

1

ANNEX

**Dialogue Report on
Analysis of the National
Budget for FY2012-13**

THE DIALOGUE

The dialogue on *Analysis of the National Budget for FY2012-13*, organised by the Centre for Policy Dialogue (CPD), was held on 16 June 2012, at the La Vita Hall, Lakeshore Hotel, Dhaka. The event was held with the view to share CPD's observations on and analysis of the various proposals set out in the National Budget for FY2012-13 presented by the Finance Minister on 7 June 2012. The idea was to create an opportunity for an in-depth discussion with participation of major stakeholders including policymakers. *Mr M Syeduzzaman*, Member, CPD Board of Trustees and Former Finance Minister was the Chair at the dialogue whilst *Professor Mustafizur Rahman*, Executive Director, CPD was the keynote presenter. The Hon'ble Minister for Planning *Air Vice Marshal (Retd) A K Khandker, MP* was present at the dialogue as the Chief Guest. *Mr Amir Khosru Mahmud Chowdhury*, Member, Advisory Council of the Chairperson, Bangladesh Nationalist Party (BNP) and Former Minister for Commerce was the Special Guest, and *Dr A B Mirza Azizul Islam*, Former Advisor to the Caretaker Government, Ministries of Finance and Planning was the Guest of Honour at the programme. The dialogue saw a lively exchange of views among a broad spectrum of participants which included representatives of the civil society, lawmakers, senior government officials, economists, academicians, representatives of grassroots organisations and development agencies. List of participants is attached at the end of the report.

WELCOME NOTE

Mr M Syeduzzaman, as Chair of the dialogue, warmly welcomed the participants on behalf of CPD. He particularly thanked the Chief Guest for his presence and hoped that deliberations at the dialogue will be reflected in the revised budget document.

Mr Syeduzzaman noted that the Finance Minister in his Budget Speech has elaborated on the measures, steps and programmes taken by the government in the course of the past three years. He also appreciated the extensive discussion the Finance Minister had with major stakeholders prior to formulating the 2012-13 Budget proposals. *Mr Syeduzzaman* observed that such extensive consultation was important not only to gauge public sentiment, but also for buy-in of the budgetary proposals by citizens. The Chair felt that the practice of presenting quarterly reports before the Parliament about progress of implementation of the budgetary proposals was a commendable initiative. Regarding the size of the budget, he thought that it was commensurate with the tasks at hand, but that the 18.4 per cent share of the budget for public expenditure was lower than in most of the South Asian countries.

The Chair was of the opinion that the most notable success of the government in the past three years was the steady increase in revenue as percentage of the gross domestic product (GDP). However, the state-owned enterprises (SoEs) were a drag on the economy, and also there was the fact that Bangladesh's revenue-GDP ratio was lower than those of other South Asian countries. Additionally, negative public savings for the last couple of years, decline in national savings in FY2011-12 after several years of slow progress, and lower debt-GDP ratio remained continuing concerns. Growth in domestic borrowing and unsatisfactory level of utilisation of domestic resources in recent years had put a limit on the fiscal space that was required to deal with any unforeseen external or internal shocks. Declining foreign aid disbursement also limited the fiscal space available. He also highlighted a number of challenges facing the implementation of the Budget FY2012-13. The economy was at a state where the import-export gap was widening, overall balance of payments (BOP) was in a deficit for the first time in about a decade, and exchange rate faced some pressure along with upward pressure on the interest rate. Lack of fiscal space could constrain private investment, which was the engine of growth, the Chair observed.

KEYNOTE PRESENTATION

The keynote paper was presented by *Professor Mustafizur Rahman* on behalf of CPD's Independent Review of Bangladesh's Development (IRBD) Team.

Professor Rahman noted that the budget for FY2012-13 would be the last budget for which the incumbent government will get a full fiscal year to implement. Dwelling on the positive indicators, he noted that major such features of the outgoing fiscal year included encouraging performance of the National Board of Revenue (NBR), steady growth of agriculture and robust remittance flows. However, there were also tensions that were gaining within the economy in FY2011-12. One of the major weaknesses of this fiscal year was the state of fiscal management. Additionally, there was high inflation, stagnation in the investment scenario in terms of its share in the GDP, and this was true for both public and private investments; the BOP was also under some pressure. GDP growth rates were likely to experience slowdown and would be lower than what was projected. The speaker felt that major objectives of the budget should be fiscal consolidation, reversal of the investment downturn, restraining inflation and revitalising the lost momentum in terms of the economic growth.

Professor Rahman observed that achieving the growth target for FY2012-13 would be a challenge and would demand a significant improvement in many key macroeconomic indicators. He expressed doubts over

realisation of some of these key targets which include investment (both public and private), Annual Development Programme (ADP), inflation and non-tax revenue targets in the budget. *Professor Rahman* presented an analysis of the factors which underwrote such an outlook. As an example, he noted that if share of investment in the GDP had to rise by 4.6 per cent more than last year (as projected in the budget), growth in investment would have to be 32.4 per cent which entailed a significant departure when compared with the performance of the recent past years.

Professor Rahman commented on a number of fiscal and budgetary measures included in FY2012-13 Budget. He felt that tax on mobile phone bill was likely to adversely affect the prospect of further expansion of mobile telephony where the additional market opportunities are lying mainly among the relatively low-income people. The possible impact of the proposed 2 per cent tax to be levied on mobile usage was somewhat ambiguous because it was not clear whether the tax would be in the form of an advance income tax (AIT). With regard to land tax he expressed apprehension that the way the tax was being proposed, it would perhaps be passed on to the consumers. About the whitening of undisclosed money, *Professor Rahman* reiterated CPD's earlier stance and stated that this was not desirable both on fiscal discipline and moral grounds. If past record in this respect gave any cue, this also failed to bring-in additional resources.

FLOOR DISCUSSION

Incentives for Readymade Garments (RMG) Sector

Concern was raised by *Mr Anwar-Ul-Alam Chowdhury Parvez*, Former President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) about the state of RMG sector in recent times. He felt that the RMG sector had to be competitive in order to achieve higher growth. The budget did not speak of any measures to make the RMG sector competitive. Rather high interest rates, high level of government borrowing crowding out private sector, and high at-source AIT acted as deterrents to growth prospects of this key sector of the economy. To be competitive, the sector had to have a conducive environment. Uninterrupted power supply was a key demand of the entrepreneurs. He was of the opinion that the government should have assessed the requirements of the export-oriented industries carefully, and should have employed the mechanism of deducting tax from profit rather than doing so at source.

Dr Wajedul Islam Khan, General Secretary, Bangladesh Trade Union Kendra highlighted the issue of workers' welfare in the RMG sector. He mentioned that approximately four million RMG workers are working in the sector, where

the minimum wage was only Tk. 3,000. This was one of the primary reasons for the current unrest in Ashulia and other places. Another reason was that the house rent had increased by two to three times in the very recent period. *Dr Khan* demanded construction of low-cost dormitories for workers in areas where there is high concentration of industrial workers. He urged the government to take up the matter with utmost seriousness.

Mr Haider Akbar Khan Rano, Convener, Workers' Party of Bangladesh (Reconstructed) was of the opinion that rationing will be a very good step to mitigate the dissatisfaction of the workers. This was supported by number of other speakers. They urged upon the government to seriously consider the proposal and look for resources that will be needed for implementing this proposal.

Agricultural Subsidy

Referring to the subsidy for agriculture *Mr Rano* noted that it has decreased in the proposed FY2012-13 Budget compared to the Revised Budget of FY2011-12. As a result, it will be difficult to ensure continuity of the success of the agriculture sector attained in recent years. Concerns were also expressed with regard to the proposed increase in the price of fuel which could raise the cost of production by raising expenditure for irrigation in the next season.

Dearness Allowance

Dr Wajedul Islam Khan felt that introducing dearness allowance for workers merited favourable consideration. This was particularly needed for the RMG workers. He noted that workers' minimum wage was set according to certain criteria, at a particular time, but the prices of essentials were determined in the free market economy which tended to rise on a continuing basis. Defining dearness allowance, the speaker explained that this was a mechanism to adjust salaries and wages in view of rise in the price of essentials to safeguard against erosion of purchasing power. Later when the minimum wage would be revised upward by the employers, the dearness allowance would be merged with that of the new salary structure. Indeed, the employers would not have to spend for higher wage and also the workers would not get any extra payment; this would simply mean that higher prices for food and non-food commodities would be adjusted. *Dr Khan* demanded that the budget should make adequate provision for dearness allowance for RMG workers.

Tax Augmentation

The Finance Minister had proposed an increase in tax at source from the prevailing 0.6 per cent to 1.2 per cent for the export-oriented industries. *Mr M Fazlul Azim, MP*

from the Noakhali-6 Constituency and also the Chairman of Azim Group thought that such a rise would definitely have a negative impact on FY2012-13 export earnings as this would create a disincentive for the entrepreneurs.

Mr Habibullah N Karim, Managing Director of Technohaven Group of Companies drew attention of the audience to the fact that there was no statutory time limit for direct taxation which would mean that the government can claim tax on income going back even for 20 years. Such a policy was never pursued by any other country in the world. He strongly felt that the harassment in the name of tax collection should be looked into by the government very carefully. *Mr Karim* in this regard called for introduction of a realistic statutory time limit concerning direct tax claim by the government.

Energy and Power Sector Crisis

A number of commentators expressed concern as regards the problems faced by the energy sector. *Professor M Tamim* of the Department of Petroleum and Mineral Resources Engineering, Bangladesh University of Engineering and Technology (BUET) and Former Special Assistant to the Chief Advisor, *Mr M Fazlul Azim, MP* and *Mr Rashed Khan Menon, MP*, Chairman of the Parliamentary Standing Committee on Ministry of Education and President, Workers' Party of Bangladesh made interventions drawing attention to the concerns involved. *Professor Tamim* noted that budgetary allocation was based on policy decisions, and budgetary shortfall in terms of investment was rather prominent as far as this sector was concerned. Foreign direct investment (FDI) in this sector was also at low levels. He thought that appropriate policy actions were needed to be taken by the government to address the attendant concerns. According to him, the biggest problem in the energy sector was related to the primary energy. Towards long-run solution to energy deficit, emphasis ought to be given to primary energy, including development of both natural gas and coal. There should be adequate budgetary allocation towards this.

Elaborating his thoughts, *Professor Tamim* observed that development of the Coal Policy was not given proper emphasis, and hence, there was persistent reliance on rental power plants as quick solution. He drew attention of the audience to the fact that good quality coal was available within the boundaries of the country; but, electricity generation based on imported coal was being considered. Coal extraction from Jaipurhat with appropriate compensation to land-owners was a viable option which was not explored by the government, he observed.

Oil-based power plants were a short-term solution to the energy problem of Bangladesh, which were creating significant pressure on the budget. *Professor Tamim* was concerned that the budget failed to come up with medium to long-term solutions to the energy problem. He also felt that there was no exit plan for quick fix solutions which was haemorrhaging the economy.

Sea Port

Mr M Fazlul Azim, MP felt that with growing international trade Bangladesh will have to ensure significant extension of its port facility. He observed that in spite of the longstanding proposal, no concrete step has been taken for the construction of the deep sea port. He also stressed that the economy will require credible investment in the infrastructure if the targeted growth rates were to be achieved.

Social Safety Net Programmes

It was noted by *Mr Azim, MP* that in the budget for FY2012-13, allocation for the social safety net had been scaled down. He also argued that the social safety nets in Bangladesh are largely based on charity, and charity alone cannot improve the fate of a nation. He opined that, there was a need to create adequate job opportunities in the economy, particularly in the rural areas. This was also necessary for the accelerated reduction of poverty. He felt that corruption was being promoted in the rural areas in the name of social safety nets. Agreeing with *Mr Azim, Mr Menon, MP* also acknowledged that the safety net programmes faced significant implementation problems due to corruption. He, however, felt that the safety net programmes were very helpful for the underprivileged and low-income segment of the population of Bangladesh.

Health and Education Sectors

According to *Mr Rashed Khan Menon, MP* the proposals articulated in the country's education policy were not being implemented. He also noted that in relative terms there was a decline in the allocation of health and education sectors as share of GDP. He argued that subsidy in other sectors of the economy could be attributed as major reasons behind the decline in the allocation for these two sectors.

Mr Isa Achoba, Chief, Social Policy, Monitoring and Evaluation, UNICEF, Dhaka Country Office pointed out that to improve the productive capacity in the medium term, the country should put emphasis on the education sector, more particularly on the quality aspect of education for the development of human capital. Improved quality of education would also help to bring higher flow of

remittances. Majority of the Bangladeshi workers were low-skilled, and because of this they earned less. He added that the investment made in education in the past had given Bangladesh rich dividends. This should be continued in future.

Mr Haider Akbar Rano felt that the allocation in health requires to be scaled up in order for Bangladesh to achieve the status of a middle income country. The market-oriented approach towards health and education was adversely impacting by leading to higher costs for these services for the common citizens. In this regard state should play a more proactive role. *Mr Rano* also proposed introduction of free medical service for the poorer sections of the population in the face of escalating medical costs in the private sector.

Inequality

Mr Isa Achoba felt that good rationale has to inform budget preparation, and this comes from knowing the magnitude of problems that exists. In Bangladesh, there was significant inequality between urban and rural areas. It is a question of how much gap has been closed between urban poor and their rural counterparts, he added. He pointed out that lack of good governance and institutional weaknesses do not allow benefits to trickle down to the poor. Some of the basic services were provided to women and children in the urban areas, but when rural people are deprived from such services the gap does not get reduced.

Whitening of Black Money

Some of the participants observed that black money may be categorised into two sub-categories: legally earned money not incorporated in income tax return or wealth statement, and illegally earned money. *Mr Hafiz Ahmed Majumder, MP*, Chairman of Pubali Bank Ltd and Brindabon Tea Estate commented that although the government is not legally entitled to exercise the authority of whitening of black money, nonetheless successive governments had resorted to this. He, however suggested the government to channel the black money towards investment that would create employment; furthermore, the black money would then be included in the tax net. Several avenues including investment through buying of Bangladesh Investment Facilitation Fund (BIFF) shares, bonds or investing in the capital market could be considered. But the option of legalising black money by paying only 10 per cent fine was not an ethical proposition, the Member of Parliament noted.

Tax Lawyer *Mr Jahangir Alam Chowdhury* added that there is no guarantee clause added to the whitening of black money. The law states that no investigation would

be carried out according to the particular law which would imply that the black money may be questioned from the vantage point of other sections of the law. Additionally, if the rate of fine to whiten the black money is very high, this would be a discouraging factor.

Some participants, on the other hand, pointed out that whitening of black money goes against the spirit of Anti-Money Laundering Act. In this connection, *Mr Haider Akbar Rano* shed light on a newspaper article which stated that the Dhaka Chamber of Commerce had urged to remove the 10 per cent fine which was to be imposed. But it would mean that the one who is corrupt and evaded tax, would not be punished for his/her actions. This would have negative implications for common taxpayers' propensity to pay taxes.

Banking

In response to CPD's comment that an extra 5 per cent tax could be imposed on non-TIN (Tax Identification Number) holders which would encourage the people to acquire TIN certificates, *Mr Mohammed Nurul Amin*, Managing Director & CEO, NCC Bank Limited and Chairman, Association of Bankers, Bangladesh Limited said that this would not be the case, since TIN holders are numbered in lakhs whilst account holders are numbered in crores. Majority of the population in Bangladesh live in the rural areas; the Ten-Taka bank account facility was created for them. If these people were to pay an additional 5 per cent tax now, they would be discouraged to hold bank accounts, and unscrupulous non-banking organisations will be encouraged as a part of potential savings will be diverted to them. In today's competitive market, the banks have to compete for deposits. When the call money rate increases, there are banks waiting to capitalise on the opportunity to lend at a higher rate. *Mr Nurul Amin* said that the government could encourage buying of bonds for investment purposes in order to reduce the burden borne by the primary dealers.

Capital Market Dilemma

Mr Rashed Khan Menon, MP stressed the importance of mobilising funds from small investors rather than concentrating on the funds and finances originating from the capital market. The Chair, *Mr M Syeduzzaman* intervened to mention that capital market was important, and that the Finance Minister had devoted a substantial amount of text to highlight the capital market in the Budget Speech. Several fiscal measures were in place including 10 per cent tax rebate for listed companies.

Dr Kamal Hossain, Former Minister and President of Gono Forum stressed on the need for demutualisation of the stock exchange and expressed his concern regarding the

inordinate delay in financial reporting for the promotion of transparency in the capital market. In this connection he recalled the boom and bust of the capital market crisis in 1997. He demanded justice on behalf of those who had suffered because of the capital market scam, and called for the perpetrators of the two scams to be brought to justice. The Chair intervened to add that electronic buying and selling of shares are being discussed together with the option of demutualisation.

Local Government

Decentralisation and strengthening of the local governments have been in the discussion for many years now, and in this context, *Dr Kamal Hossain* drew attention to the fact that there is provision of local government in the constitution of Bangladesh, in the policy statement of the present government, and even in the Awami League manifesto. However, there was lack of initiatives in this regard, and the resultant burden of overcentralisation had to be borne by the common people. Decentralisation was one of the means to reduce corruption. It was previously proposed that Tk. 1,500 crore would be disbursed for upazila and union parishad, but no funds have been made available or disbursed till date. It is a fact that if resources are not made available, the question of implementation of activities with allocated funds becomes rather immaterial.

Mr A K M Mayeedul Islam, MP, Member of Parliamentary Standing Committee on Ministry of Finance who is from Kurigram-3 Constituency commented that the upcoming budget is a Dhaka-centric budget. He felt that an increasingly large number of people are being driven towards the capital; however, this need not be the case. Although good quality infrastructure are present in the rural areas, especially health complex, colleges and schools, the number of doctors or teachers who were ready to live and work in the rural areas was rather very low. It is a fact that no sector in the rural areas has sufficient employees other than the Police department. He felt that people should be given incentives to move to the rural areas. *Mr Mayeedul Islam* proposed that the divisions could be made into provinces. These would have provincial governments, a Chief Minister and an independent Governor. This would raise the efficacy of governance in general in the country.

Institutions and Rule of Law

With regard to functioning of the institutions, *Dr Kamal Hossain* questioned the quality of public service, methods and governance and the related processes and procedures. He believed that if the processes were transparent and inter-ministerial coordination was proper, delays in decision making process could

be significantly avoided. *Dr Hossain* highlighted the importance of ensuring compliance with the Constitution and impartial and effective application of the rule of law, and not on partisan basis. He was critical of the appointment of judges during the tenure of the current government, and stated that there should be an objective election procedure with transparent appointment in the public services. The rule of law in the country have come to a point where bypassing the law and ring fencing other areas of the law are necessary. This is also important for promoting investment and economic growth, he opined.

Gender

Ms Rekha Chowdhury, Andolon Secretary, Bangladesh Mahila Parishad said that a gender responsive budget is important for the women of Bangladesh. She recommended to set up a gender budget monitoring cell with the assistance of a committee having representatives from the government and the 'Mahila Parishad'. She also mentioned that the contribution of women in the agriculture sector and other sectors are not recognised properly; that health and educational empowerment of women in general should be given prominence. Measures should be in place so that women farmers can benefit from those, and also there should be provisions for development of expertise for women in the RMG sector.

COMMENTS FROM THE GUEST OF HONOUR

Dr A B Mirza Azizul Islam agreed with most of the proposals in the budget. He felt that the proposed NBR target will be met since NBR has done commendably well in the last couple of years in terms of mobilising resources. However, the proposed level of non-NBR tax revenue will not only be difficult to attain, but will perhaps be impossible. There was, thus, an apprehension that there will be a shortfall in domestic revenue collection due to the expected shortfall in non-tax revenue. He added that the SoEs were incurring huge losses and eventually have become a burden on the exchequer. *Dr Islam*, while backing up his statement with facts and figures, projected that aid financing from external sources would not experience a drastic change. He felt that the proposed escalated domestic non-bank borrowing of Tk. 7,400 crore will be very hard to achieve. The implied effect would be that bank borrowing, set at Tk. 23,000 crore, will exceed the expected targets. He also noted that tax on mobile bills and increased taxes on non-TIN bank accounts should be applied only above a certain threshold amount. Looking forward to FY2012-13, *Dr Islam* felt that low export growth, low FDI and higher trade deficit would be the major challenges together with exchange rate pressure, lower revenue collection and lower disbursement of foreign aid, lower than targeted sale of national savings certificates leading

to higher bank borrowing. Increase in call money rates and constrained access to bank borrowing by the private sector were also major problems the economy was likely to face in FY2012-13, according to him.

COMMENTS FROM THE SPECIAL GUEST

Mr Amir Khosru Mahmud Chowdhury thanked CPD and its Executive Director for the valuable budget analysis that was presented at the dialogue. *Mr Chowdhury* discussed issues that he found to be lacking in the proposed budget for FY2012-13. He agreed with other discussants who expressed their concerns regarding the prospect of the implementation of the budget. He stated that in view of the macroeconomic stability including conducive investment policies, the Bangladesh business community was able to take advantage of investing in the economy in a significant manner. However, this would now be at risk, he noted.

Mr Chowdhury mentioned about a number of key points reflecting on the need for maintaining sound investment environment which was essential for the growth target mentioned in the FY2012-13 Budget. Investment had been suffering from inadequate infrastructure and liquidity crisis in the economy. Commenting on the targets of growth and inflation proposed by the Finance Minister, *Mr Chowdhury* said that everything boils down to investment. He also thought that the growth target and downward adjustment of inflation to 7.5 per cent would depend on the financing of investment, and whether investment was taking place or not.

He noted some factors that were essential for investment. Firstly, he expressed his discomfort regarding inflation rate which was very high; he commented that high inflation rate does not go with higher levels of investment. He did not think that trend of high inflation of both food and non-food components will come down in any significant manner. Secondly, he mentioned that the targeted flow of credit in the proposed budget was not in consonance with the projected investment. Besides that, Bangladesh Bank was pursuing a contractionary monetary policy on one hand, and on the other hand, there is the presence of liquidity crisis and poor inflow of foreign aid. Thirdly, he pointed out that both private and public sectors were having to borrow with high interest rate, and this would affect the investment by raising the unit cost of fund. Regarding the issues of higher price of power and fuel, *Mr Amir Khosru Mahmud Chowdhury* noted that Bangladesh had advantage in labour which was good for investment, but this was now suffering erosion. He said that the governmental decision to increase oil, energy and power tariffs will prove to be a disadvantage rather than an advantage from the perspective of investment.

Mr Chowdhury then commented on power shortage and its effect on production and investment. He expressed

concerns regarding Bangladeshi Taka (BDT) losing its value against the United States Dollar (USD) which increased the cost of raw materials, capital, transportation and production cost. He argued that good investment was not possible without adequate infrastructure. The government talked of investment in infrastructure through public expenditure, but this was not reflected in the ADP. The much needed infrastructure for private investment in energy, water, power was lacking and the cost of providing these services were also on the rise.

Mr Chowdhury felt that political stability was very important for any country to attract investment, both domestic and foreign. Rule of law was also important. These are the basic requirements of investment, and consequently are also the primary concerns for investors. According to him, rule of law was a persistent problem in Bangladesh and there was a lack of confidence in the judiciary in Bangladesh.

Showing concern about the fragility of the capital market, *Mr Chowdhury* mentioned about the Securities and Exchange Commission (SEC) and the scam which afflicted the stock markets in spite of the presence of the regulatory body. Mentioning his personal contribution in the development of the stock market in Bangladesh, he expressed that the general people have lost confidence in the regulatory bodies and institutions. If government intervention continued, the market would not be able to function. He felt that the government should not intervene in the operation of the market.

Mr Chowdhury expressed his discomfort with regard to the alleged corruption concerning the Padma Bridge and felt that the whole episode was symptomatic of crony capitalism. He tried to draw government's attention to the functioning of the regulatory institutions which were not operating independently. Because of the above mentioned factors including lack of political stability, investors were transferring their money abroad which was affecting the country's economy in an adverse way.

Agreeing with Mr Habibullah N Karim, the Special Guest noted that cronyism was another aspect which was affecting the economy. Machineries imported for the quick rental power plants had issues as regards quality, and that questions were raised about the credibility of the declared capacity as well. He said that the country imported equipment worth of USD 3 billion – a big question mark remained as the BOP position was not so comfortable. The quick rental issue needs to be investigated and the government should produce a white paper on what had actually happened.

Commenting on the need for fund for investment, *Mr Chowdhury* expressed his concern over financing from the stock market, and also with regard to credit from the

banking system in the face of liquidity crunch. He said that it would be difficult to achieve 7.2 per cent growth together with attaining 7.5 per cent inflation target in view of the current macroeconomic scenario. He stated that future development and financing for development were major concerns. The government was undermining the cause of productivity by making political appointments. The Special Guest concluded his speech by thanking the honourable Chair, Chief Guest, invited guests and journalists coming from the electronic and print media.

RESPONSE OF THE CHIEF GUEST

The Chief Guest, Planning Minister *Air Vice Marshal (Retd) A K Khandker, MP* initiated his speech by inviting everyone to work together, and said that the discussions at the dialogue were realistic and forward looking. *Mr Khandker* highlighted key aspects of the economy including GDP growth rate, education, health, social safety net programmes and rural development. The Chief Guest mentioned that the size of the budget was Tk. 191,738 crore, of which Tk. 55,000 crore was allocated for ADP. He felt that relative share of ADP and non-developmental expenditure was justified. He noted that development budget was 18.93 per cent higher than that of last year's in terms of current market prices. He further added that FY2012-13 Budget was not a *big or mega* budget because if annual 10.5 per cent inflation rate is deducted, then real budget increase would be only about 8 per cent.

The Chief Guest noted that the budget deficit was to the tune of Tk. 52,068 crore. The channels from which this deficit would be financed were bank loan, bank borrowing and foreign aid. He showed that the projected amount to meet the deficit was higher than the deficit in the budget. He argued that the government bank loan was within the safe limit – it was reduced to 2.21 per cent of GDP and budget deficit was within 5 per cent of GDP. Considering the government bank loan, Bangladesh was in a favourable position when compared to India, Nepal and Sri Lanka.

The Minister maintained that the high growth rate projected in the budget was justified. All major indicators including ADP implementation, manufacturing and industrial sector performance, remittance receipt, foreign aid inflow, macro framework, etc. were improving. He supported the imposition of 10 per cent tax on undisclosed income and felt that the opportunity of whitening black money was reasonable.

The Chief Guest highlighted the sectors which received priority allocation in FY2012-13 ADP and mentioned development allocations were distributed into 17 sectors which was 94.44 per cent of total development budget

and the rest 5.56 per cent was disbursed as development assistance to local government bodies including Chittagong Hill Tracts (CHT). He said that transport sector got the highest allocation followed by power, education and agriculture. Transport and power would ensure creation of jobs by providing facilities to private sector investment; around 35 per cent of budget was devoted to physical infrastructure. The reasoning of the distribution of the lion's share of allocation to these priority sectors was to achieve higher growth and stimulate development of human resources. Showing concerns with the education system, he mentioned that all the public exams were held and results were given in a timely fashion without allowing any chance of unfair means.

Regarding the issue of food security, he said that Bangladesh was self-sufficient in food production. He highlighted the remarkable success in agriculture, including increase in vegetables, horticulture and spices production. He also argued that inflation was coming down, and this year's remittance earning would be the highest ever, amounting to about USD 13 billion.

Mr Khandker, MP reiterated government's good performance record in terms of robust export earnings, highest ever remittance inflow, highest reserve of foreign currency and achievement in terms of GDP growth. These were the cumulative outcomes of the successful implementation of the past three budgets of the present government. The government had emphasised on domestic resource mobilisation and had been successful in increasing revenue by 18 per cent over the last year. He underscored that high GDP growth rates were achieved with unchanged inequality co-efficient which contribute to social stability.

The Chief Guest noted that if 90 per cent of development budget could be implemented, the total budget implementation will stand at a satisfactory 97 per cent. He agreed that in case of implementation of the development projects, the government needs to be more prudent and judicious in project selection and approval. He underscored the importance of maintaining high quality of expenditures. He noted that in the FY2012-13 Budget, the highest subsidy allocation was made to agriculture. For the employment generation of the hardcore poor, the budget had made a provision of Tk. 1,200 crore, and Tk. 1,439 crore for the *Food for Works* programme. Besides, Tk. 14,130 crore was to be distributed as agricultural credit. The Planning Minister termed the budget as pro-poor and growth-augmenting. He concluded with the thought that the current budget was formulated in a judicious manner, based on government's capacity to implement the budget.

CONCLUDING REMARKS BY THE CHAIR

Mr M Syeduzzaman concluded by mentioning a number of dimensions that should inform the analysis of the National Budget for FY2012-13. He cited short assumptions like current production level, growing revenue collection, projected inflation rate, private investment in public-private partnership (PPP), BOP and exchange rate manoeuvre, etc. based on which the budget was proposed. In view of these assumptions, a very tight management of the economy was necessary. According to the Chair, the monetary policy was not given enough emphasis though it had a significant role on inflation rate, performance of the banking sector, liquidity management, and consequently on the real economy.

He dwelt on the projected deficit financing for FY2012-13, and noted the lack of clarity as regards the large amount of subsidy shifting from FY2011-12 to FY2012-13. He mentioned about the understanding between the International Monetary Fund (IMF) and the government with regard to reduction of anti-export bias, improving the investment climate, fiscal space for foreign aid and FDI inflow. However, this understanding was not mentioned in the budget, he noted. He pointed out the ambiguity about the time when 'automatic adjustment in the energy pricing policy with changes in international prices' will come to effect. The indecision about the Coal Policy was unacceptable and unfair; the proposition of nuclear power of 5,000 mega watts (MW) per annum in 2030 was somewhat mind-boggling. The Chair hoped that small bridges, access roads and

highways and local government sectors would get proper resource allocation.

From the point of view of ADP implementation, he emphasised on the need to concentrate on smaller number of priority projects, which would be completed promptly instead of being time consuming and costly. For the implementation of the projects, non-politicisation of the bureaucracy was necessary; meritocracy need to be encouraged in the public service. *Mr Syeduzzaman* also highlighted the achievement of the government in areas such as improvement in revenue-GDP ratio, globalisation of the economy, success in agriculture sector, social safety net programmes and health and education. However, two isolated areas namely, unprogressive direct tax and increasing public investment without any available alternative remained to be concerns. The local government system needs to be strengthened through concrete measures. He reminded the audience about the importance of quality of implementation of budgetary measures. The political will, leadership of ministers, engagement of top bureaucracy, efficient use of procurement processes, avoidance of corruption were important to enter into the *7 per cent club* or the *Next 11 Group*. He termed the budget of FY2012-13 as a 'test case for the government'.

The Chair ended the session by profoundly thanking all those who participated in the CPD dialogue. He expressed his sincere appreciation of the support of the audience towards CPD's initiatives and activities.

List of Participants

<p><i>Mr Isa Achoba</i> Chief, Social Policy, Monitoring and Evaluation UNICEF, Dhaka Country Office</p>	<p><i>Mr Rashed Ahmad Ali</i> President Japan Bangladesh Chamber of Commerce (JBCCI)</p>
<p><i>Ms Sifat Adiya</i> Lecturer Department of Economics North South University</p>	<p><i>Mr Mohammed Nurul Amin</i> Managing Director & CEO NCC Bank Limited and Chairman, Association of Bankers, Bangladesh Limited</p>
<p><i>Ms Raisa Afsana</i> Lecturer Department of Economics North South University</p>	<p><i>Mr Nurul Amin</i> Economic and Private Sector Coordinator Oxfam Bangladesh</p>
<p><i>Mr Kazi Badruddin Ahmed</i> President Bangladesh-Myanmar Chamber of Commerce & Industry</p>	<p><i>Mr Md Khairul Anam</i> Executive Member (Joint Secretary) Board of Investment (BOI) Government of Bangladesh</p>
<p><i>Dr Kazi Saleh Ahmed</i> Former Vice Chancellor, Jahangirnagar University and President, FREPD</p>	<p><i>Ms Yuji Ando</i> Researcher Japan External Trade Organization (JETRO)</p>
<p><i>Mr Masud Ahmed</i> Member (Physical Infrastructure) Planning Commission Government of Bangladesh</p>	<p><i>Mr M Fazlul Azim, MP</i> Noakhali-6 Constituency Chairman, Azim Group</p>
<p><i>Ms Shirin Akhter</i> Standing Committee Member Jatio Samajtantrik Dal (JSD)</p>	<p><i>Dr Swapan Kumar Bala</i> Professor Department of Accounting and Information System University of Dhaka</p>
<p><i>Mr S M Akram</i> Former Member of Parliament</p>	<p><i>Nadja Barekzai</i> German Embassy</p>
<p><i>Mr Md Shamsul Alam</i> Director, Industry & Labour Wing Bangladesh Bureau of Statistics (BBS)</p>	<p><i>Mr Arup K Biswas</i> Senior Advisor, Development Affairs Royal Norwegian Embassy</p>
<p><i>Dr Shamsul Alam</i> Member, General Economics Division Planning Commission Government of Bangladesh</p>	<p><i>Ms Muntasir Chaudhury</i> Senior Lecturer Department of Economics East West University</p>
<p><i>Mr Shariful Alam</i> Deputy Manager Japan External Trade Organization (JETRO)</p>	<p><i>Mr Siddiqur Rahman Choudhury</i> Former Secretary, Finance Division and Former Chairman, Agrani Bank</p>
<p><i>Mr Shah Md Nurul Alam</i> Former Managing Director and CEO of Southeast Bank Limited Prime Bank Limited Mercantile Bank Limited</p>	<p><i>Mr Amir Khosru Mahmud Chowdhury</i> Member, Advisory Council of the Chairperson Bangladesh Nationalist Party (BNP) Former Minister for Commerce</p>

Mr Jahangir Alam Chowdhury

Tax Lawyer

Ms Rekha Chowdhury

Andolon Secretary
Bangladesh Mahila Parishad

Mr Md Maqbul-E-Elahi

Former Director, Planning
Petrobangla

Mr Zahiduzzaman Faruque

Editor in Chief
Kyodo News Service (Japan)

Mr A K M Ashraf Haque

Deputy Director
Industry and Labour Wing
Bangladesh Bureau of Statistics (BBS)

Mr Emdadul Haque

Director, External Relations
Katalyst

Mr Aminul Hoque

Secretariat Coordinator
Equity and Justice Working Group

Dr Kamal Hossain

Former Minister
President, Gono Forum
Vice President, Transparency International

Dr Zahid Hossain

Senior Country Economist
ADB Bangladesh Resident Mission

Mr Syed Mahmudul Huq

Chairman
Bangladesh Myanmar Business Promotion Council

Mr Mahmud Hussain

CEO, Capital & Asset Portfolio Management (CAPM)
Company Ltd

Brig Gen (Retd) Sakhawat Hussain

Former Election Commissioner

Dr A B Mirza Azizul Islam

Former Advisor to the Caretaker Government
Ministries of Finance and Planning

Mr A K M Mayeedul Islam, MP

Member
Parliamentary Standing Committee on Ministry of Finance
Kurigram-3 Constituency

Mr Muhammad Aminul Islam

National Consultant, SPEMP-A

Mr Md Syful Islam, FCA

President
Institute of Chartered Accountants of Bangladesh (ICAB)

Mr Shafiqul Islam

Social Policy Specialist
UNICEF, Dhaka Country Office

Mr Mahbub Jamil

Former Special Assistant to the Chief Advisor
Chairman, Singer Bangladesh Ltd and
Chairman, International Leasing and Financial Services Ltd

Md Akber Kabir

Assistant Professor
Department of Economics
Dhaka University

Mr Habibullah N Karim

Managing Director
Technohaven Group of Companies

Dr Sanjay Kathuria

Lead Country Economist and
Country Sector Coordinator
The World Bank

Mr Md Abdul Kayum

DGM, Monetary Policy Department
Bangladesh Bank

Mr Abdul Khaleque

Deputy Director
Bangladesh Bureau of Statistics (BBS)

Mr M Hafizuddin Khan

Member, TIB Board of Trustees
Former Advisor to the Caretaker Government and
Former Comptroller and Auditor General of Bangladesh

Dr Omar Farooq Khan

Senior Development Advisor, CIDA
Canadian High Commission

Dr Tanvir Ahmed Khan

Professor
Department of Economics
Independent University, Bangladesh

Mr T I M Nurunnabi Khan

Senior Programme Officer
ILO Country Office for Bangladesh
International Labour Organization (ILO)

Dr Wajedul Islam Khan
General Secretary
Bangladesh Trade Union Kendra

Air Vice Marshal (Retd) A K Khandker, MP
Hon'ble Minister for Planning
Government of Bangladesh

Professor Dr Barkat E Khuda
Department of Economics
Dhaka University

Mr Alnoor Maherali
First Secretary
Political, Economic and Public Affairs
Canadian High Commission

Mr Hafiz Ahmed Majumder, MP
Chairman, Pubali Bank Ltd and
Chairman, Brindabon Tea Estate

Mr Nabhash Chandra Mandal
Executive Member
Board of Investment (BOI)
Government of Bangladesh

Mr Richard Marshall
Economist, UNDP

Mr Md Shahjalal Mazumder
President, Bangladesh Association of International Recruiting
Agencies (BAIRA)

Mr Rashed Khan Menon, MP
Chairman
Parliamentary Standing Committee on Ministry of Education
and President, Workers' Party of Bangladesh

Mr Mizanur R Miah
Director, School of Social Work
Southern Illinois University, USA

Mr Satya Ranjan Mondal
Director (Deputy Secretary) and
Head, National Accounting Wing
Bangladesh Bureau of Statistics (BBS)

Ms Sharmeen Murshid
Chief Executive Officer
BROTEE

Mr Ylva Sörman Nath
Counsellor (Health)
Deputy Head of Development Co-operation
Embassy of Sweden

Dr Md Nuruzzaman
Director, Training
National Academy for Planning and Development (NAPD)

Mr Anwar-Ul-Alam Chowdhury Parvez
Former President
BGMEA

Dr M A Quayum
Senior Scientific Officer
Agricultural Economics Division
Bangladesh Rice Research Institute (BRRI)

Professor Aminur Rahman
Department of Economics
Independent University, Bangladesh

Dr A K M Atiqur Rahman
Professor and Dean
School of Arts and Social Sciences
North South University

Mr Mushfiqur Rahman
Former Member of the Parliament

Professor Mustafizur Rahman
Executive Director
Centre for Policy Dialogue (CPD)

Dr Salima Rahman
Executive Director
Rangpur Dinajpur Rural Service (RDRS)

Dr Sultan Hafeez Rahman
Former Director General, South Asia Department
Asian Development Bank (ADB), Manila

Mr Anil Kumar Rai
First Secretary (Economics & Projects)
Indian High Commission

Mr Haider Akbar Khan Rano
Convenor
Workers' Party of Bangladesh (Reconstructed)

Mr Zillul Hye Razi
Trade Advisor
European Union Delegation to Bangladesh

Dr Mihir Kumar Roy
Professor of Economics
City University

Mr Simeen Sabha
Research and Communications Officer
Australian High Commission

Dr Bimal Kumar Saha
Senior Research Fellow
Bangladesh Institute of Development Studies (BIDS)
Ms Parisa Shakur
Lecturer
Department of Economics
North South University

Md Farhad Siddique
DPS, KOICA

Mr M Syeduzzaman
Member, CPD Board of Trustees and
Former Finance Minister

Dr M Tamim
Professor, PMRE Department, BUET and
Former Special Assistant to the Chief Advisor

Md Moin Uddin
Vice President (SME & Agriculture Division)
Exim Bank

Syed Afsor H Uddin
Chief Executive Officer
Public Private Partnership (PPP)
Government of Bangladesh

Dr Pascal Villeneuve
Country Representative
UNICEF, Dhaka Country Office

Ms Miki Yamamoto
Economic Researcher
Embassy of Japan

List of Journalists

Mr G M Ahsan
Staff Reporter
Bangla Vision

Ms Hasiba Ali
Senior Reporter
ABC Radio FM 89.2

Mr Ismail Ali
Staff Reporter
Bonik Barta

Mr Hasibul Aman
Staff Correspondent
Daily Sun

Mr Mazharul Anwar
Senior Reporter
Bangladesh Sangbad Sangstha (BSS)

Mr Sayeed Arman
Senior Correspondent
Banglanews24.com

Mr Abul Kalam Azad
Staff Reporter
Shokaler Khabor

Mr Asad Azim
Reporter
Somoy TV

Mr S Bablu
Senior Reporter
Dainik Inqilab

Mr Alauddin Chowdhury
The Daily Ittefaq

Mr Faisal
Reporter
United News of Bangladesh (UNB)

Mr Galib
Staff Reporter
Amar Desh

Mr Misbah al Hasan
Reporter

Mr Abul Hasnat
Reporter
Prothom Alo

Mr Alamgir Hossain
Staff Reporter
Diganta Television

Mr Monir Hossain
The Daily Jugantor

Mr S Hossain
New Age

Ms Sharia Hossain Ria
Channel i

Mr Zakir Hossain
Business Editor
Samakal

Mr Mohammad Tauhidul Islam

Senior Reporter
Maasranga Television

Mr Babul Khandaker

Dainik Dinkal

Mr Shujoy Mohajon

Prothom Alo

Mr Mujibur

Focus Bangla

Mr Numan

Staff Reporter
RTV

Mr Kazi Rafiq

Sangbad

Mr Arifur Rahman

Kaler Kantho
Mr Mashiur Rahman
Senior Reporter
Independent Television Ltd

Mr Sadequr Rahman

Staff Reporter
Dainik Sangram

Mr Nurunnobi Robi

Kaler Kantho

Mr Md Abu Hanif Sohel

Cameraperson
Bangla Vision

Mr J U Zubayer

Senior Reporter
ETV

