

# Predictable yet unachievable

## VAT on private universities

Judicious decision called for

FINANCE minister's proposed 10 percent value added tax (VAT) on around 160 private sector universities including medical and engineering colleges has not found favour with those who have been targeted. Whatever the rationale for the levy, we don't want the burden to fall on the students.

The university circles have made it more or less clear though, it would be charged on the students' tuition fees. Already many private universities have been charging high fees, regardless of the variations in the quality of education being imparted. So if the VAT is passed on to the students, that much more burden would fall on their parents or guardians.

It is important to remember that the University Act requires such private institutions to operate on non-profit basis given the high purpose of catering to the needs of higher learning. That is why it is envisaged that their fees will be consistent with socio-economic standards of the country. In reality, however, profits are made by many a university. So a certain tax obligation cannot be brushed aside, especially for the commercially run institutions. But to exact it from the students does not stand to reason.

They are, by and large, demand-driven institutions. The public sector educational institutions could not cope with the rising demands for higher education in the country. Some of them do offer high quality education turning out useful graduates. Besides, importantly increased access to higher education within the country has been a foreign exchange saver limiting the number of those seeking education abroad.

We hope, as the education secretary has suggested, there will be due deliberation on the proposed VAT before arriving at a judicious decision.

## Road crash deaths and public reaction

What about role of the other stakeholders?

WE cannot agree entirely with the view that road accidents and the resultant deaths do not elicit enough public reaction. Such a view was expressed at a seminar organised by National Unity for Prevention of Road Accidents on Saturday. The instant reaction of the public is demonstrated after every such accident that cost more than a dozen lives daily. And the public vents its anger by blocking roads or damaging vehicles, because of the repetitive manner of these accidents, and the apparent impunity of the errant drivers. It is true though that the civil society is seen to be more voluble when the unfortunate victim or victims happen to be influential person/s.

The issue of road accidents and prevention cannot be over emphasised. While public awareness is an essential part of the exercise to reduce road accidents, we feel that the other two stakeholders -- the law enforcing agencies and the private bus owners and drivers, have an equally, if not more, important role in this regard.

When one talks of giving driving license only to trained persons it becomes the responsibility of the owners on the one hand to see that only qualified persons are employed as drivers, and the responsibility of the police on the other, to ensure that fit and competent persons only are allowed to take the wheels of a vehicle. And here not only the awareness of the public but the awareness of the employers and owners should also be honed.

Road accidents in Bangladesh cause more deaths in Bangladesh than any other natural calamity. And yet we seem to be totally unconcerned.



**MACRO MIRROR**  
**FAHMIDA KHATUN**  
 WRITING on budget has become a challenge for me not only because so much has already been discussed, but there is barely anything original in the budget. The size of the budget, its proportion in the GDP, fiscal framework, budget deficit, Annual Development Programme (ADP), sectoral allocations, fiscal measures -- all are so predictable. It is so obvious that based on the existing framework, there will be an increase in both expenditure and income and also allocations in most sectors. Towards the end of the fiscal year, most of these numbers will be adjusted downwards as the implementation of the budget will fall short of the target. This is the regular trajectory of the budget formulation and implementation process from which we are not going to come out anytime soon. Therefore, most of the budget analyses revolve around the realisation of the budget targets.

This year, total expenditure has been increased to 17.2 percent and revenue income to 12.1 percent of the GDP. The ADP has also been set at 32.9 percent of the total public expenditure which is higher than the revised budget of FY2015. One of the striking features of the budget is that both actual expenditure and revenue income as percentages of GDP have been declining during the last three fiscal years. For an emerging economy with a population of about 170 million, budget targets ought to be incremental. But the ambition level is not commensurate with the competence level yet.

Take the example of revenue mobilisation which is one of the biggest challenges for undertaking developmental activities in Bangladesh. The lack of fulfillment of revenue targets cannot be blamed only on the ambitious target of the National Board of Revenue or disruptions due to political turbulence. The bigger issue here is that of broadening the tax net, modernisation of the NBR, establishment of e-governance and capacity development of the concerned officials. It seems that instead of making the drive towards this direction, the Finance Ministry and the NBR prefer to target only the low-hanging fruits -- chasing those who are already in the tax loop or the easier sectors. The NBR had identified several areas and sectors which are outside the tax net but we do not see any visible action to bring them into the tax circle. As personal and institutional income increases, there will be an organic increase of tax revenue. This increase can be multiplied through capturing income from new sources.

Admittedly, the tax department is not fully equipped - the number of officials is limited, proper skills are absent and full automation of the NBR is incomplete --



all of this makes the task of tax officials very difficult. Therefore, political will is the key to improving revenue mobilisation. The large tax payer unit of the NBR is gradually increasing its collection. But tax evasion among the rich and powerful individuals is still a problem as much as it is among the unorganised sectors. If a resourceful person is to be punished for tax evasion or a trader is to be fined for misreporting prices, officials of the NBR must have the support and protection of the higher authority. Evasion is high in case of VAT as well. Though disposable income of a large number of people due to increased per capita income has gone up over the years, it is not reflected in the VAT collection.

The establishment of e-governance can bring great success not only in bringing taxable people in the net but also in keeping data on income and assets of people. We are yet to observe the implementation of the much hyped 'digital Bangladesh' concept in this critical area of economic management. Many countries such as the Philippines, Indonesia and Tanzania have shown success in tax payment through ICT.

Turning to sectoral allocations of the budget, quite understandably the infrastructure has received much more attention than the others as lack of it holds back the potentials of our economy. However, the social infrastructure continues to receive low priority in the budget. We may recall that we have made great achievements in health and education sectors during the MDG period. But we are going to have more ambitious targets during the post-MDG period when countries will adopt the Sustainable Development Goals for the

period 2015-30 in September this year. SDGs have set goals on health and education "for all" (SDGs 3 and 4), unlike the MDGs where targets were set to achieve up to a certain level or number. If these SDGs are to be achieved, we need much more resources and effort towards these sectors.

Then comes the issue of the quality of expenditures. Ironically, in our country, big budget also means more wastage as there is low transparency and accountability of expenditures made. It is so common to make most of the expenditures on building schools and clinics instead of ensuring quality of education or health services. Unfortunately, relevant ministries and departments do not perform the overseeing role properly on the curriculum and syllabus in schools as much as they do not ensure the quality of doctors, nurses, medicine, etc. in health centres.

Thus budget exercise should also ensure the outcome of the expenditures made since numbers deceive the actual performance on the ground. To do so, the Finance Ministry has to come out of the formula based budget preparation exercise. Pro-activeness of the Finance Division to understand the impact of allocations, expenditures and fiscal measures is essential for formulating more practical and operational budget. They could think of undertaking an in-house study on how to make budget more effective and what changes could be brought in for designing a pragmatic budget framework.

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# A well-defined maritime policy for a well-delineated maritime zone

COMMANDER MASUDUL KARIM SIDDIQUE, (G), PSC

SOON after the delimitation of maritime boundary, the entire nation seemed to have suddenly become aware of our legitimate right and jurisdiction over the newly acquired maritime territory. Now that we have a sea - an undisputed one of our own - we need an integrated maritime policy covering the complex systems of the sea, the knowledge and control of which are of great importance for the future of the country and survivability of the nation.

An integrated maritime policy will make for a coherent approach to all maritime issues which require increased coordination between different maritime agencies. It seeks to promote inter-connection of maritime industries and all human activities on or at sea. This is of great importance because whether the issue is shipping or ports, energy extraction, marine scientific research, fishing, tourism or maritime security, a decision in one area, in most cases, affects others. Therefore, an integrated maritime policy will allow all the authorities concerned to act within a broad guideline causing them to cooperate rather than working separately on different aspects of the same problem. It would build close cooperation between decision-makers at all levels of national authorities in different maritime sectors.

We need to recognise the importance of a more structured and systematic maritime collaboration in order to promote the maritime interest of our country. The country has truly realised that it may not be possible for us to meet the challenges facing the country in the 21st century without the sea.

Bangladesh is not only a coastal land but also a port state with two principal sea ports located at the most strategic positions, along with numerous other inland ports. We have now become a complete trading nation with high levels of exports and imports and, most encouragingly, the trade and commerce of the country are growing at a considerable rate. With the current trend of growth, it is just a matter of time before Bangladesh becomes a major trade destination of the world. Other maritime industries like shipbuilding are also flourishing. Coastal and maritime tourism are also booming. This diversity of the maritime sectors and large numbers of competing and coherent interests necessitate that we must have a holistic maritime policy built under a reliable framework.

We may think about developing a comprehensive maritime policy encompassing a number of strategic objectives including:

- Enhancing competitiveness of the maritime trade industries and shipbuilding
- Conducting marine scientific research to explore sea resources
- Exploiting the potential for more job creation.
- Achieving a good environmental status
- Maintaining ecological development
- Initiating actions to tackle climate change
- Building a comprehensive security network

We need a broad maritime development plan encompassing a set of policy priorities in order to achieve our formulated objectives at sea. For that, we shall have to strengthen marine scientific research to uncover what more could be

explored or what more benefits could be gained out of the sea. We must have the ability to use the sea sustainably without any disruption or unnecessary interruption. Our policy priorities should be to protect the marine environment and tackle potential climate changes. There is no denying that only an ecologically intact and healthy sea can be a long-term source of food, growth and employment for us. We shall have to optimise the quality of life in

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coastal regions and raise people's awareness of the sea and their importance for the overall prosperity of the country.

For implementing these objectives and policies, we will have to establish an efficient structure for coordination and cooperation among the concerned authorities and hold periodic dialogues between them. A linkage between existing maritime bodies as well as between

all political levels shall have to be ensured for smooth flow of activities at sea. In this way, the framework for maritime industries, research, environment, safety and security can be improved.

We need to establish appropriate procedures to ensure that maritime policy matters and needs are transformed into departmental practices and, then in turn, departmental issues are reviewed in terms of their impact at sea. It is quite encouraging that the government has already formulated a maritime policy for Bangladesh taking into account all relevant maritime issues. It's time the policy is implemented.

In the interest of maritime environment protection, maritime security, and maritime surveillance and observation, linked-up efforts with our neighbours are also important. What is more, a holistic approach to maritime policy with regard to global engagement is necessary since neither wind, currents, emissions nor marine creatures or ships stop at the national border.

An integrated maritime policy will provide us with the opportunity to consider reciprocal interaction between economic growth, environmental protection and social prosperity in an inclusive way. Once an approved integrated maritime policy is available, it will be possible to constantly evolve and update the individual measures and projects, and evaluate them at regular intervals in the future. We must always remember that only a composed maritime policy can fulfill the maritime goal of the nation and make the country truly littoral.

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## LETTERS TO THE EDITOR

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### Malala speaks for the Rohingyas

It makes us happy to know that Nobel Peace Prize winner Malala Yousafzai has called on the world leaders to take immediate action to halt the inhuman persecution of Myanmar's Muslim minority, the Rohingyas people.

It is surprising that Myanmar's government always claims Rohingyas as Bangladeshis. Their stubbornness in this regard is obnoxious. That's why Rohingyas, who have lived in Myanmar for generations, are victims of an ongoing ethnic cleansing.

We express our solidarity with her saying, "The Rohingyas deserve citizenship in the country where they were born and have lived for generations."

Mobarak Ali  
 Gopibagh  
 Dhaka

## COMMENTS

**"No condition for \$2b new Indian credit"**  
 (June 11, 2015)

Cats Eye

Oh really? If that's true, then how could 50,000 Indians get jobs through this fund? Learn more from this link: <http://timesofindia.indiatimes.com/.../artic.../47570507.cms>

Dr. Ahsan Habib

The biggest condition of all is the rate of interest. Can the PM tell us at what rate the loan was obtained? That and the repayment terms are hidden conditions already there.

Pravin K Patil

Both India and Bangladesh need to progress together to make South-Asia a developed zone.

Rakibul Hassan

'Progress' for India is another word for unjust one-way profiting from Bangladesh. It is in Bangladesh's interests to have open international tender for all government purchases and contracts,

instead of illegal back-door no-bid exclusive contracts to India.

Amresh Jha

Bangladesh seriously needs manufacturing industries. Too much dependency on import is not right and Bangladesh is losing its currency. Try to improve manufacturing.

**"Miracle food made in Bangladesh"**  
 (June 9, 2015)

Sajibur Rahman Nayon

As far as I know, the scientists of Icdrr had previously made brilliant developments on the remedy of cholera.

Sifat Bin Shahid

We appreciate it very much. Congratulations, scientists! Keep it up!

**"Dhaka drowned, gridlocked"**  
 (June 12, 2015)

Saleh Tanveer

What else can be expected when every possible low lying area that served as ponds, canals and *khal's* have been filled up by greedy people seeking to make money, with the government unwilling and incapable of doing anything about it. The unabated grabbing of rivers and *khal's* by people with power and influence, often in collaboration with politicians, will only make things worse.

Sadman Bin Ornob

Actually, it's time to term Dhaka as 'mega hell', not mega city. Do politicians really care about anything?

Shahriar Tanvir Rizvy

The problem is not with the rain but it's with our planning and system. Dhaka is the most unplanned city in the world.

Nurul Haque

Where are our so-called 'nagor pitas'? What are they doing in this regard?