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CPD

Centre for
Policy
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Bangladesh

Quarterly

FROM the editor's desk

CPD traditionally has a very busy schedule in this quarter on account of its national budget-related activities. These activities include, among others, preparation of CPD's budget proposals and state of the economy report, immediate reaction to the proposals put forward in the National Budget, and organisation of post-budget dialogues at national and local levels.

This year CPD took the budget discussion to the stakeholders of North Bengal, Rajshahi where major local stakeholders raised issues related to developments specific to the region. They highlighted a number of issues that were perceived to be critical if income inequality and regional disparity in Bangladesh is to be drastically reduced. They felt that revival of the country's traditional silk industry located in Rajshahi and implementation of the North Rajshahi Irrigation Project should receive due importance for the development of the region.

An important highlight of CPD's budget-related activities during this quarter was to engage with four Parliamentary Standing Committees. The purpose was to discuss the ways to monitor and assess the progress of various ministries in implementing their respective projects, identify weaknesses in implementation of the projects. The objective was to enhance their capacities to be able to contribute more fruitfully to the preparation of the national budget, its sectoral allocation and implementation so that they can more effectively perform their role as oversight bodies.

A dialogue on financing of local government with *Dr Selina Hayat Ivy* as the keynote presenter captured a lot of attention. Participants at the dialogue who included Members of Parliament representing major political parties raised issues that are critically important for advancing the interests of the rural people of Bangladesh. During this period CPD also partnered with European Union (EU) Delegation in organising a policy dialogue on the future of Bangladesh-EU relationships in various areas including trade and investment. The meeting discussed various modalities to deepen and broaden Bangladesh-EU cooperation.

At the global level, prior to Rio+20 Summit, CPD organised a dialogue to inform the stakeholders about the concerns and interests of Bangladesh. Mentioning the extent of Bangladesh's vulnerability to climate change, the dialogue stressed on the importance of this Summit for Bangladesh's future and identified key issues that should be negotiated at the Summit.

A series of activities was also organised in Norway under CPD's research collaboration programme with Chr. Michelsen Institute (CMI), Norway. Apart from Seminars on research findings, both CPD and CMI researchers discussed with Norwegian businessmen the prospects and challenges of building business partnership among the two countries at an event captioned *Bangladesh Frontier Forum*.



Debapriya Bhattacharya is presenting the CPD budget analysis to the media where CPD IRBD Team is also seen

Implementation of the budget proposals for FY2013 requires radical improvement in development administration

Says CPD at its post-budget Press Briefing

The Centre for Policy Dialogue (CPD) presented a bleak outlook for the upcoming year following the announcement of the national budget for the FY2012-13 at a press briefing held at the BRAC Centre Inn on 8 June 2012. CPD Distinguished Fellow *Dr Debapriya Bhattacharya* while presenting CPD's immediate reaction to the budget said that the Finance Minister's budget speech gave the general public the illusion of a sound economy by announcing fiscal targets for FY2013 that were too good to be true. Meanwhile, it ignored a number of critical elements such as containing inflation and fiscal consolidation, legalisation of undisclosed money, adjustment policy of administered prices and possible income from Bangladesh-India transit. He also added that "implementation of these proposals would require a revolution in the government's development administration."

The FY2013 Budget targeted revenue earnings amounting to Tk. 1,39,670 crore— an additional Tk. 24,785 crore will need to be mobilised than the previous year. The National Board of Revenue (NBR) is expected to contribute the largest share 29.2 per cent of which is expected to come from income tax. This is the highest in last four years. Along with a uniform 1.2 per cent tax placed on exports and 4 per cent VAT on all wholesale and retail goods, the budget also proposed a 2 per cent tax on post-paid bills and pre-paid recharges for

mobile phones. This, according to the CPD, is likely to have a regressive impact as it will raise costs for all mobile users, including those who are not in the tax net. CPD suggested that if the government is keen on achieving its revenue earnings target by increasing taxes, its plans should be more carefully drawn out and aim for revenue from more resource-endowed people.

The subsidy allocation of budget has shifted in favour of the power and energy from agriculture, export and food. CPD felt that the decline in subsidy allocation would increase disparity between the urban and rural and rich and the poor. CPD also noted that budget documents did not provide detailed accounts of subsidy expenditure and contingent liabilities for FY2013.

CPD expressed concern over the implementation of projects worth of Tk. 55,000 crore in the Annual Development Programme (ADP). Out of the 1,037 projects in the ADP, 646 were expected to be completed this year. This will be a daunting task as allocation for them in the ADP is not sufficient. Slow progress in implementation of infrastructure-related sectors is hurting Bangladesh's investment environment – an issue that the budget did not discuss, said CPD.

The Padma Bridge, one of the most high-profile projects in the ADP, was estimated to cost Tk. 20,507 crore, of which, Tk. 804 crore was to be allocated

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A separate budget for the local government is of utmost necessity

Says Ivy at CPD dialogue

"A separate budget for the local government (LG) alongside national budget and authority to function freely is of utmost necessity for strengthening the LG bodies", remarked *Dr Selina Hayat Ivy*, Mayor, Narayanganj City Corporation while presenting the keynote in a dialogue on *Challenges of Financing Development Projects under Local Government* organised by CPD on 5 May 2012 at the CIRDP Auditorium. *Professor Rehman Sobhan*, Chairman, CPD presided over the session.

In her keynote, *Dr Ivy* asserted that only a negligible portion of the national budget is directly spent by LG bodies. Citing an example she said, the allocation for LG institutions was 2.59 per cent of the ADP in FY2011. Till date, grassroot level development activities are being controlled and managed by the central government, and therefore, LG institutions suffer from serious resource crisis, *Dr Ivy* lamented. She also mentioned that scope of the LG bodies to generate their own income is shrinking day by day, which was already limited. She posited that LG should be given the authority to accept foreign aid directly from donor organisations.

Advocate Md Azmatullah Khan, Mayor, Tongi Municipality and President, Municipality Association of Bangladesh highlighted that though the laws framed in 2009 provide the LG bodies authority to generate income, but they cannot avail the opportunity due to the delay in formulating rules and policies in line with the laws. He suggested that 30 per cent of the LGRD development budget should be allocated for LG institutions.



Selina Hayat Ivy addresses the dialogue while (from left) Mustafizur Rahman, Rehman Sobhan, Debapriya Bhattacharya, Azmatullah Khan and Tofail Ahmed are also seen

Dr Tofail Ahmed, Local Government Advisor, UNDP suggested formulation of a 'mother law' incorporating all laws (there are about 200 laws) related to LG for the supervision of the local bodies and to ensure accountability. He urged for constituting an autonomous permanent LG commission to lay out financial guidelines and also to assist both the government and the LG institutions in implementing those guidelines. Though substantial amount is spent in rural areas through different ministries and agencies, lack of coordination among them results in failing the measure to

meet the local demand on a priority basis, he said. In this connection *Mr Abu Alam Md Shahid Khan*, Secretary, Local Government Division, Government of Bangladesh underpinned the accurate distribution of resources as the main challenge. He also noted that government has allocated 21 per cent of the last ADP for the development activities at the local level but the money was not properly distributed.

Professor Rehman Sobhan stressed the need for a unified system for allocation and management of LG budget. He also suggested to follow the model of Palli Karma-Sahayak Foundation (PKSF) for providing funds to LG bodies in which a bulk amount of money is distributed to various NGOs of the country through the Foundation.

Former Commerce Minister *Mr Amir Khosru Mahmud Chowdhury*; *Mr Fazlul Azim, MP*; *Mr Monwar Hossain Chowdhury, MP* and former Election Commissioner *Brig. (retd.) Shakhawat Hossain* also spoke at the session.

A more diversified Bangladesh-EU partnership is the need of the day

Says CPD at dialogue

At a policy dialogue on Bangladesh-EU relations organised by CPD in association with the European Union Delegation to Bangladesh at the Lake Shore Hotel on 12 May 2012, CPD Executive Director and the event's keynote speaker *Professor Mustafizur Rahman* said that he believed that the "Bangladesh-EU partnership will become more diversified and will move away from relatively aid-centred development cooperation to a more comprehensive form of economic partnership." *H E Mr William Hanna*, Ambassador and Head of the European Union Delegation to Bangladesh, added that the EU's relationship with Bangladesh had, "already moved away from a relationship based on charity approach to one of mutual interest."

Professor Rahman also said that the EU remains Bangladesh's largest export market, making up 52.2 per cent of its exports, mainly in the areas of knit and woven RMG, shrimp, frozen food and leather. *Mr Md Saiful Islam*, Chairman, Western Marine Group stressed the need to widen this range of commodities and suggested to include ship-building and pharmaceutical in the list.

Though the EU accounted for 14.9 per cent of Bangladesh's FDI in FY2010, *Ambassador Ashfaqur Rahman* noted that excepting the UK and the Netherlands, FDI flow from EU members has tended to be low. On this issue *H E Mr Svend Olling*, Ambassador of Denmark mentioned that the EU



William Hanna addresses the dialogue while (from left) Mustafizur Rahman, Debapriya Bhattacharya, Rehman Sobhan, Ashfaqur Rahman and Md Saiful Islam pay attention

was enthusiastic about channeling FDI to Bangladesh but was unable to do so due to the confrontational nature of politics, *hartals* and corruption along with economic issues such as lack of land, energy and power and poor infrastructure.

Ambassador Ashfaqur Rahman termed the total amount of remittance coming from the EU 'disappointing'. He blamed that EU's migration policy does not allow capable and qualified Bangladeshi citizens to have jobs in the EU countries and send home remittances. *Professor Selina Mohsin*, Former Bangladesh High Commissioner to the Maldives claimed that with the exception of the UK, "Europe is not positive towards Bangladeshi migrant workers." She attributed this to migrant workers not being literate or properly trained, and echoed the requests of several other speakers for the EU's assistance in establishing technical and training centres under Trade Related Technical Assistance.

Speakers stressed that EU should assist in developing infrastructure for special economic zones as developed in China and India. Speakers also suggested EU's involvement in areas such as female empowerment by providing them access to skill development programmes and climate adaptation in Bangladesh. *Dr Atiq Rahman*, Executive Director, Bangladesh Centre for Advanced Studies (BCAS) urged EU for assistance in mitigation of the impact of climate change.

Achieving 7.2 per cent GDP growth target will be a real challenge

Remarked CPD at its post-budget dialogue

CPD organised a dialogue on the *Analysis of the National Budget for FY2012-13* at the Lake Shore Hotel on 16 June 2012. Planning Minister Air Vice Marshal (Retd.) A K Khandkar, MP was Chief Guest at the dialogue where the discussion was moderated by former Finance Minister and CPD Board of Trustees Mr M Syeduzzaman. While presenting the analysis, CPD Executive Director Professor Mustafizur Rahman said achieving this target would be a real challenge and would demand a significant improvement in many key macroeconomic indicators. He also expressed doubt over realisation of many of the other targets such as investment (both public and private), ADP, inflation and non-tax revenue targets in the budget. Professor Rahman presented many facts to explain CPD's apprehension as regards these targets. Citing one such fact he noted that if share of investment in GDP has to rise by 4.6 per cent more than last year (as projected in the budget), growth in investment will have to be 32.4 per cent which is a formidable jump considering last year's performances. He, however, appreciated the high performance of NBR, steady growth in agriculture and stable flow of remittances of the outgoing year.

Taking cue from the keynote speaker former Finance Adviser to the Caretaker Government, Dr Mirza Azizul Islam added that obtaining a GDP growth target of that magnitude would be 'mission impossible' as higher borrowing rates will worsen the already declining private sector investment this fiscal year. Planning Minister A K Khandkar, however, believed it was an achievable target as the government was determined to implement 90 per cent of the ADP projects in FY2013.

Several speakers including Mr Fazlul Azim, MP expressed their unhappiness about the proposal to increase uniform tax rate from 0.6 per cent to 1.2 per cent on earnings from exports. The general consensus was that such taxes will have a negative impact on export revenue in FY2013.



Planning Minister A K Khandkar, MP addresses the dialogue; (from left) Mustafizur Rahman, Syeduzzaman, Amir Khasru Mahmud Chowdhury and Mirza Azizul Islam are paying attention

only a short-term solution for which the government should have had an exit plan. He urged the government to focus on primary energy for a long-term solution to the crisis. On this issue Mr M Syeduzzaman insisted upon the development of the Coal Policy and take advantage of the untapped store of coal in Jaipurhat.

Gano Forum President Dr Kamal Hossain expressed dissatisfaction over the delays in taking action against stock market manipulators. He also questioned the reasons for the delay in placing the Financial Reporting Act bill in the parliament for passage and called for complete transparency in this regard.

Participants at the dialogue felt that the main objective of this year's budget should have been to provide essential food items at a controlled price targeted towards the poorer section of the population and containing high inflation. Dr Mirza Azizul Islam doubted that the government would be able to contain inflation (within 7.5 per cent) because of its dependence on bank borrowing and foreign aid.

Member of the Parliamentary Standing Committee on Ministry of Finance Mr A K M Mayeedul Islam, MP remarked that the National Budget for FY2013 was a Dhaka-centric budget and believed that the government should create incentives (built in the budget) for people to move outside Dhaka to more rural areas by providing good infrastructure there such as health facilities, schools and colleges.

Investment promotion should be the key objective of National Budget of FY2012-13

Recommended CPD at its pre-budget press briefing

CPD said that investment promotion should be the key objective of the current government's penultimate National Budget for FY2013 at a Press briefing on *Recommendations for the National Budget FY2012-13* at the CPD office on 7 May 2012. "All the necessary steps have to be taken in the next budget to expedite private investment and keep up the growth trend," said Dr Debapriya Bhattacharya, Distinguished Fellow of the CPD.

CPD recommended that alongside government expenditure the dependence on bank borrowing should be reduced in the upcoming fiscal year in order to facilitate increased flow of credit to the private sector for investment. Government should intensify mobilising foreign resources and devise an effective mechanism to utilise the money stuck in the external aid pipeline. This would address many of its challenges in the economic front.

Commenting on Bangladesh's ongoing energy crisis, CPD spoke against further use of quick rental power plants calling them an 'administrative and planning failure'. The panel suggested the government to place greater emphasis on establishing medium (100-200 MW) and large (500 MW) coal base power plants as these are more energy efficient, and therefore would



Fahmida Khatun is presenting CPD recommendations for the National Budget FY2012-13 where CPD IRBD Team is also present

help reduce the burden of subsidy. CPD proposed a number of ways to broaden access to other alternative power sources. These included the concretisation of Bangladesh's Coal Policy, cross-border hydropower trade with Bhutan and Nepal and importing gas from neighbouring Myanmar.

Given the high rate of inflation CPD suggested to raise the income tax exemption limit to Tk. 200,000 (from Tk. 180,000) for individuals, Tk. 220,000 (from Tk. 200,000) for females and Tk. 275,000 (from Tk. 250,000) for disabled persons. CPD

also suggested to introduce mandatory TIN for all beneficiary owner account holders.

CPD's proposal also included reduction of custom duty on capital machineries for domestic industries, import duty on computer parts used for academic institutions and reintroducing food rationing for workers in major industrial clusters. CPD mentioned that National Budget FY2012-13 also needed to address issues such as improvement of human rights, curbing corruption and allocation of adequate resources for infrastructural facilities.

CPD Head of Research Dr Fahmida Khatun presented the recommendations to the media.

Macroeconomic performance of FY2011-12 is the weakest in recent times

Says CPD in a press briefing

CPD organised a press briefing on 4 June 2012 at its office to present its "Analytical Review of Bangladesh's Macroeconomic Performance in FY2012 (Third Interim)". CPD Distinguished Fellow *Dr Debapriya Bhattacharya* presented the review of Bangladesh's macroeconomic performance in the recent past fiscal year.

The review highlighted that the economy was not able to meet the anticipated GDP growth rate of 7.0 per cent. Investment faltered due to the sorry state of infrastructure in regards with transport and communication, gas and electricity supplies. Adverse effect of large scale bank borrowing by the government is visible in the economy. In order to deal with these multidimensional negative aspects of the economy the report suggested proper utilisation of foreign resources accumulated in the pipeline, and the non-bank sources of financing.

The report identified that despite 6.3 per cent GDP growth, FY2012 was the weakest fiscal year during the recent government's tenure and energy sector was one of the major sources of such weakness. Massive use of quick rental power plants caused destabilisation of balance of payments (BoP) management. In the backdrop of accelerating import demand for liquid fuel and growing subsidy requirement, government was suggested to enhance foreign exchange receipts by concentrating on ways to increase



Debapriya Bhattacharya addresses the media where a part of CPD IRBD Team is also seen

export receipts, remittance flow and FDI. The analysis indicated sustained inflationary pressure in the FY2013 and provided an outlook for the year. Strengthening the BoP situation was underlined as one of the major tasks for the upcoming fiscal year.

Reflecting upon policy and reform efforts undertaken by the government, *Dr Bhattacharya* observed that these efforts failed to address a number of key areas regarding public expenditure, state-owned enterprises, civil services and administration, land administration and subsidy management which are significant in accelerating the process of development in Bangladesh. Where reforms and policies were initiated, the pace remained rather slow. Many of such initiations suffered from conflicting interests of key stakeholders due to lack of decentralisation of power. On this issue CPD suggested the government to concentrate on a number of quick yielding reform initiatives as the government is approaching the closure of its tenure.

Considering the overall situation, CPD suggested that the single most important objective for the FY2013 should be to take initiative to revert the investment situation.

Senior CPD officials along with CPD IRBD Team were present at the press briefing.

Bangladesh should do proper homework to prepare itself for Rio Earth Summit

Speakers observed at CPD dialogue

Inter-ministerial coordination is necessary to take full advantage of the Rio Earth Summit, said *Dr Fahmida Khatun*, Head of Research, CPD at a dialogue on *UN Conference on Sustainable Development (Rio+20): Context, Issues and Challenges* for Bangladesh at Spectra Convention Centre on 10 April 2012. *Dr Hasan Mahmud*, Hon'ble Minister for Environment and Forests, was the Chief Guest and CPD's Board of Trustee Member *Ms Khushi Kabir* was the Chair. *Dr Qazi Kholiquzzaman Ahmad*, Chairman of the Palli Karma-Sahayak Foundation (PKSF) was the Special Guest of the dialogue where *Dr A Atiq Rahman*, Executive Director of Bangladesh Centre for Advanced Studies (BCAS) attended as Discussant.

The panel could not stress enough how crucial the negotiations at Rio Earth Summit were to Bangladesh's future as it is one of the most vulnerable countries to climate change effects. According to *Dr Khatun*, Bangladesh today faces a number of environmental concerns such as ensuring livelihood security for the people, combating environmental disasters, preventing industrial pollution, managing urbanisation and conserving biodiversity that need to be addressed at the upcoming Summit on June 20-22.

Also referred to as Rio+20 Summit 2012 as it is a follow-up to the world conference held in Rio de Janeiro in 1992, the Summit will primarily focus on a green economy in the context of poverty eradication and sustainable development, and an institutional framework to attain that along with efforts to renew political commitment to sustainable development.



Environment Minister Hasan Mahmud, MP addresses the dialogue while Khushi Kabir and Atiq Rahman pay attention

Pursuing a green economy, however, has proven to be a controversial issue and may actually hinder Bangladesh's development, said *Dr Khatun*.

Dr A Atiq Rahman however, opined that the Summit does not excite people regionally or globally due to its slow progress. He said, "conditionalities for the green economy are down the line that is why there is less enthusiasm about Rio Summit."

Dr Khatun called for a thorough preparation for the Summit at the

home front. She also suggested making organised plans to obtain financial and technological support that would help Bangladesh achieve sustainable development and taking a strong stance in an appeal for developed countries to commit 0.7 per cent of their GNP to official development assistance for poorer countries.

Dr Kholiquzzaman said Bangladesh had been working on preparing a country paper ensuring participation from all stakeholders in the process. He was hopeful that as Bangladesh's aspiration has been reflected in the draft agenda of G-77, together with the concerns of the developing world it can be pursued in the conference.

Hon'ble Minister *Dr Hasan Mahmud* noted that Bangladesh had almost attained food security but needed to incorporate climate adaptation measures into its plans for the future to ensure sustainability. According to him, sustainable development was crucial and the necessary resources needed to be preserved for the future generation.

Implementation of the budget proposals

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for the bridge's construction in FY2013. CPD observed that the budget did not go into the detail about the timeframe of the bridge's construction, leaving the fate of the Padma Bridge uncertain.

CPD also expressed its reservation as regards the proposal to legalise black money by charging regular tax plus a 10 per cent penalty, saying

that so far successive governments have given amnesty 16 times, including last year, but "no one knows how much money had been taxed under such proposals."

The credibility of the budget for FY2013, according to CPD, depends on its implementation. It is critically important for there to be a meticulous implementation plan that complements the ideal fiscal framework that the budget presents.

Regional disparity needed to be adequately addressed in national budget

Urged speakers in post-budget dialogue at Rajshahi

"The northern region of the country has remained neglected by every government and the same situation exists till date," speakers said in a post-budget dialogue titled *Analysis of the National Budget FY2012-13* on 25 June 2012 at the Nanking Darbar Hall, Rajshahi organised by CPD in association with the Department of Economics, Rajshahi University. Professor M Abdur Rahman, Treasurer, Rajshahi University attended the session as Chief Guest while Professor M Moazzem Hossain Khan, Head of the Department of Economics, Rajshahi University chaired the session. Keynote paper of the session was presented by Dr Khondaker Golam Moazzem, Senior Research Fellow, CPD and the session was moderated by Professor Mustafizur Rahman, Executive Director, CPD. Designated Discussants of this session were Professor Tareque Saiful Islam, Department of Economics, Rajshahi University and Mr Abdul Awal Chowdhury, Former Director, Rajshahi Chambers of Commerce and Industry.

After presentation of the CPD's analysis on the proposed budget Professor Tareque Saiful Islam termed the proposed national budget as credit-dependant. He also said government's target of achieving 7.2 per cent growth rate in FY2013 is highly ambitious.

Drawing attention to the deteriorating silk industry in Rajshahi, Mr Abdul Awal Chowdhury requested for special allocation in the national budget for



M Abdur Rahman addresses the dialogue while (from left) Khondaker Golam Moazzem, Mustafizur Rahman, Moazzem Hossain Khan, Debapriya Bhattacharya, Tareque Saiful Islam and Abdul Awal Chowdhury are seen

the growth of the industry. He, however, mentioned that such demand has been placed before Finance Minister on prior occasions but the demand has not been met.

Speakers at the dialogue highlighted that Rajshahi could be considered as a new transit route for regional cooperation among Nepal, Bangladesh and Bhutan. Developing a transport infrastructure by utilising the Mongla Port is necessary for the region's development which requires budget allocation, speakers opined. They demanded immediate implementation of North Rajshahi Irrigation Project to save the region.

The dialogue stressed the need for financial decentralisation for proper implementation of the budget and proposed for inclusion of separate local government budget and regional budget. Speakers observed that this would, over time, help reduce regional inequality which is becoming a major development challenge of the country.

Professor M Abdur Rahman stated that in order to raise revenue government should put emphasis on the automation of tax administration. Professor M Moazzem Hossain Khan appreciated the government for special allocation for railways and stated it as a commendable step.

The dialogue was addressed by politicians, businessmen, academics, researchers, lawyers, representatives of NGOs and eminent citizens from Rajshahi.

The Daily Samakal was the media partner of the event.

Roundtable discussions on national budget priorities with Parliamentary Standing Committees Initiated by CPD-UNDP Bangladesh

CPD in collaboration with UNDP Bangladesh, initiated a series of briefing sessions for members of Parliamentary Standing Committees. Four separate sessions were held with the Parliamentary Standing Committees on Ministries of Environment and Forests, Home Affairs, Women and Children Affairs, and Law, Justice and Parliamentary Affairs. Objective of the programme was to raise awareness of the Members of Parliament about the budgetary process and increase capacity of these committees so that they can contribute to accountability, transparency and good governance by effectively performing their roles in overseeing allocation, disbursement, utilisation and implementation of the budget. In each of the sessions presentations on the budgetary process with particular focus on the relevant sector were followed by comments, questions and exchange of views. Senior and mid-level researchers from CPD made presentations. CPD also took the support of thematic experts from outside the CPD for some of the sessions.

Besides Standing Committee Chairs (some from opposition parties) and members, relevant Ministers and high officials (including Secretaries of the Ministries) have attended these sessions.

Citizen's Condolence on the demise of noted economist Professor Muzaffer Ahmad

CPD joined with six other leading civil society organisations BAPA, TIB, SUJAN, UNAB, ASK and IBAA in organising a Citizen's Condolence in memory of the late noted economist Professor Dr Muzaffer Ahmad. Eminent personalities from every sector, academics, students, colleagues, and relatives of Professor Muzaffer Ahmad participated in the event held on 28 May 2012 at the TSC Auditorium of Dhaka University. The event was chaired by Justice (ret'd) Muhammad Habibur Rahman while Professor Rehman Sobhan, Chairman, CPD presented a life sketch of late Professor Muzaffer Ahmad. Speakers recalled Professor Ahmad's great contribution in different sectors of Bangladesh and urged the young generation to learn from the life and activities of the celebrated scholar.

CPD events at CMI in Norway

A team of senior researchers from CPD visited Chr. Michelsen Institute (CMI), Norway in April this year as a part of CPD-CMI Research Cooperation Programme. Taking advantage of their presence a number of events were organised in Bergen and Oslo, Norway. A day long conference on *Issues of Governance and Development in Bangladesh: New Context and New Challenges* was organised by CMI on 19 April 2012 at their Resource Centre where research findings on related issues were presented and discussed by both CPD and CMI researchers.

The CPD visiting team also participated in a panel discussion on *Bangladesh Frontier Forum: Opportunities and Risks for Norwegian Business in Bangladesh* where Dr Debapriya Bhattacharya, Distinguished Fellow, CPD made a brief presentation to initiate the discussion. The panelists included members of CPD-CMI research team, H E Ragne Birte Lund, Norwegian Ambassador to Bangladesh and eminent Norwegian business people. Professor Rehman Sobhan, Chairman, CPD presented the concluding remarks of the session. The meeting discussed the business environment in Bangladesh with an objective to explore the possibility of building partnerships among Norwegian and Bangladeshi businesses.

Apart from the discussion sessions and conference, second CPD-CMI Annual Research Meeting was also held on 18 April 2012. The meeting reviewed and assessed the progress of the ongoing projects and discussed the future activities under the programme.

Policy consultation with civil society members of Rajshahi

CPD organised an Economic Policy Consultation meeting with civil society members of Rajshahi at Hotel Nice, Rajshahi on 26 June 2012. Academics, editors of local media, businessmen, NGO representatives, social and cultural activists participated in the consultation and shared their views with regard to the prospects of development in the country, particularly in the Rajshahi region.



Research Division Report

Impact of Democracy on Economic Growth in Bangladesh: A Cointegrated VAR Approach

Despite the widespread perception that democracy reduces corruption, the empirical evidence on this link is not conclusive. This study took a close look at the relationship between democracy and corruption in the context of Bangladesh and investigated under what conditions democracy reduces corruption. Using a cointegrated Vector Autoregressive (VAR) approach the impact of democracy on economic growth during the period 1981-2011 has been investigated. The empirical results suggest that democracy as practiced in Bangladesh does not seem to have a statistically significant impact on economic growth while as often the case in Bangladesh, as regimes become autocratic, it seems to have negative significant impact on economic growth. The study has been conducted by *Debapriya Bhattacharya* and *Shoura Dasgupta* of CPD.

Effectiveness and Impact of the Aid for Trade Initiative in Bangladesh

Since the launch of the aid for trade (AFT), the monitoring process led by the WTO and the OECD has generated critical data and analysis on the initiative's implementation. Donors have identified and reported their trade-related aid projects more systematically, and partners have strengthened their ownership in designing and implementing Aft programmes. With the objective of assessing the effectiveness and development impacts of Aft in Bangladesh the study has been undertaken by CPD. The specific objectives of this study are to: (a) measure the progress of Aft commitment and disbursement and evaluate the overall effectiveness of Aft in the country; (b) quantify the impact of Aft flow on the country's trade performance based on data and information both from primary and secondary sources; (c) offer a broader understanding of the Aft initiative from Bangladesh's perspectives; (d) provide stakeholders with appropriate policy measures so as to improve the effectiveness of Aft. The study is being conducted by *Fahmida Khatun*, *Nepolean Dewan* and *Samina Hossain* of CPD.

Industrial Waste Management in the Backward-linkage Textile Sector of Bangladesh: Challenges for Ensuring Environmental Compliance

The objective of the study are to: (a) identify the factors responsible for prevailing level of non-compliance in implementation of pollution management measures at the factory level; (b) analyse and identify weaknesses within the institutional settings in case of enforcement of the regulations and ensuring satisfactory compliance standard in the textiles industry of Bangladesh with the existing regulations; (c) identify 'policy windows' or potential measures to be included in the existing policies to make them more effective towards increasing compliance standard; (d) examine the impact of non-regulatory pressure on the environmental pollution management of industries and evaluate their competency in affecting factory level environmental performance. Members of the study team include *Khondaker Golam Moazzem* and *Mehrana Islam Chowdhury* of CPD.

Exploring Women's Contribution to the Economy: Review of Literature and Design of a Methodological Framework for Bangladesh

The proposed research has been launched with the objective to mainly focus on aspects related to contribution of women in the national income of Bangladesh. The study will review the existing national and global studies on women's contribution to the economy based on published sources. It will examine both accounted and unaccounted works performed by women and how they are evaluated by policymakers, the society and members of their families. The study will analyse the system of national accounts model used in Bangladesh and examine its limitations, and suggest how to integrate/reflect women's work in disaggregated manner in the national income of the country with particular focus on women's unpaid and unaccounted work. The objective of the study is also to devise a methodological framework to estimate women's work in economic terms. *Fahmida Khatun* of CPD and *Tania Haque* of Dhaka University are involved in the research.

CPD organised special lecture for students in Rajshahi



The third in the series of CPD's special lecture on *Bangladesh Economy in 2011-12: The Current Macroeconomic Challenges* was delivered at the Rajshahi College Auditorium for the students of the Department of Economics, Rajshahi College. The objective of this programme is to improve the students' understanding of contemporary macroeconomic situation and also to help them grow interest in engaging themselves in economic policy debates in Bangladesh. Students studying in economics from other institutions including Rajshahi University also participated in this session. *Dr Debapriya Bhattacharya*, Distinguished Fellow, CPD made a presentation to initiate the discussion. His presentation was followed by a question & answer session. About 300 students and young teachers participated in this interactive session.

Expert Group Meeting on Analytical Review of Bangladesh's Macroeconomic Performance in FY2011-12 (Third Reading)

An Expert Group Meeting on *Analytical Review of Bangladesh's Macroeconomic Performance in FY2011-12* (Third Reading) was organised by CPD at its office on 27 May 2012. At this meeting, a draft report on the theme, prepared by CPD-IRBD Team was shared with a team of distinguished professionals and experts. Discussants expressed their views, insights and comments on the draft in the meeting. The Expert Group members included *Dr Shamsul Alam*, Member, General Economics Division (GED), Planning Commission, Government of Bangladesh; *Dr Akbar Ali Khan*, former Chairman, Regulatory Reforms Commission (RRC) and former Adviser to the Caretaker Government; *Dr Mahabub Hossain*, Executive Director, BRAC; *Dr Ahsan Habib Mansur*, Executive Director, Policy Research Institute of Bangladesh (PRI); *Dr Rushidan Islam Rahman*, Research Director, Bangladesh Institute of Development Studies (BIDS); and *Dr Hassan Zaman*, Senior Economic Adviser to the Governor, Bangladesh Bank.

Visitors at CPD

- *H E Mr Michel Trinquier*, Ambassador to Bangladesh, Embassy of France visited CPD on 30 May 2012.
- *Mr De Felix Schmidt*, Resident Representative and *Mr Henrik Maihack*, Programme Advisor of Friedrich Ebert Stiftung (FES), India visited CPD on 29 May 2012.
- Students from Wesleyan University, USA visited CPD on 28 June 2012.



CPD Professionals in International Fora

Rehman Sobhan, Chairman

- Attended the Conference on *Delivering Inclusive and Sustainable Development*, on 9-10 April 2012, in New Delhi, India.
- Participated at a number of programmes (conference/ seminars/ meetings) in connection with ongoing research collaboration between CPD and Chr. Michelsen Institute (CMI) on 15-22 April 2012, in Oslo and Bergen, Norway.
- Made a presentation at a Seminar on *Challenging the Injustice of Poverty: Operationalising an Agenda for Inclusive Development Across South Asia* organised by the Association for Economic and Development Studies on Bangladesh on 26 July 2012, in Washington D.C., USA.

Mustafizur Rahman, Executive Director

- Participated at the *South-South Collaboration for Promoting Trade and Development*, organised by Commonwealth Secretariat and UNCTAD on 1-5 April 2012, in London, UK.
- Participated at the LDC Expert Group Meeting, on 1-5 April 2012, in London, UK.
- Participated at a number of programmes (conference/seminars/ meetings) in connection with ongoing research collaboration between CPD and Chr. Michelsen Institute (CMI) held during 15-22 April 2012, in Oslo and Bergen, Norway.
- Attended a meeting on *Think Tank Initiative Exchange 2012: Enabling Success*, on 18-20 June 2012, in Cape Town, South Africa.

Debapriya Bhattacharya, Distinguished Fellow

- Participated at a number of programmes (conference/seminars/ meetings) in connection with ongoing research collaboration between CPD and Chr. Michelsen Institute (CMI) held during 15-22 April 2012 in Oslo and Bergen, Norway.
- Participated at the *13th United Nations Conference on Trade and Development (UNCTAD XIII)*, on 23-25 April 2012, in Doha, Qatar.
- Attended the Wilton Park Conference on *New Challenges, New Donors: A New UN Development System*, on 14-16 May 2012, in London, UK.
- Attended the *International Food & Agricultural Trade Policy Council (IPC) Spring Seminar* and Plenary, on 17-19 May 2012, in Washington D.C., USA.
- Attended a meeting on *Think Tank Initiative Exchange 2012: Enabling Success* on 18-20 June 2012, in Cape Town, South Africa.

Anisatul Fatema Yousuf, Director, Dialogue & Communication

- Attended *UNCTAD XIII Civil Society Forum*, on 16-20 April 2012, in Doha, Qatar.

M Shafiqul Islam, Additional Director(A/F)

- Participated in a Training Programme with Asian Business Software Solutions Sdn Bhd Trading as MYOB South Asia on 15-19 April 2012, in Kuala Lumpur, Malaysia.

Fahmida Khatun, Head of Research

- Participated at a number of programmes (conference/seminars/ meetings) in connection with ongoing research collaboration between CPD and Chr. Michelsen Institute (CMI) held during 15-22 April 2012, in Oslo and Bergen, Norway.
- Attended the *Rio+20: 3rd Preparatory Meeting* UN conference on Sustainable Development, on 12-16 June 2012, in Rio de Janeiro, Brazil.
- Attended a meeting on *Think Tank Initiative Exchange 2012: Enabling Success*, on 18-20 June 2012, in Cape Town, South Africa.

Khondaker Golam Moazzem, Senior Research Fellow

- Participated at a number of programmes (conference/seminars/ meetings) in connection with ongoing research collaboration between CPD and Chr. Michelsen Institute (CMI) held during 15-22 April 2012, in Oslo and Bergen, Norway.
- Attended the 24th Biannual Research and Training Workshop, on 18-21 June 2012 in Colombo, Sri Lanka.

Uttam Kumar Paul, Deputy Director, Accounts

- Participated in a Training Programme with Asian Business Software Solutions Sdn Bhd Trading as MYOB South Asia on 15-19 April 2012 at Kuala Lumpur, Malaysia.

Nafisa Khaled, Senior Research Associate

- Participated in the Regional Seminar on *Emerging Issues on Trade, Climate Change and Food Security: Way Forward for South Asia?*, on 29 May-2 June 2012, in Colombo, Sri Lanka.

Mazbahul Golam Ahamad, Research Associate

- Participated in the SANDEE'S Summer School on Environmental and Resource Economics, on 7-23 May 2012, in Bangkok, Thailand.

Md Zafar Sadique, Research Associate

- Participated in the Stakeholder Consultation Meeting on *India-Bangladesh Bilateral Trade and Non-Tariff Barriers*, on 15-22 April 2012, in Kolkata, India.

CPD Professionals in National Fora

Mustafizur Rahman, Executive Director

- Attended a Working Breakfast Meeting on *Climate and Energy Security in Bangladesh*, organised by British High Commission on 9 May 2012.
- Attended the First Jury Panel Meeting for HSBC Export Excellence Awards 2011, organised by HSBC, on 9 May 2012.
- Attended a *Discussion on Budget FY12-13: Our Expectations*, organised by Metropolitan Chambers of Commerce and Industries (MCCI) and Maasranga Television on 15 May 2012.
- Attended a Seminar as *Discussant on Protokkho Kor: Bortoman Prekkhapot, Bastobota o Bhobishshot Porikolpona*, organised by BCS (Taxation) Association, on 19 May 2012 at the Officer's Club.

- Attended a Workshop on Strengthening the Office of the Focal Point (WTO Cell of the Ministry of Commerce) in Promoting and Diversifying the Trade as Special Guest organised by WTO Cell, Ministry of Commerce, on 20 May 2012 as Special Guest.

Khondaker Golam Moazzem, Senior Research Fellow

- Attended International Jute Study Group (IJSG) meeting at the IJSG office on 14 May 2012.
- Attended an Expert Group Meeting with European Union on 15 May 2012.



CPD Publications

Bangladesh Economy in FY2011-12: Third Interim Review of Macroeconomic Performance



CPD, under its Independent Review of Bangladesh's Development (IRBD) programme, carried out the regular exercise of reviewing the macroeconomic performance and anticipation of key emerging developments during FY2011-12, and released three interim reviews. This volume contains the third and final report that was released in June 2012. It addresses a number of important and necessary updates of key macroeconomic performance indicators. However, the main value of the present volume lies in three other core sections which discuss three themes of key importance for the Bangladesh economy at

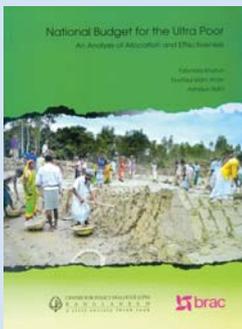
this present juncture: namely investment, employment and reforms. The present review also contains a note on the state of crop production and its implications for food security. The current volume also includes a set of proposals for the national budget FY2012-13, as an Annex.

Dialogue Report

Report 105: Input Delivery Strategy for Higher Boro Production

CPD-BRAC Publication

National Budget for the Ultra Poor: An Analysis of Allocation and Effectiveness



Fahmida Khatun, Towfiqul Islam Khan and Ashiqun Nabi

This joint publication of CPD and BRAC Advocacy for Social Change has been prepared based on the findings of a study to examine and evaluate fiscal measures in support of the 'ultra poor' in the national budgets of Bangladesh. The study makes an assessment of the allocations and measures in successive national budgets that were geared towards the development of the ultra poor of the country. Based on secondary information, the study carried out a qualitative

assessments of the three pioneering safety net programmes being implemented in Bangladesh: *Employment Generation Programme for the Poorest (EGPP)*, *Primary Education Stipend Programme (PESP)* and *Maternity Allowance Programme for the Poor Lactating Mothers*. Finally the study puts forward a set of specific recommendations for improving the effectiveness of these programmes.

CPD-CMI Publications

CPD-CMI Working Paper

Paper 2 The Parliament of Bangladesh: Representation and Accountability
Rounaq Jahan and Inge Amundsen

CPD-CMI Policy Brief

Issue 1 The Parliament of Bangladesh: Challenges and Way Forward
Rounaq Jahan

Publications from outside of CPD

Book

- Hasanuzzaman. 2012. *Can Labour Migration Counter Asymmetric Macroeconomic Shocks? An Edgeworth Box Approach*. Saarbrücken: Lambert Academic Publishing (LAP).

Book Chapter

- Bhattacharya, D. and Misha, F.A. 2012. "China and the Least Developed Countries: An Enquiry in the Trade Relationship during the Post-WTO Accession Period". In *China: Ten Years after WTO Accession*. Beijing: China Development Research Foundation.

Newspaper and Magazine Articles

- Rahman, M. 2012. কাজে লাগাতে চাই যথাযথ পদক্ষেপ. *Bonik Barta*. 16 April.
- Bhattacharya, D. 2012. In search of development-led globalisation. *The Daily Star*. 22 April.
- Moazzem, K.G. 2012. কেন্দ্রীয় ব্যাংকের স্বাধীনতা ও নতুন ব্যাংক. *Daily Samakal*. 23 April.
- Bhattacharya, D. 2012. নতুন সুযোগ কি হাতছাড়া হয়ে যাবে? *Daily Samakal*. 10 May.
- Bhattacharya, D. 2012. দ্বিপক্ষীয় সম্পর্ক: তিন সফরের পাঁচ বার্তা. *Prothom Alo*. 11 May.
- Rahman, M. 2012. রাজনৈতিক স্থিতিশীলতা বজায় রাখা জরুরি. *Bonik Barta*. 13 May.
- Rahman, M. 2012. Government must adopt investment-friendly policies. *The Independent*. 27 May.
- Sobhan, R. 2012. Tribute to a departed comrade. *The Daily Star*. 28 May.
- Khatun, F. 2012. তোমার গর্ব ছাড়িব না. *Daily Samakal*. 31 May.
- Jahan, R. 2012. The parliament of Bangladesh: Challenges and way forward. *The Daily Star*. 3 June.
- Khatun, F. 2012. Proposals for agriculture sector. *Forum*. 4 June.
- Khatun, F. 2012. How to bring in more FDI. *The Daily Star*. 6 June.
- Khatun, F. 2012. Budget challenge: Economic discipline. *The Daily Star*. 8 June.
- Khatun, F. 2012. এবারের বাজেট: প্রাসঙ্গিক ভাবনা. *Daily Ittefaq*. 12 June.
- Khatun, F. 2012. সবুজ অর্থনীতির সম্ভাবনা ও চ্যালেঞ্জ. *Bonik Barta*. 14 June.
- Rehman, S. 2012. মোজাফফর আহমদ: বিদায় বন্ধু. *Prothom Alo*. 16 June.

Newspaper Interviews

- Bhattacharya, D. 2012. সরকারকে পাঁচটি বার্তা দিয়েছেন হিলারি ও প্রণব: দেবপ্রিয়. *Amader Orthoni*. 8 May.
- Bhattacharya, D. 2012. কর্মসূচি র্যাডিক্যাল বাস্তবায়ন মামুলি. *Daily Sangbad*. 11 May.
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- Bhattacharya, D. 2012. বাজেটে সৃষ্টিশীল কিছু নেই, উপস্থাপনে স্বচ্ছতার অভাব. *Bangladesh Protidin*. 8 June.
- Rahman, M. 2012. অর্থের সুষ্ঠু ব্যবহার না হলে ঋণে নেতিবাচক প্রভাব পড়বে. *Kaler Kantho*. 25 June.

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