

Subsidy cut 10.34pc

REJAUL KARIM BYRON

The government is set to slash the allocation for subsidy by 10.34 percent in fiscal 2015-16 as it looks to capitalise on the depressed global oil prices and scale down its support to the local petroleum market. Some Tk 24,572 crore has been allocated for subsidy in the upcoming budget, down from current year's Tk 27,407 crore.

Since fiscal 2008-09, the government has spent a total of Tk 30,986 crore to keep the prices of petroleum products low in the local market. In fiscal 2012-13, the government set aside Tk 13,558 crore in fuel subsidy, which was the highest allocation in the nation's history.

The subsidy for the power sector, another major beneficiary, will go up next year.

Economists said the government needs to formulate a national policy to stop doling out unnecessary subsidies, prevent leakages and make state interventions more targeted and efficient.

The government has also been giving a huge amount of subsidy to export and agriculture every

year, but there are many questions regarding their proper utilisation. "Time has come to devise a national subsidy policy to regulate the spending and give emphasis to subsidy management," said Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue.

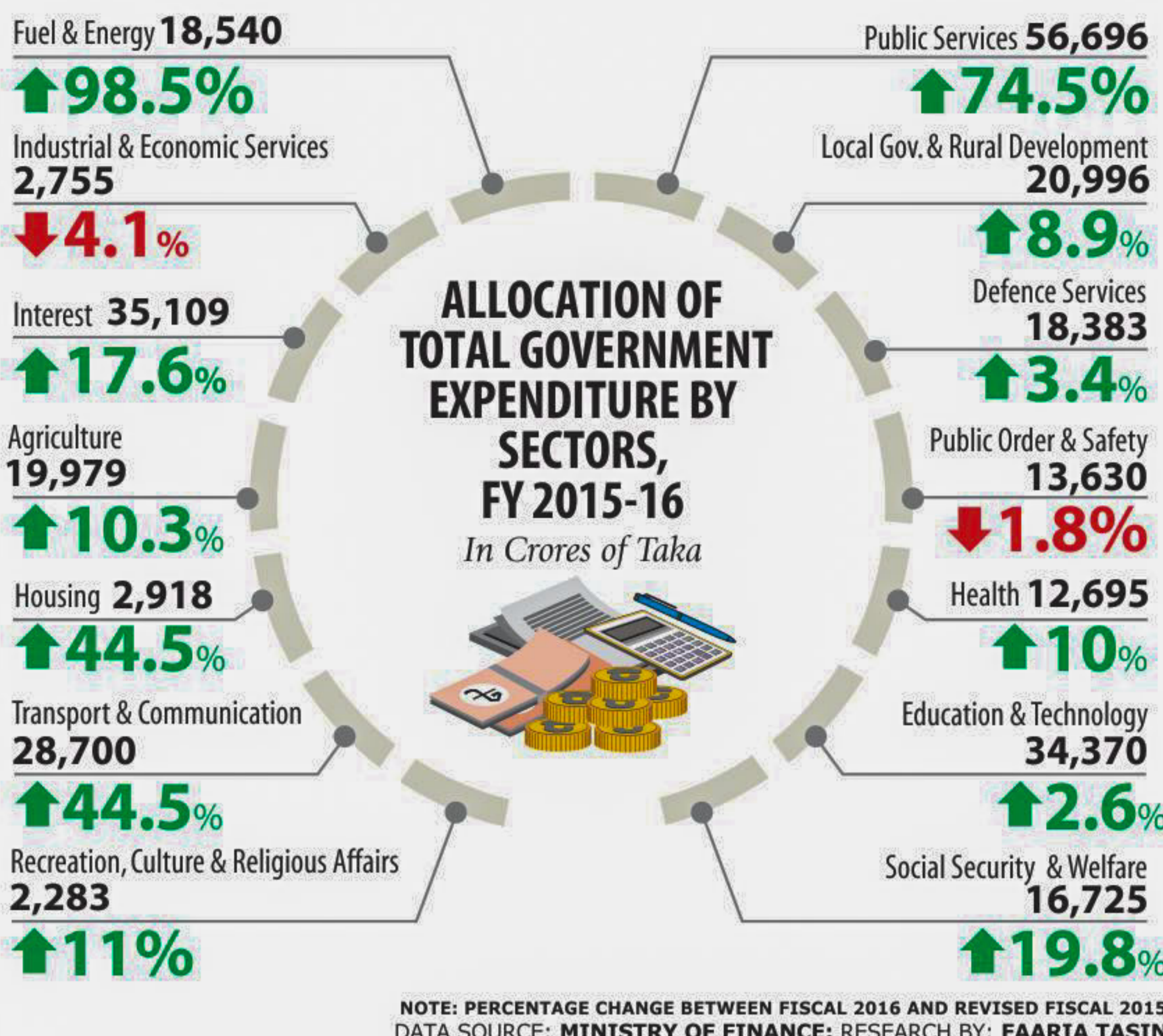
Had there been a national policy, the country would have been able to decide when the prices of rice or oil have to be subsidised, he said.

The economist also said there has to be a clear definition for subsidy to establish transparency in the spending of taxpayers' money.

On many occasions in the past, subsidies were deemed to be pro-poor but that was not the ground reality. "We also need to see what the other countries are doing."

Meanwhile, a finance ministry official said big changes will be brought in to the export subsidy structure in terms of the beneficiaries.

The ministry has already started a review and once completed, some new sectors may be included in the package and some old sectors taken off, he added.



Banking commission on cards

STAFF CORRESPONDENT

The government plans to form a commission to review and recommend measures on policies and overall activities of the banking sector, which has expanded tremendously in the recent decades.

"Now we need to determine appropriate policies regarding deposit collection and the growth path," Finance Minister AMA Muhith said while presenting the proposed budget for 2015-16 yesterday.

His comments are in line with independent think-tanks' frequently voiced and long-term demand of formulation of a banking commission. The move has become especially relevant as new players entered the growing sector that also suffered massive setbacks from colossal financial felonies recently.

Govt staff to pay more taxes

REJAUL KARIM BYRON

The government employees are set to pay more tax as their salaries increase under the new pay scale, due to take effect from the next fiscal year.

At present, the government staff pays tax on their basic salary but their other allowances are tax-free, which Finance Minister AMA Muhith deemed to be discriminatory.

"As the first step to remove such discrimination, I propose similar tax treatment on basic salary, bonus and festival allowance for both government and non-government salaried employees," he said in his budget speech yesterday.

To accommodate the new pay scale, which will be implemented in phases, Tk 45,153 crore has been set aside in the upcoming budget for the government staff's basic salary and allowance, up almost 54 percent year-on-year.

Besides, the government intends to set up a new bank for the welfare of the government staff titled Shammridi Shopan Bank, as recommended by the Pay and Services Commission led by former Bangladesh Bank Governor Mohammed Farashuddin.

The bank is expected to commence operation with a paid-up capital of Tk 400 crore, collected by selling primary shares to existing and retired employees, according to the finance minister.

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Auto, tyre makers to get tax privileges

Muhith expects the move to generate jobs locally

SOHEL PARVEZ

The government is going to offer tax breaks to the automobile, tyre and bicycle industries in a move to promote growth and investment in the sectors.

Finance Minister AMA Muhith rolled out the tax benefits while placing the budget for fiscal 2015-16 in the parliament yesterday.

He said numerous steps have been taken to foster new industrial ventures to meet the present government's electoral pledge to enhance investment and increase employment opportunities.

Special incentive packages are also on the cards to encourage investment in developing the Bangladesh Economic Zones and Hi-Tech Park, he added.

Earlier, NBR finalised tax breaks for investors and developers of economic zones for a period of 10 years to encourage local and foreign investment, job creation

and disciplined industrial expansion in Bangladesh.

Muhith proposed a tax holiday for automobile manufacturing as a heavy industry, to help meet increasing local demand, use more of the domestic workforce, and reduce pressure on foreign currency for imports.

The initiative comes years after state-run Pragati Industries started assembling Mitsubishi's Pajero Sport for the local market.

Industrial giant PHP signed a deal with Malaysia's Proton in March to assemble 1,200 sedans a year at its factory in Chittagong -- a move that is expected to reduce the country's dependence on imported cars.

Bangladesh spends large amount money on foreign tyres every year, but this dependence on imports is likely to decline in the near future as local makers increase production gradually, Muhith said.



ANURUP KANTI DAS

The government may offer tax breaks to the automobile sector to attract investment.

Currently, companies such as Apex Husain, Gazi Group, Meghna Group and Rupsha Tyre make tyres for light trucks, minibuses, microbuses, motorcycles, auto rickshaws and easy bikes.

In addition to local players, India's tyre giant CEAT is setting up a plant in Bangladesh in partnership with AK Khan & Company.

Bangladesh spends around Tk 1,000 crore to import more than

15 lakh pieces of tyres every year, mainly from India, Japan and China, according to importers, distributors and sellers.

Muhith has suggested tax holiday for local tyre makers as well.

Special benefits for women

STAFF CORRESPONDENT

The tax-free income threshold for women has been increased once again this year by Tk 25,000 to Tk 3 lakh, with a focus on increasing female participation in the workforce.

The same ceiling will apply to incomes of citizens above the age of 65.

The government has raised the tax-free income threshold for women every year for the past three years.

The move is part of the initiatives taken by the government to boost female participation in formal workforce to 50 percent by 2021, from the current 33.5 percent, to aid economic activity substantially, Finance Minister AMA Muhith said in parliament yesterday.

The total fund for women's development in the current fiscal year is Tk 79,087 crore, which is Tk 15,000 crore more than the last fiscal year's allocation, which was used by 40 ministries. This year's allocation is 23.41 percent higher than last year's total allocation.

However, Shahida Parvin, research associate of Centre for Policy Dialogue, a civil society think-tank, pointed out that the allocation as percentage of the total budget did not increase much.

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Finance Minister AMA Muhith, left, accompanied by Prime Minister Sheikh Hasina moves to present the proposed budget for FY16 yesterday.

Interest payment takes up 17.56pc more allocation

REJAUL KARIM BYRON

Debt servicing will take up 17.56 percent more allocation in the upcoming budget than it did in the current one as the government continues to rely excessively on high-cost domestic borrowing to finance deficits.

Some Tk 35,109 crore has been allocated for interest payment in fiscal 2015-16's budget against Tk 29,865 crore in the current year's one.

The difference between revenue and expenditure in the budget is met through a combination of foreign and internal borrowings.

The rate of interest on foreign borrowing is on average 2 percent to 3 percent but that on internal borrowing is more than 8 percent.

AB Mirza Azizul Islam, a former adviser to a caretaker government, said though the spending on interest payment has increased, debt service payment is still within the limit. "It should not raise any serious concerns."

The citizens get a bounty as a result of the government's increased domestic borrowing as a big portion of it comes from savings instruments.

The country has about \$19 billion of unused foreign aid in the pipeline and stress should be given on how to use more of that fund, he added.

Allocation for education still inadequate

WASIM BIN HABIB

Although the budgetary allocation for the education sector rises every year, it is still inadequate for ensuring quality education.

It is because a large portion of the education budget is spent on non-developmental purposes, mainly for teachers' salaries, leaving a little scope for investing in quality education.

Take, for example, the allocation of Tk 15,549 crore for the education ministry in the outgoing 2014-15 fiscal year.

Of the amount, around Tk 5,677 crore was spent on salaries for non-government teachers under the monthly pay order (MPO) scheme, according to budget documents.

Besides, the ministry had to pay salaries, allowances and pensions

to its officials and carry out repair and maintenance works.

Against such a background, experts said Bangladesh should invest more in education, especially in quality education, if it wants to change its future and achieve the goals set in the National Education Policy 2010 and Vision 2021.

Lack of qualified teachers and poor school facilities in terms of the number of schools, classrooms and libraries are the main reasons for poor quality education at primary and secondary schools.

The government should put more emphasis on teachers' training so that they can engage the students in classrooms rather than just delivering lectures. More investment should be made in upgrading infrastructures,

observed educationists.

They said the government expenditure on education as a proportion of GDP (gross domestic product) has to be increased. The ratio of education budget to GDP has been hovering around two percent for the last few years which is lower than many other Asian countries, including Vietnam and Nepal.

In the proposed budget for the 2015-16 fiscal year, there is Tk 31,618 crore for the education sector. The amount is 1.8 percent of the GDP and 10.71 percent of the total budget.

Of the amount, Tk 14,502 crore was earmarked for the primary and mass education ministry, and the rest for the education ministry.

Educationists said the country's inflation continued to rise in the last decade when the educa-

tion sector witnessed a rapid growth with an increased number of students, teachers and institutions. But the budgetary allocation for the sector didn't go up in proportion to its growth.

"I am disappointed with the allocation. The trend shows that we are going backwards on education," said Manzoor Ahmed, professor emeritus of Brac University.

Though the size of the national budget has grown in the last few years, the share of the education sector as percentage of the total outlay has been decreasing, he pointed out.

In the revised budget of the 2009-10 fiscal year, the allocation for the sector was 14.3 percent of the total budget. In the following three fiscal years, the percentages stood at 14, 11.4 and 11.1.

GOVERNMENT EXPENDITURE ON EDUCATION AS % OF GDP



SOURCE: WORLD BANK & FINANCE MINISTRY
Although the education sector gets a significant share of the government budget relative to other sectors, it is still lower in Bangladesh than other countries, when seen as a proportion of GDP. Bangladesh has done well in attaining primary education, however attention is needed in secondary and tertiary education. Investment in education is essential to attain higher economic growth.

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