

Social safety net widens

SAJJADUR RAHMAN

The government has enhanced the number of beneficiaries and allowances for some of the major programmes under the social safety nets.

Some Tk 16,725 crore has been allocated for five ministries -- social welfare, women and children affairs, liberation affairs, food and disaster management and relief -- under the bracket of "Social Security and Welfare", according to budget documents.

In the outgoing fiscal year, Tk 13,955 crore was allocated for the bracket.

But the total amount that has been earmarked for safety net schemes for the fiscal year is not explicit in the budget documents.

For instance, a total of Tk 30,751 crore, equivalent to 2.3 percent of gross domestic product, was given for the schemes this fiscal year. Last year, the allocation was Tk 26,654 crore, or 2.26 percent of GDP.

The annual budget for fiscal 2015-16 announced yesterday increased the old age allowance beneficiaries to 30 lakh from this year's 27.23 lakh.

The number of beneficiaries for widow, abandoned and destitute women allowance was increased to 11.13 lakh from 10.12 lakh.

Some six lakh insolvent disabled persons will now get allowances instead of four lakh.

The government has also proposed to increase the monthly allowance for freedom fighters who have crossed the age of 65 years to Tk 10,000 from Tk 5,000.

The number of disabled students receiving stipends will be increased to 60,000 from 50,000, while the number of recipients for maternity allowance will be raised 20 percent.

The government will provide identity cards to all disabled persons by using the national disability database.

The finance minister also said he has made allocations to enhance the living standards of hijra, dalit, harijan and bede communities.

The allocations to provide emergency food assistance to tea labourers and financial assistance to the poor patients suffering from cancer, kidney diseases and liver cirrhosis, were doubled in the forthcoming budget.

Steps will also be taken next year

to ensure a fair price for agricultural products, but there is nothing specific in this regard in the budget documents. The government has been running the projects for years without any coordinated and strategic planning.

The programmes are run by over a dozen of ministries without any effective impact assessment.

This time Finance Minister AMA Muhith has vowed to make the projects successful.

For that end, he has proposed some measures including formulating a Social Safety Net Strategy Paper and a project named Strengthening Public Financial Management for Social Protection.

He has also intends to set up a Social Protection Unit in the finance ministry to improve the effectiveness and accountability of the schemes.

Development Foundation for Elderly People Act, Vagrant and Shelter-less Persons (Rehabilitation) Rules, Disabled People's Rights and Protection Rules, Children Rules and Neuro-Developmental Disability Protection Trust Rules are in the offing to make the projects more effective.



The government plans to allocate more funds for the benefit of women under its social safety net schemes.



The government plans to allocate Tk 31,618 crore for the education sector in the proposed budget for 2015-16.

Allocation for education still inadequate

FROM PAGE 3
The Unesco declaration states that the allocation for education should be at least 20 percent of the national budget and six percent of the GDP.

percent of its GDP on education which might not be possible within a short period of time. "But we should immediately reverse the trend and spend at least four percent of the GDP on education if we want to prioritise human development," said Prof Manzoor.

Some relief for income taxpayers

FROM PAGE 2
If financial institutions like banks, non-banks and insurances are excluded, the number of companies that stand to gain from the cut comes down to just 150.

"There is no need to give them this privilege," the NBR member said.

Rahman also said the budget has proposed to bring cooperatives under the income tax net. "But I don't think the government will be able to earn anything from them."

In the new budget, the tax-free threshold for interest on dividends earned from the stockmarket has also been raised to Tk 25,000 from Tk 20,000.

From the next fiscal year, all government staff will have to bear taxes on various benefits just like they do on basic salaries.

The budget also proposes withdrawal of the 5 percent interest on interest incomes from wage earner bonds.

The at-source tax has been made uniform for all exporters at 1 percent. Till now garment exporters have paid 0.30 percent tax at source while other exporters paid 0.60 percent.

However, Rahman doubted whether the government would be able to earn more from income taxes than value added taxes, as Bangladesh has always collected more VAT compared to incomes taxes.

The proposed budget also intends to make companies, like financial institutions and insurance companies, maintain accounts using the July to June calendar year. The decision will come into effect from 2016-2017.

Allocation for health sector draws flak

FROM PAGE 2
But that does not mean the share of allocation should be cut down, he observed.

To sustain the development Bangladesh achieved, health and education are two priority areas that need special allocation, but the proposed budget reflects the opposite, he said.

"It is very unfortunate that the budget said nothing about the universal health coverage [that ensures quality healthcare without facing financial burden]," Ahmed said.

The finance minister talked about plans to provide 13,861 mini laptops to community clinics, expanding telemedicine and voucher schemes for the poor mothers, which is fine.

But major health issues like non-communicable diseases and ensuring quality drugs were not mentioned in the budget speech, he said.

"We hope the government will consider all these issues," he added.

Special benefits for women

FROM PAGE 3
"It was 26.74 percent in 2014-15 and this year it is 26.80 percent," she said.

"Besides, the ministries do not specify the projects and programmes where they use the allocation," she said.

Four technical institutes for women will be established in four divisions in the education sector, while under social safety nets the number of poor mothers receiving maternity allowance will be increased by 20 percent.

Assistance fund for working lactating mothers will also be hiked by 20 percent, according to the budget speech.

Besides allowance for widows, destitute women and working women would be increased from Tk 10.12 lakh to Tk 11.13 lakh.

The government also plans to train women in driving, catering and freelance ICT jobs and extend the Joyeeta programme of the women and children's affairs ministry to division, district and upazila levels.

Joyeeta aims to commercially engage grassroots women in all stages -- from production to distribution -- of the supply chain.

Govt staff to pay more taxes

FROM PAGE 3
A separate authority -- the Pension Fund Management Authority -- to manage the government employees' pension will be set up. At present, more than 5 lakh retired government employees are enjoying pension benefits.

There is no designated fund or authority to administer pension-related activities of this huge number of pensioners, which may create imbalance in public expenditure management in future, Muhith said.

Tk 100cr to fight climate change

STAFF CORRESPONDENT

The government has allocated only Tk 100 crore for Bangladesh Climate Change Trust Fund (BCCCTF) in the proposed budget.

With this money, the total government allocation for the BCCCTF reached Tk 2,800 crore in the last six years.

So far, the government has taken up 111 projects involving Tk 1,009 crore under the BCCCTF, the finance minister informed parliament last night while delivering his budget speech.

"But our main focus will be to strengthen the foreign-funded Climate Change Resilience Fund and expedite disbursement from it," he said. The government formed the BCCCTF to battle the adverse impact of climate change. In the initial three years, the government allocated Tk 2,100 crore. It allocated Tk 400 crore in 2013 and another

Tk 200 crore in 2014 to the BCCCTF.

Last month, the ministry of finance had sent a letter to the ministry of environment mentioning allegations of corruption in some projects funded by the BCCCTF.

The environment ministry responded by saying that those allegations were being investigated and the funds for some of those projects were either curtailed or suspended.

In the budget speech, Muhith said the government put emphasis on afforestation and preservation of biodiversity to mitigate the adverse impact of climate change.

Thirty four forests have been declared as reserve forests to preserve biodiversity. "To protect ecological balance, we have taken up plans to carry out extensive afforestation in degraded forests, marginal and private land. Along with this, the concept of social afforestation is being used as a tool to protect biodiversity and reduce poverty."

Apple Watch to hit stores on June 26

REUTERS

Apple Inc said it would start selling some models of its watch at retail stores this month, and also roll out the gadget in seven more countries.

The watch has been on display in Apple stores since April 10, when it became available for preorder online and at shops including trendy fashion boutiques in Paris, London and Tokyo. Apple had directed people to order online, preventing long queues around its stores that have become a norm with the company's rollout of new products.

The company said all orders, except one model, placed through May would be shipped to customers within two weeks.

"The response to Apple Watch has surpassed our expectations in every way," said Jeff Williams, senior vice president of operations. "We're also making great progress with the backlog of Apple Watch orders."

The company has not given any sales figures for the watch since it began taking orders, but has often said demand was outstripping supply.

"We believe the company has made significant progress in reducing its backlog as production ramps," S&P Capital IQ analyst Angelo Zino said in an email.

VAT: A mixed bag

FROM PAGE 2

Nasiruddin Biswas, chairman and managing director of Nasir Group of Industries that make energy-saving bulbs, has hailed the extension of tax exemption until June 30, 2017 for the sector.

Consumers get the benefits of this tax waiver as locally-made products are 40 percent cheaper than the imported ones, he said.

In his budget speech, Finance Minister AMA Muhith also vowed to implement the new VAT law from July 1, 2016 despite businesses' demand to delay it further.

Under the new law, a single VAT rate of 15 percent will be imposed at all levels -- from the import to production and retail levels instead of the existing multiple rates.

As part of a transition to the new law, some reform proposals, regarding customs and supplementary duties, have been proposed in the budget for fiscal year 2015-16.

The number of slabs for customs duty has been increased to six from five.

The existing customs duty rate of 2 percent on capital goods would be reduced to 1 percent.

The finance minister also proposed to reduce the regulatory duty to 4 percent from the existing 5 percent.

The budget has also lowered supplementary duties on 91 products to pave the way for gradual reduction of import taxes in line with the international trade liberalisation rules.

It increased supplementary duties on 81 products to ensure the growth of the local industry by protecting them from outside competition.

The supplementary duty on imported fish has been increased to 20 percent from 10 to 15 percent now, while that on frozen shrimps has been increased to 20 percent from the existing 15 percent.

The duty on finished chocolates has been lowered to 20 percent from 30 percent and that on pasta went down by 15 percentage points.

Some 20 percent duty was imposed on tyres used in motorised vehicles.

The duty on engines used in two-stroke and four-stroke auto-rickshaws and three-wheelers was increased to 20 percent from 15 percent. A 20 percent duty was also levied on electric battery-run vehicles.

India to tighten screws on banks' window dressing of accounts

REUTERS, Mumbai/New Delhi

The government is set to overhaul annual targets for public sector lenders this month, ending a focus on size that has long encouraged banks to inflate their loans and deposits at the year-end to hit growth objectives.

Banking and government sources said the new targets, to be discussed at meetings with top state bank officials this month, would focus on efficiency, with objectives set around return on assets, or return on equity, and controlling bad debts.

Overhauling India's bloated and often sluggish state banks is critical for the government, which needs to rekindle credit growth to reboot an economy that remains slow to recover, even if official statistics have it growing faster than China.

The shift, the government hopes, will also put a stop to widespread "window dressing" of state banks' financial accounts at the end of the fiscal year, the time at which the health of their balance sheets is officially assessed.

That practice, official data shows, moves billions of dollars in the last two weeks of March as banks boost loans and deposits -- only for more than half to reverse in the first two weeks of April. This can threaten financial stability, analysts say, and could be obscuring the real state of India's financial sector, including the level of stressed debt.

For many banks, "window dressing" involves accepting short-term loans or encouraging customers to draw down on credit lines at the end of the fiscal year, parking cash in their current accounts only to then

reverse the move in the new month. Banking sources said some also encouraged consumers to shift their term deposits into the current account, then compensated them for lost interest.

One finance ministry source said the government could consider punitive action to back up its push.

"The whole incentive structure needs to be changed," said the finance ministry official.

This year, data from the central bank shows the volume of loans made at the end of March that then reversed in April, an indication of "window dressing", hit levels unseen since 2012.

Some 2.3 trillion rupees (\$35.96 bln), or 85 percent of the loans raised in the last fortnight of March, reversed in April. Similarly, nearly 60 percent of the 3.3 trillion rupees

(\$51.59 bln) of deposits reversed.

"We do not want banks to present unrealistic projections while signing annual agreements with the government," said a second finance ministry official who deals with state banks. "We are not going to allow any window dressing."

China has also cracked down on "window dressing" by introducing caps on end-month deposits, but the practice remains pervasive in India, particularly among state banks that dominate the sector with more than 70 percent of loans -- despite repeated admonishments by the government and the Reserve Bank of India.

Central bank Governor Raghuram Rajan last year warned banks against creating a liquidity squeeze at the year-end by ceasing to lend to each other "to build a certain kind of balance sheet".

You can still whiten your black money

FROM PAGE 2

He had added that only the money earned through legal ways could be whitened.

Former NBR member Aminur Rahman finds Muhith's claim only partially true.

"But the reality is that the NBR has no mechanisms to verify whether an amount of untaxed money is earned through legal or illegal ways."

Citing examples of different countries including India, Aminur said Bangladesh should stop allowing the scope for whitening money.

Former finance adviser to a caretaker government AB Mirza Azizul Islam said, "I have always opposed the scope for whitening black money as it is immoral."

Instead of continuing this year after year, the sources of black money should be identified and blocked, he said.

"If it cannot be verified whether an amount of money is earned through legal ways or not, what's the logic behind giving the scope?" he argued.

Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue, said the government should formulate a law to bring into the mainstream economy

black money and benami properties (properties purchased in someone's name but financed by someone else) bought in and outside the country.

Once enacted, the law would make the entire process transparent, and there wouldn't be any need to ponder over the issue of money whitening every year, he observed.

Interestingly, like last year, Muhith carefully stayed away from touching on the issue in his budget speech in parliament yesterday as well.

The money-whitening opportunity is given almost every year but it never brought the government any substantial revenue.

Only 205 people whitened undisclosed money through voluntary disclosure of income in FY 2013-14. Through this, the NBR earned only Tk 18 crore.

The data of the current fiscal year was not yet available with the NBR.

The history of this controversial privilege provides an even bleaker picture. Between 1972 and 2013, around Tk 13,808 crore was whitened, with the NBR receiving taxes worth Tk 1,455 crore, which is less than 1 percent of the revenue target in the proposed budget for the upcoming fiscal.