2023-24 BUDGET IN DEPTH

Healthcare's slice gets smaller

MOUDUD AHMMED SUJAN

People may not get any respite from increased healthcare cost as the share of the budget allocation for the health sector has been reduced for next fiscal compared to that of the outgoing year.

Experts fear that it will be tough to ensure necessary services and medicine supply to public hospitals with an insignificant rise in allocation in the health sector.

The health and family welfare ministry has got the allocation of Tk 38,052 crore in the proposed budget, around 5 percent of the total figure amounting to Tk 7,61,785 crore.

In the outgoing fiscal, the health sector got Tk 36,863 crore, which was 5.4 percent of the total budget.

While the proposed budget sees a 12.34 percent rise from the outgoing budget of Tk 6,78,064 crore, the health sector has got only a 3.22 percent increase from the outgoing budget of Tk 36,863 crore.

"There is no [significant] rise in the health budget. So, healthcare will become costlier in the days to come, as costs of medicine and other logistics have already increased significantly," Dr Be-nazir Ahmed, former director of Disease Control Unit at the health directorate, told The Daily Star yesterday.

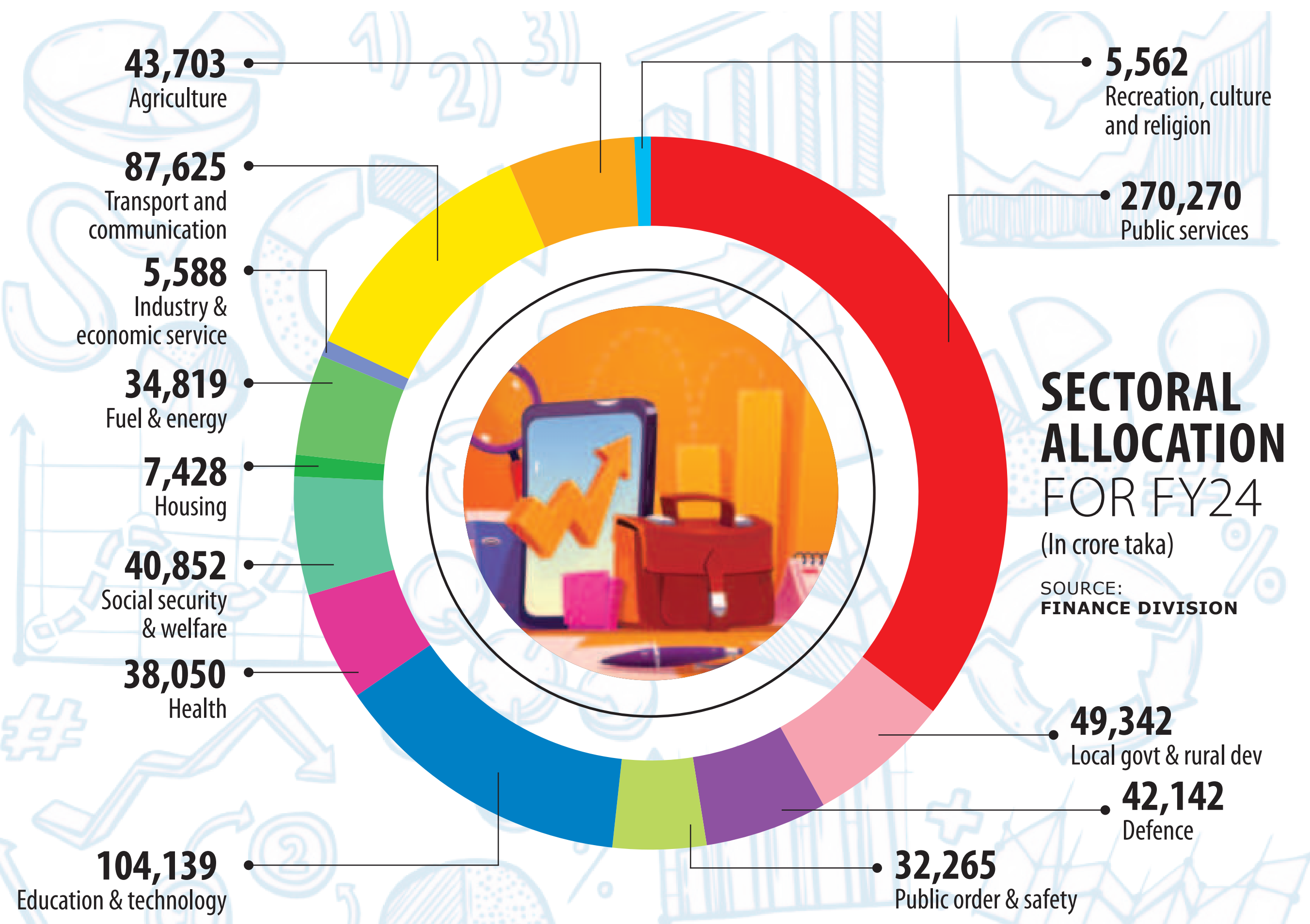
Like the previous fiscal years, the health sector's allocation is distributed between the Health Services Division, responsible for ensuring healthcare services to people, and the Medical Education and Family Welfare Division, responsible for health education and family planning services.

Of the total health budget, Tk 29,431 crore has been allocated for the Health Services Division, which is only a Tk 150 crore increase compared to the outgoing fiscal's allocation of Tk 29,281 crore.

Of the amount, this division is going to receive an allocation of Tk 17,221 crore for operation costs, upTk 3,791 crore from the outgoing fiscal.

But the allocation for development cost has dropped significantly to Tk

SEE PAGE 9 COL 1



SAFETY NET ALLOCATIONS

Rise far from enough

MD ASADUZ ZAMAN

Although the size of allocation for social security programmes has enlarged, the government has made no significant changes to cushion the vulnerable groups of people from persistent inflationary pressure.

Allocation for safety net programmes in the budget for the next fiscal year has been raised 11 percent from Tk 1.13 lakh crore to Tk 1.26 lakh crore. The allocation is 16.58 percent of the total budget and 2.52 percent of the gross domestic product.

In a recent review report on Bangladesh's economy, the Centre for Policy Dialogue says that the share of allocation for safety net programmes that actually provide protection to the poor keeps declining. On the other hand, the share of loosely related or completely unrelated programmes, such as pension schemes for retired government employees, are included on the list and keeps increasing over the past 13 years.

Pension scheme constitutes 22 percent of safety net allocations in the proposed budget compared to 25 percent of the current fiscal.

However, there is still some good news for the elderly and destitute women. Kamal has proposed increasing the monthly allowance for the elderly from Tk 500 to Tk 600 and for the widowed, deserted and destitute women, from Tk 500 to Tk 550.

The number of beneficiaries in both categories has been increased by 1 lakh, taking the total to 58.01 lakh and 25.75 lakh respectively.

Though the monthly allowance for people with disability remains the same at Tk 850, the number of beneficiaries has been proposed to be increased from 23.65 lakh to 29 lakh.

"The inclusion of a formal pension for retired government employees should not be included in the social safety net programmes," said Binayak Sen, director general of the Bangladesh Institute of Development Studies.

He said the social security programmes are the only government instruments through which the poor and ultra-poor people get some protection.

The proposed allocation should have been bigger considering the inflationary pressure, he said adding that the current allowance is equal to one day's agricultural wages.

SEE PAGE 9 COL 5

'SMART BANGLADESH'

Budget theme mirrors AL's 2041 vision

EC likely to get Tk 2,406cr in the election year

PARTHA PRATIM BHATTACHARJEE and MOHIUDDIN ALAMGIR

About six months ahead of the next general election, the government yesterday proposed the last national budget of its five-year term mainly keeping the ruling Awami League's vision of a "Smart Bangladesh" by 2041 and the election in mind.

The theme of the budget, "Towards Smart Bangladesh Sustaining the Development Achievements in a Decade and a Half", is similar to the AL's declaration adopted at its 22nd triennial council in December last year.

The theme of the AL's next election manifesto will likely be "Smart Bangladesh by 2041".

Political parties usually prepare election manifestos based on their declarations.

Next fiscal's budget increased the total allocation for the Election Commission to Tk 2,406 crore from the outgoing fiscal's Tk 1,538 crore.

The EC's development budget will decrease by Tk 467 crore from that of the outgoing fiscal. The operating budget for the constitutional body will increase by Tk 1,357 crore.

The additional allocation was made for the EC to meet its expense for the upcoming 12th parliamentary polls and elections to local government bodies.

The budget for the 11th national polls, held in December 2018, was Tk 700 crore.

Both the proposed budget and the AL's declaration have the common vision for building a sustainable, innovative, intelligent and knowledge-based Smart Bangladesh.

The finance minister in his budget speech said the dreams of "Smart Bangladesh" will be realised based on four main pillars -- smart citizen, smart government, smart society, and smart economy. This was also mentioned in the AL's declaration.

The minister said the government was hoping to produce 40,000 megawatts of electricity by 2030 and 60,000 megawatts by 2041. A similar statement was made in the AL declaration.

The minister proposed increasing the allocation for social safety net programmes by 11 percent from the outgoing fiscal. The AL in its declaration also promised to widen the coverage of social safety net.

He hoped that in "Smart Bangladesh", the per capita income will be at least $12,500; less than 3 percent people will be below the poverty line, extreme poverty will be

SEE PAGE 13 COL 2

A budget divorced from reality

FROM PAGE 3

the allowances by Tk 50 to Tk 100, which, in this time of high inflation, is not of much help.

He could have easily accommodated some sort of support for those being overwhelmed by the spiralling price level by doing away with the cash incentive for remittance, which has proven to be ineffective in luring in remittance in the presence of multiple exchange rates, and garment exports.

In fact, eliminating the cash support for exporters is the need of the hour to increase competitiveness given the impending graduation from the least-developed country bracket, which would see the duty benefits in the main export markets disappear.

Other than the odd mention of LDC graduation, the budget has no concrete steps in preparation for the post-LDC world.

In his quest to boost tax revenue collection, he heaped the burden on the middle-class amid the cost of living crisis while extending charity to the wealthy.

The imposition of the minimum tax of Tk 2,000 for those below the taxable income floor of Tk 3.5 lakh but have TINs and file returns, while keeping the income tax intact for the wealthy is simply pouring salt in the wounds of the less well-off.

Another baffling move of Kamal, like the hike in import cost for software, is the hike in customs duty for escalators and lifts to protect the domestic industry.

Given the need to build high-rise buildings to accommodate the growing population, lifts are not a luxury. But it is a costly exercise to purchase, install and service lifts.

What the duty hike would achieve is sending those with a very finite budget towards sub-standard and unreliable locally-manufactured lifts that would need replacing in a few years.

How does it help anyone other than the two sprawling conglomerates that have ventured into lift manufacturing?

In fact, his budget speech was bordering on schizophrenia.

In his desperate attempt to restrict the budget deficit to within the International Monetary Fund's bounds, he showed an abnormally high revenue collection target peppered with baffling tax cuts or hikes.

The target will remain unmet by a country mile, given the slowdown in the economy and the import curbs to safeguard the fast-shrinking dollar stockpile.

And, what is more damning is he did not take any definitive step towards addressing the elephant in the room, as in previous years: corruption in the tax administration that could be dealt with through automation.

Neither did he mention anything about reforming the VAT and income tax laws to make compliance more compelling.

His plan to increase the National Board of Revenue collection target by an improbable portion is simply wishy-washy.

A large part of the budget would be funded with record bank borrowing and assistance from development partners.

The problem with bank borrowing is it crowds out private sector investment. And yet, he has forecasted that private sector investment would hit an all-time peak of 27.83 percent of GDP in the upcoming fiscal year.

Budget support from development partners is not a guarantee, so should he decide to borrow from the central bank during the course of the fiscal year to plug the holes in the books, it would be catastrophic, as it would fan the inflationary fire further.

Admittedly, there are some encouraging reforms in the budget, but those have less to do with Kamal and more to do with the shackles of the IMF's loan programme.

One such reform is the much-delayed automated pricing system for the energy sector to reduce the subsidy burden.

And yet, Kamal would be increasing the power subsidy in the next fiscal year. How the additional subsidy would be used has not been articulated. Would it be going towards the extravagant capacity charges?

Similarly, Kamal did not stick to all of the IMF's prescriptions: social spending -- which includes expenditure on health, education and safety net -- did not increase.

The Ukraine war has taught us the fallacy of depending on imports for subsistence, and the budget failed to provide anything to encourage local growers to ramp up the production of kitchen essentials.

In summary, this is a budget divorced from reality. Let's hope the reality becomes rosier over the next 12 months such that the budget becomes less injurious for the economy and the common people.

Little cushion

FROM PAGE 3

1,600 homes across the country in March, low-income households reduced consumption of rice and wheat by a staggering 37.08 percent and 56.55 percent respectively.

A stunning 96 percent of the poor slashed their meat consumption and 88.22 percent gave up fish.

Consumption of egg, the cheapest means for getting animal protein, and edible oil was down by 77.06 percent and 81.43 percent, it found.

The reasons behind the runaway inflation are many, but disruptions in global supply chains, Ukraine war, inadequate domestic food production, price manipulation at local markets, and the weak taka are usually blamed for high prices of food, fuel and other commodities.

Raihan said, "We had assumed that inflation would come down automatically, but it is not going to happen like this. We cannot still blame the Russia-Ukraine war for the persistent inflation because prices of many products have come down globally but not in our country."

Citing an example, he said the price of crude oil in the international market has dropped but fuel prices are still high in Bangladesh. The government could have reduced the prices by adjusting taxes since fuel prices directly impact inflation. But that did not happen, he added.

Raihan said apart from implementing appropriate monetary policies, the government should take effective steps against market players who manipulate prices.

"Some drives are conducted on and off but those do not help much. If the unscrupulous traders are not made accountable and a proper monitoring system is not in place, nothing much will change," he said.

Yesterday, proposals were made to increase the allocation for social security programmes and raising the number of beneficiaries and allowances for elderly people, widows, and destitute women.

However, food distribution programmes, like food for work and open market sale, will have less food, 30.92 lakh tonnes, next year. In the current fiscal year, the programmes had 32.82 lakh tonnes.

The budget did not mention any government interventions for curbing non-food expenditures of people, like rent, transportation, and healthcare.

It's unrealistic, unattainable

FROM PAGE 3

with the measures that have been announced," said Fahmida Khatun, executive director of the think tank.

Rizwanul Islam, a former special adviser of the employment sector at the International Labour Office in Geneva, said the targets for GDP growth of 7.5 per cent and inflation rate of 6 per cent in the current circumstances appear to be quite unrealistic, especially if one bears in mind the kind of policy interventions that would be needed to bring down the inflation rate and allow the exchange rate and the interest rate to be determined by the market.

"By the way, the latter is part of the conditions of the loan taken from the IMF."

He said the architects of the budget should have adopted an alternative approach of macroeconomic stabilisation with a lower rate of GDP growth, gradual reduction of the inflation rate and greater support for the poor and vulnerable.

"The proposed budget can't be considered pro-people," said Selim Raihan, executive director of the South Asian Network on Economic Modeling, a think-tank.

"I don't see any possibility of the


Fahmida Khatun


Rashed Al-Mahmud Titumir


Sayema Haque Bidisha


Selim Raihan


Zahid Hussain

inflation rate going down to 6 per cent in the next fiscal year as the present condition is not favourable."

He said the budget would face big challenges in stabilising the macroeconomy and controlling inflation.

Raihan criticised the budget proposal on fixing a Tk 2,000 in minimum tax for individuals who are required to submit income tax returns to avail various government services even if they don't have taxable incomes.

"The low-income people who have taxpayer identification numbers will be under pressure due to the minimum tax."

Debapriya Bhattacharya, a distinguished fellow at the CPD, also criticised the government's move to impose the minimum income tax.

"It is unjust, illogical, if not immoral. If a person is not liable for tax, how can you really tax the person? This is a desperate attempt to increase direct taxes."

He said the commitment to the International Monetary Fund (IMF) has been embedded in the budget policy framework.

According to the budget speech of the finance minister, the government will go for making the exchange rate and the interest rate on loans market-based, which is in line with the suggestions attached by the IMF with its $4.7 billion loan programme.

"It will also change the monetary policy approach from credit targeting to inflation and there are also attempts to improve the revenue intake," Debapriya added.

Rashed Al Mahmud Titumir, a professor at the Department of Development Studies at the University of Dhaka, said the cost of living has gone up as the prices of almost all products and services surged, eroding the purchasing power of the common people.

On the other hand, the income of people did not increase, he said, adding that the cost-of-living crisis was not addressed in the budget.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, called the budget expansionary since the proposed size is higher than the revised one and in terms of GDP, and the deficit is higher than in the current fiscal year.

The expansionary budget is not consistent with a macroeconomic scenario where inflation is running high and there is a dollar crisis, he said.

"The higher deficit will compound pressure on inflation and the reserve and it will worsen the crisis, let alone addressing it."

He said the budget has given benefits to the rich.

He explained the ceiling against which the super tax would be applicable has been raised to Tk 4 crore from Tk 3 crore.

Similarly, individuals whose income stood at Tk 50 crore have had to pay 35 per cent in surcharge. Now, the same rate will be applicable to those with an income of Tk 100 crore, he said.

"In Bangladesh, the number of people who earn Tk 100 crore per year is limited. So, this will ultimately benefit the rich."

Zahid Hussain said there were expectations that structural reforms would be proposed in the area of a cashless society and digitalisation. Such reform proposals are not visible except the one related to the universal pension scheme.

The scheme will be launched in 2023-24.

Sayema Haque Bidisha, a professor of economics at the University of Dhaka, said the government has kept subsidies in the agriculture sector despite a condition of the IMF that aims at reducing subsidies.

"The government's decision is logical because of the ground reality."

Rizwanul Islam said the allocation for social protection has remained a subject for discussion because it includes items like pensions and subsidies in certain areas. One has to separate out the amount that is meant for real social safety nets aimed at the poor and see what is happening to that amount.