in his budget speech last Thursday, however, acknowledged the delay. He presented the implementation status of some 17 projects to be undertaken under the PPP scheme, where the probable cumulative expenditure would be \$8.22 billion.

The finance minister's statement shows that all the projects have been approved in principle or are in the study phase.

However, in the post-budget press conference last Friday Muhith said all preliminary work for implementation of the PPP projects has been complemented, with the projects set to take off in fiscal 2013-14.

## Local cotton use may go up on export growth

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Increasing cotton consumption is a positive sign for the country's primary textiles sector, Alamin added.

Global cotton consumption is forecasted to grow 1.7 percent in 2012-13 after two consecutive years of contraction, largely in response to the sharp fall in cotton prices in 2012, which has improved price competitiveness with synthetic fibres.

Continued growth in consumption in 2013-14 and 2014-15 assumes that the global economy gradually recovers, that another price spike is avoided and that ample availability persists.

However, the report released on June 1 said consumption will remain constrained structurally by the ongoing greater use of man-made fibres. The shift from cotton usage was accelerated by prevailing high prices in 2010-11 and has been most prominent in China.

## Supplier threatens to sue Wal-Mart

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"A factory that has been assessed as 'red-failed/unauthorised' is one in which our independent audits have found serious or repeated violations of our standards," Wal-Mart said.

These violations could relate to safety issues, social issues, unauthorised subcontracting or other requirements established by its standards for suppliers.

"Unauthorised factories are not permitted to produce merchandise for Wal-Mart," it said.

Wal-Mart eliminated the Simco entities from its list of authorised factories due to issues associated with undisclosed subcontracting of Wal-Mart production to Lazreen factory.

Muzaffar U Siddique, managing director of Simco Dresses, said Wal-Mart did not accept a shipment of Simco as it was subcontracting part of its production to Lazreen Fashions where a fire killed 112 workers last year.

The shipment worth \$3.90 lakh has been lying on the Los Angeles port now, Siddique said.

Simco sent the goods to Wal-Mart through the retailer's appointed vendor Success Apparels. Wal-Mart severed ties with Success after the Lazreen fire.

"I held meetings with Wal-Mart officials, but they do not agree to pay," Siddique said.



TRUST BANK

Major General Ashraf Abdullah Yussuf, vice chairman of Trust Bank, attends the bank's 14th annual general meeting at Army Golf Club in Dhaka on Thursday. The bank announced 10 percent stock dividends for 2012.



ICAB

Rahela Choudhury, member for ICT and international taxes of the National Board of Revenue, speaks at the members' conference of the Institute of Chartered Accountants of Bangladesh (ICAB) at the ICAB auditorium in Dhaka on Saturday. Md Abdus Salam, president of ICAB, was also present.



NBL

Zainul Haque Sikder, chairman of National Bank, attends the bank's 30th annual general meeting at Radisson Blu Water Garden Hotel in Dhaka yesterday. The bank declared 6 percent cash dividends for 2012. Neaz Ahmed, managing director, was also present.