

BUDGET FY 2015 - 2016

Finance Minister has shown greater realism than before

MIRZA AZIZUL ISLAM

I see that a number of things, in favour of which I had argued earlier, have been included in this year's budget. Some examples would include the reduction of corporate taxes, the raise the exemption limit of personal income tax, the priorities given to infrastructure (transportation, electricity, rural development etc) generally. I fully endorse these decisions.

There are some challenges, nevertheless. The target that has been set for revenue collection, in my opinion, is unachievable. It has been set at 30 percent or over but that, I think, is very ambitious. In the history of Bangladesh, we have not ever been able to raise revenue collection over 26 percent. I don't see any dramatic change in the capacity or competence of the administration that will enable them to suddenly achieve wonders. Moreover, as the tax rate is being decreased in order to increase the tax base, the tax net needs to be expanded. In order to do that, it is important to conduct surveys and hire appropriate people to identify the different groups from both business establishments as well as individuals to expand the tax base. This will definitely need time. I think it will be difficult to do all this within a year and in effect, it seems improbable that a revenue collection rate of over 30 percent will be achievable.



The target of bank loans of around Tk 38,500 crore is also unrealistic. If the government takes a loan of such huge amount from banks then it will affect credit loan to the private sector as well as private sector investments. That is another challenge brought about by the budget of this fiscal year.

I don't see much of an effect on the cost of living of ordinary people at the moment. However, there have been talks of enforcing some advance income tax on food import. That may have some impact on the prices of certain food items. But the government is already planning to increase the price of rice which is why import duty has been imposed on rice import. Nevertheless, as the overall national food production has been good and prices are low in the international market, I don't think that this will majorly influence

prices in terms of inflation.

The growth rate projection of seven percent would be another challenge to meet. I would say that the Finance Minister has shown greater realism than before. In previous years he had projected the growth rate to be over seven percent but this time he's been more practical in his approach. However, seven percent would still be a challenge to achieve as the Investment-GDP ratio is still below the expected level. We will need to attain at least 30 to 31 percent investments in order to achieve this seven percent growth rate. That would be around a four percent increase over the current Investment-GDP ratio. Moreover, it would be difficult to solve all the problems and challenges related to investments in the private corporate sector.

The problem with the infrastructure or development plans is with the implementation part of it. The challenge lies in timely implementation of these plans. The failure or lack of foresight on part of the government in this respect is that it is not possible to pay adequate budget for all the projects when you have many projects in hand. It takes more time to implement the projects. And when it takes more and more time to complete a project, the costs also keep increasing.

The commentator is a former Adviser to the Caretaker Government, Ministries of Finance and Planning.

We need to estimate tax-service ratio

ANU MUHAMMAD

THE finance minister has placed the budget of 2015-16 in the parliament that has been prepared under many favourable factors - lower petroleum price in the global market, huge foreign exchange reserve, stable export market, low inflation, and the lowest level of political opposition.

Despite many favourable factors, the FM had to revise many accounts downwards compared to last years' budget. The downward revisions were made in areas including: last years' (2014-15) total budget size (from Tk 2,50,506 crore to Tk 2,39,668 crore), development expenditure (from Tk 86,345 crore to Tk 80,476 crore), revenue earning (from Tk 1,82,954 crore to Tk 1,63,371 crore). There are some upward revisions too. That includes over all deficit (from Tk 67,552 crore to Tk 76,297 crore), bank loans (from Tk 31,221 crore to Tk31,714 crore), loan from savings certificate (from Tk9,056 crore to Tk21,000 crore).

These upward and downward revisions, however, could not change the enthusiastic attitude of the government to show big numbers without adequate preparation to implement it. The problem of implementation of the ADP continues just like before. Nearly 50 percent of the ADP is being spent in the last two months, giving birth to corruption, wastage and mismanagement. The size and distribution of the proposed budget is clearly taking the same path.

In the last six years, the government earnings from tax revenue increased more than three folds. Most of it came through indirect taxes, including VAT. The government has always been blind



to the high potential of revenue earnings that includes underground and criminal economy and has always been shy to capture this untouched treasure.

Therefore, the lower income groups end up paying more and the higher income groups end up paying less while legal income earners pay more and illegal income earners pay less.

The proposed budget reflects the government's preference for mega projects. The problem, however, remains with transparency and rationality of the expenditure hike, up to 200 to 300 percent without proper explanation. Quality and cost-benefit ratio of the fast track projects are also highly questionable. On the other hand, it is very common to see a budget crisis in financing urgent but low cost projects, for example, BMRE of power plants that supply low cost electricity, increase the capability of Bapex, school buildings, hospital equipment, railway engines and expansion etc. Obviously, it is not sufficient to look at numbers only, it is essential to pay

attention to qualitative dimension of the allocations. Big allocation does not always mean efficiency and progress.

Many policy makers and economists are fond of calculating the tax-GDP ratio, and keep complaining that this is low compared to many other countries in the world. That is a true but incomplete analysis. A budget is in fact a document of a 'give and take' contract between the government and the citizens of a country. In exchange of paying taxes and duties, people deserve necessary services from the government including security, clean water; preservation of common resources; provision of public education, public healthcare and other necessary institutions. Despite the government's success in mobilising increasing tax revenues from people, it has failed to return it through desired minimum services for citizens. Violence, insecurity, corruption, grabbing of public resources, commercialisation of public education and health care have become growing concerns of the country. What we need today is to estimate the tax-service ratio to bring the reality of people's deprivation, along with their increasing contribution, to the surface.

Budget becomes an instrument to transfer resources from the majority to the minority, from the poor to the rich when the majority which pays more gets fewer returns in terms of services. This is not a policy deviation, rather this is a development framework that has been continuing over the years. The budget declared yesterday is an addition to that journey.

The writer is member secretary of the National Committee to Protect Oil, Gas, Mineral Resources, Power and Ports.



KHURSHID ALAM

ARE we conscious about the trend of natural resource consumption to meet the needs of our current generation? Are we leaving behind enough resources for the future? The gas we burn for cooking, electricity generation, running vehicles and industries will be exhausted in a couple of decades. Our agricultural land is shrinking by one percent every year, our clean water, air and soil are getting polluted at an alarming rate over time. Globally, each individual uses 16 kilos of resources extracted from earth every day - metal, fossil energy, and minerals. If you live in the western world, this number is much higher - up to 57 kilos of newly-mined minerals per day. On the biodiversity front, the International Union for Conservation of Nature has identified a frightening figure of over 200 animals including fish, amphibians, reptiles, birds and mammals to be threatened in Bangladesh.

Many of the Earth's ecosystems are nearing critical levels of depletion or irreversible change, pushed by high population growth and economic development. By 2050, if the current consumption and production patterns remain the same and with the rising population expected to reach 9.6 billion, we will need three planets to sustain our way of life. As key drivers of change in the post-2015 era, the world's 1.8 billion young people must be bolstered by robust national policies and innovative solutions to the challenges they faced.

The theme of this year's World Environment Day is "Seven Billion Dreams. One Planet. Consume with Care." Humanity continues to consume far more natural resources than the planet can sustainably provide. Many of the

Earth's ecosystems are nearing critical tipping points. It is time for us to change.

The goal of sustainable development is to improve the quality of life for all people without increasing environmental degradation and compromising the resource needs of future generations. We can do this by shifting our consumption patterns toward goods that use less energy, water and other resources and by wasting less food.

water is expected to increase by 400 percent by 2050 in the manufacturing sector alone. The problem is increasingly clear. We live in a world with limited resources, where conservation and efficient use of these resources have become increasingly crucial.

It is not only individual citizens or the public sector who have the onus for long term and corrective actions, the private sector has an important role to play in improving the effi-

encourage the private sector to invest in technological upgrades that improve productivity, reduce wastage, increase efficiency and deliver improved economic benefits.

At the household level, the government has declared their vision to replace 30 million inefficient traditional cook-stoves with clean alternatives by 2030. Not only do these technologies reduce energy consumption, but there are broader benefits, including improved health for

1.Embed environmental sustainability, conservation and efficient use of natural resources as important cross cutting elements in the seventh Five Year Plan.

2.Enhance environmental governance through greater enforcement of existing laws, with active citizen participation, financial incentives and capacity building of different ministries with emphasis on local governments.

3.Promote sustainable consumption as a key citizen responsibility through education, learning and cultural exchange.

4.Greater engagement of the private sector in sustainable production and efficient resource utilisation through innovation of technology and learning from the experience of other countries.

This year represents a critical one for the globe. The governments across the world will meet to discuss transformational issues with the conference on Sustainable Development Goals in New York and Climate Change Agreement in Paris. Whilst we hope that strong and positive decisions are reached through these forums, we must take our own steps to preserve the environment. Let us celebrate World Environment Day by becoming more conscious of our ecological impact. Let us think about the environmental consequences of the choices we make. Let us become better stewards of our planet. After all, that's the only one we have till now.

(The opinions expressed here are the writer's own and may not be subscribed by UNDP or any of the member states that it represents.)

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WORLD ENVIRONMENT DAY

Waste not, want not A world of limited resources



Bangladesh needs proper rules for managing clean water and an effective implementation structure to ensure that canals, tributaries, rivers and wetlands can be effectively managed and protected where necessary. The demand for water, like many resources, is reaching critical levels. In fact, to produce a single sheet of paper, 10 litres of water is consumed, with 182 litres needed to manufacture a kilogram of plastic. Furthermore the global demand for

ciency of resource use. Public-private partnerships can help drive substantial gains in this space. Inefficient resource use not only costs businesses money, but also use up valuable and limited common resources. Innovation is also crucial to drive change in resource consumption patterns. Aging technology and practices are by and large the primary culprits of wasteful use. With the support of the government and low cost financing, we can

women. The government should look for greater opportunities to partner with the private sector to drive innovation and incentivise efficiency for the benefit of everyone. Economic growth does not have to cost the earth, we just need to explore ways to green our growth, to ensure resources continue to be available for future generations and for the long term prosperity of the nation.

I believe there are four major priorities that need to be addressed in Bangladesh:

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