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# CPD

Centre for  
Policy  
Dialogue  
Bangladesh

## Quarterly

FROM  
the editor's desk

The second quarter of 2007 was full of research and dialogue activities relating to domestic and regional issues. In the wake of price hike of essential commodities, CPD carried out a study titled Price of Daily Essentials: A Diagnostic Study of Recent Trends. The study identified and examined patterns, trends and causes of the recent spurt in prices of essentials and put forward some specific policy suggestions to curb inflation.

A thorough review of the State of the Bangladesh Economy in FY2006-07 and Outlook for FY2007-08 was completed. The review focused on the state of the Bangladesh economy, particularly in areas relating to public finance, monetary sector, real sector (agricultural production and food security, industry, foreign investment, and capital market), and external sector. Based on findings of the analysis of macro-economic situation and need of different sectors of the Bangladesh economy, CPD placed recommendations before the Ministry of Finance on annual development programmes and budgetary measures to be included in the National Budget FY2007-08. A number of suggestions made by CPD were included in the Budget. Following presentation of the Budget in June 2007 by the Finance Adviser, CPD prepared an analysis of the Budget. CPD shared its concerns and suggestions about the Budget through a press briefing. In addition to the press briefing, CPD organised a dialogue on the Budget where participants from different segments of the society, including academia, high-level government officials, business leaders, NGO representatives, women activists, civil society leaders, development partners were able to directly interact with the Finance Adviser and raise their voices on the proposed budget. Through such studies and dialogues, CPD observed that stabilising market price, addressing inequality, greater foreign aid flow and pushing forward structural reforms, among many others, would be the major challenges for the government in FY2008.

On the regional front, CPD organised a two-day international forum on Regional Cooperation among Bangladesh, China, India and Myanmar (BCIM). The forum focused on building stronger collaboration among the member states in three major areas, namely, trade, transport and tourism.

For promoting the interest of Bangladesh in the WTO negotiations, CPD organised a dialogue on Resumption of Doha Negotiations and Challenges for Bangladesh.



Finance Advisor A B Mirza Azizul Islam is speaking at the dialogue. (From left) Salehuddin Ahmed, M Syeduzzaman, Badiul Alam and Muhammad Tareque are also seen in the picture.

## Dialogue on State of the Bangladesh Economy and Budget Responses FY08

Proposals made in the budget are logical, but they stand on a weak framework

### Experts observe at CPD dialogue on Budget FY2008

A dialogue titled "State of Bangladesh Economy and Budget Responses 2008" was organised by CPD at Sonargaon Hotel on June 14, 2007. Senior government officials, political leaders, former lawmakers, former bureaucrats, business leaders, economists, academicians, representatives of the development agencies and other high level policy makers attended the dialogue.

Finance Adviser, A B Mirza Azizul Islam, was present as the Chief Guest and Salehuddin Ahmed, Governor of Bangladesh Bank, as the Special Guest. M Syeduzzaman, former Finance Minister and member of CPD Board of Trustees, presided over the dialogue while Debapriya Bhattacharya, Executive Director, CPD presented the keynote paper.

Rejecting the notion that the proposals in the budget for the fiscal year 2007-08 was unrealistic and unattainable, the Finance Adviser said that the budget proposed for the coming year was unconventional and realistic but not ambitious; it was unique in the sense that for the first time it included contingent liabilities,

proposed to curtail discretionary powers of the tax officials and sought feedback from individuals and organisations regarding project implementation. He further added that considerable efforts have been made to make the budget transparent and accountable; normally budgets are prepared taking into account the expenditure, not the funds that can be mobilised, but this year emphasis was laid on the availability of local and foreign funds based on which the expenditure was estimated. Furthermore, various agencies and people outside the government were consulted and that convinced him that the growth target of GDP projected in the budget was indeed attainable. Islam added that the proposed budget strived to strike a balance among various conflicting situations and maximum priority was given to the larger section of the people. He also said that the money recovered from the corrupt people would help the government meet the deficit in the budget allocation. The Adviser opined that the government

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## Dialogue on Budget Responses FY08

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has taken some short and medium term measures for curbing price hike of essential products. Regarding the implementation of annual development programme (ADP), he said the officials were given instructions to start implementation process from the beginning of the next fiscal year. He suggested that the government's revenues and expenditure has gone up due to interest payment of previous debts and salary hike of the government officials. Responding to the apprehensions of the business leaders and stakeholders in the gathering, the Finance Adviser assured them to hold a meeting with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) to discuss about the trepidation that duty increase on raw materials from 5.0 per cent to 10 per cent would adversely affect the local industries. On the ailing jute sector the Finance Adviser said that it would not be viable to retain the sector in public sector.

The Bangladesh Bank Governor who spoke as the Special Guest said the seven per cent growth target was quite achievable despite the fact that the budget was set on a fragile structure. He expressed the hope that Bangladesh would be the next target for Foreign Direct Investment (FDI) as a positive environment is presently prevailing in the country for private sector investment and emphasised on attracting FDI and portfolio investment instead of depending on bank borrowing. Ahmed admitted that Bangladesh Bank had been facing some challenges including rising inflation but hoped to address it properly. He suggested exporters to try to be more competitive as the government fund for assisting them was limited. The Governor opined that the new budget had rightly emphasised the development of bond and stock markets. He said that these would be strengthened to reduce dependency on bank borrowing. Debapriya Bhattacharya in his analysis stated that resource mobilisation

and financing are two major issues in the budget. He suggested that a number of thrust sectors did not get attention in the proposed budget but the matter needed to be addressed. Bhattacharya also proposed fining the garment factories that did not abide by the minimum wage structure and opposed the government fund for skill development of the garment workers and said that it would be a mere wastage of public money. He suggested that rapid poverty alleviation should be targeted and private sector investment should be pro-poor, otherwise it would be difficult to achieve Tk 800.00 billion expenditure target in the budget. CPD advised the formation of a high-powered committee for implementing the Annual Development Programme (ADP), a task force for quick release of foreign aid and forging private-public and government-NGO partnership for implementing the budget. Debapriya praised the Finance Adviser for trying to streamline the economy and taking some positive measures regarding income and expenditure of the government. However, Bhattacharya said although various proposals made in the budget are quite logical as independent ones, they are all standing on a weak budget framework and a fragile fiscal structure.

Among others the dialogue was addressed by former ministers and law makers like M K Anwar and Osman Farruk, political leaders Rashed Khan Menon, Abdur Razzak and G M Quader, and former Deputy Governor of Bangladesh Bank Shah Abdul Hannan, former ERD Secretary Masihur Rahman, former Commerce Secretary Suhel Ahmed Choudhury, President of the Metropolitan Chamber of Commerce and Industry (MCCI) Latifur Rahman, President of FBCCI Mir Nasir Hossain, President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Anwar-ul Alam Chowdhury, Bangladesh Mission Head of International Monetary Fund, Jonathan Dunn, and former MCCI President and member, CPD Board of Trustees Laila Kabir.

## Price of daily essentials: A diagnostic study of recent trends

In response to a request from the Ministry of Commerce (MoC) and Ministry of Finance (MoF), CPD carried out a study titled 'Price of Daily Essentials: A Diagnostic Study of Recent Trends'. The broad objective of the study was to identify and examine patterns, trends and causes of runaway prices of essential commodities. Based on findings, the study report put forward several (product specific) policy recommendations.

The products covered in this study are: rice, onion, lentil, brinjal, green chilli, potato, wheat flour, egg, edible oil and powder milk. The study went through three major stages: the pilot survey, the full-scale survey, and the analysis and report writing. A pilot survey was conducted within Dhaka city and Narayanganj. The purpose of this survey was to identify the detailed value chain for each of the products, to assess the information needs at each nodal point in the value chain and

the appropriate sources for relevant information and to formulate a checklist of queries for the full-scale survey. The survey teams commenced their research by interviewing the retailers and went up the value chain (Retailer - Wholesaler - .....- Producer). Such agents were asked about their buying and selling prices, cost involved, their suppliers and the current market situation.

To conduct the full-scale survey, five teams of CPD researchers were mobilized to visit different parts of the country. The 11 districts covered at this stage included Dhaka, Chittagong, Comilla, Natore, Naogaon, Rajshahi, Bogra, Narsingdi, Munshiganj, Gazipur and Manikganj. The majority of the selected products were domestically produced and also imported. Therefore, both the channels were considered for

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### Pre-budget press briefing

A set of proposals for the National Budget FY2007-08 from CPD

CPD held a pre-budget press briefing on National Budget 2007-08 at its Dialogue Room on May 29, 2007. Debapriya Bhattacharya, Executive Director, CPD briefed the press about the proposals prepared for the Ministry of Finance, Government of Bangladesh (GoB) for consideration in the national budget FY2007-08. Mustafizur Rahman, Research Director, Anisatul Fatema Yousuf, Additional Director, Uttam Kumar Deb and Fahmida Khatun, Senior Research Fellows, Khondaker Golam Moazzem, Research Fellow, CPD and other members of CPD's Budget Analysis Team were present at the briefing session.



# Press briefing on Budget FY08

Seeking a break with the past without a breakthrough!

CPD's initial analysis of budget for FY08 reveals



Debapriya Bhattacharya addresses media while CPD researchers pay attention

Like previous occasions, CPD organised a post-budget press briefing on the National Budget 2007-08 on June 8, 2007 at BRAC auditorium. Debapriya Bhattacharya, Executive Director, CPD briefed the press about CPD's initial comments on Budget FY08. Anisatul Fatema Yousuf, Additional Director, Uttam Kumar Deb, Senior Research Fellow, Fahmida Khatun, Senior Research Fellow and other members of CPD's budget analysis team were present at the press briefing. It was telecast live on channel i and widely covered by both the print and electronic media.

Bhattacharya in his presentation appreciated that the budget proposals reflected a number of recommendations made by the CPD for bringing reforms and expediting development efforts.

About the much-debated issue of 7 per cent GDP growth target proposed in the budget, Bhattacharya said the target is challenging; however, if performances

of agriculture, industrial and service sectors improve, the 7 per cent growth is attainable. But he noted that realisation of the growth target would largely depend on investment figures as well as improvements in the ICOR (Incremental Capital-Output Ratio) or what is known as the capital productivity situation. On the medium-term macroeconomic framework (MTMF) projections for the next three years, he said investment targets have been reduced and the target set for FY2008 seems unrealistic.

Regarding the large expenditure target of more than Tk 87,000 crore set in the budget, Bhattacharya suggested formation of a high-powered committee for implementing the ADP and a taskforce for quick release of foreign aid in the pipeline. On the implementation of ADP, he observed that the process should start from the very first quarter of the fiscal year. Besides, quality of projects must be ensured while including those in the ADP. He also emphasised

forging private-public and government-NGO partnership for implementing the budget.

From CPD's analysis of the proposed duty structure, Bhattacharya said duty on raw materials should not be more than that on finished products. Computer import should be duty-free for continued growth of information technology but logical duty can be imposed on accessories.

He criticised the lack of emphasis on employment generation as around 12 lakh youths enter the job market every year. He said the existing economy cannot absorb the unemployed youths in the job market while their number will increase further in future.

Bhattacharya outlined a number of emerging challenges for the upcoming year in line with the identified characteristics of the Bangladesh economy. These include stabilising market price; particularly food prices, achieving pro-poor growth and addressing inequality, investment augmentation and improved domestic savings, expanding domestic tax base, greater foreign aid flow, improving the quality of ADP implementation, improving investment in agriculture, proper utilisation of allocation in power, education and health, sustaining export growth, improving the FDI flow, greater mobilisation of equity capital, keeping up remittance flow and pushing forward structural reforms.

As the success and failure of such a big budget will depend on the government's ability to finance and implement its targets, emphasis is to be laid on targeting rapid poverty alleviation and improving private sector investment in a pro-poor way to fight inequality, Bhattacharya remarked. He concluded with the comment that the budget seeks to make a break with the past, but without a breakthrough.

## Price of daily essentials

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the purpose of the study. The survey team interviewed the producers/importers first, and then identified and interviewed the next agent in the value chain up to the retailer level. These agents were asked about their buying and selling prices, production costs, suppliers and buyers, operating costs, marketing costs, scale of operation and the current market situation.

For secondary data in the second phase, the study team members also visited several Government agencies including the Ministry of Commerce (particularly TCB), Ministry of Food and Disaster management, Bangladesh Rifles (BDR), Bangladesh Agricultural University (Mymensingh) and National

Board of Revenue (NBR). Several financial institutions including Bangladesh Bank were also consulted for this purpose. CPD researchers also arranged debriefing sessions with experts in the relevant fields to validate the field level information.

Finally, data gathered from the survey and other sources were processed and analyzed. A report was prepared containing findings of the study. And several (product specific) policy recommendations were submitted to the Chief Adviser of the Caretaker Government Dr Fakhruddin Ahmed. Wasel Bin Shadat, Senior Research Associate was the project coordinator while Debapriya Bhattacharya, Executive Director, CPD was in overall charge of preparing this report as the Team Leader.



## Resumption of Doha negotiation and challenges for Bangladesh

Dhaka to claim market access to developing economies

Bangladesh will seek duty and quota-free market access of its products not only to developed countries, but also to developing economies at the forthcoming meeting of the WTO (World Trade Organization).

This was observed at a CPD organised dialogue on "Resumption of Doha Negotiations and Challenges for Bangladesh" on 19 April, 2007.

Ambassador Toufiq Ali, Permanent Representative of Bangladesh to the WTO in Geneva and Head of Bangladesh's negotiating team in WTO, was present as the Chief Guest and made the keynote presentation to initiate the discussion. He told the audience that Bangladesh as an LDC country should claim market access to developing economies. Dhaka had already sought market access to developing countries like India, China, South Africa and Brazil in the last Hong Kong WTO ministerial meeting in December, 2005, the ambassador said. He further said that Bangladesh needed to conduct a study on how it would reap maximum benefit from the changed scenario following the resumption of Doha Round of WTO talks. He opined that it was important for Bangladesh to make the best



Toufiq Ali, Permanent Representative of Bangladesh to the WTO is presenting the keynote paper. Debapriya Bhattacharya, Feroz Ahmed and Mustafizur Rahman are also seen in the picture.

said that Brazil was preparing to offer duty-free access to the LDCs, while India and China were also working on facilitating similar market access to the LDCs. The Doha Development Round (DDR) which resumed recently and the G4 (India, Brazil, European Union and USA) leaders in a meeting in New Delhi during April 10-12 urged the WTO Director General to conclude the Round by 2007 which was actually set to conclude by 2004. Toufiq stated that Bangladesh was ready to conclude the Round within 2007.

Commerce Secretary Feroz Ahmed was the Special Guest at the session. According to him, the commerce ministry was conducting an extensive study on the service sector, especially on labour issues, which would help Bangladesh bargain to get labour export facilities to developed and developing countries under the Mode 4 of the WTO. Describing some of the challenges at home, the Secretary said the government is not in a position to move the

use of promises developed countries were making to widen market access, while some developing countries had already come forward to allow duty free access to their markets for the LDCs (Least Developed Countries). The Ambassador

issues relating to Rules of Origin as the local trade bodies are yet to reach a consensus on the matter. The Secretary opined that Bangladesh needed to strive for the elimination of non-tariff barriers, sanitary and phytosanitary (SPS) impediments in order to get more market access to developed and developing economies. He said that the developed countries should provide technical and financial support to the LDCs under the Aid for Trade, for their product and export diversification and their successive presence in the WTO.

CPD Executive Director, Debapriya Bhattacharya, presided over the dialogue. He said that the country should not be in a hurry for completing negotiations on the market access to developed and developing countries. According to him, more studies on how to diversify products and ensure facilities are essential. Bhattacharya observed that Bangladesh should give priority on attaining duty and quota free market access facility first and then concentrate on exporting labour under Mode 4 of the WTO. He also stated that the country should lay emphasis on removing non-tariff barriers and improving trade negotiation capacity for yielding optimum result from the multilateral and bilateral negotiations. He suggested that the country should put in hectic efforts so that the discussion going on in WTO could end fruitfully, by favouring the poor and least developed countries. The goal should be set to ensure market access of products of the poor villagers which will, in turn, help reach benefits of globalisation to them, he observed.

Md Touhid Hossain, in charge of the Ministry of Foreign Affairs, also spoke at the dialogue. He said, "We can sustain delay in implementing recommendations at the Doha negotiations, but it must fulfill our rights for duty free access to markets of the developing countries."

Civil society members, former secretaries, diplomats, NGO representatives also took part in the dialogue.

### BCIM seminar

## Zero tariff access of products to boost trade

The Centre for Policy Dialogue (CPD) organised a two-day international forum on Regional Economic Cooperation among Bangladesh, China, India and Myanmar (BCIM) at the BRAC Centre from 31 March to 1 April, 2007. Finance and Commerce Adviser A B Mirza Azizul Islam was present as the Chief Guest, while Professor Rehman Sobhan, Chairman of CPD, chaired the inaugural session. Che Zhimin, Deputy Secretary General of Yunnan Provincial Government, China; Eric Gonsalves, governing board member of Center of Policy Research of India (CPRI); Maung Myint, Deputy Foreign Minister of Myanmar, and Debapriya Bhattacharya, Executive Director of CPD, spoke at the inaugural session. Government officials and private sector representatives from the BCIM countries, including thirty two from China, six from India and four from Myanmar also took part in the forum. The forum focused on building stronger

collaboration among the member states in three major areas- trade, transport and tourism.

The Finance Adviser while speaking at the inaugural session emphasised the importance of strong regional and economic cooperation among the South Asian countries. He said that the people would be socially and economically benefited if the regional cooperation gained momentum in the globalised era. He added that it was important for the participating countries to expedite the process of cooperation in order to reap maximum benefit out of any regional forum. He stressed the need for reaching a consensus on some of the contentious issues so that regional cooperation could further consolidate. The Adviser highlighted the importance of close interactions among governments, civil society and research organisations, and academics of the member states.

Che Zhemin of China stressed the importance of regional cooperation, particularly

in the fields of science, education and technology. He expressed the hope that the areas of cooperation would widen through this forum which would help the participating countries face challenges of globalisation.

Emphasising the significance of establishing the Asian Highway Eric Gonsalves of India, opined that the non-government sector should take proper measures to promote the tourism industry.

Maung Myint highlighted his government's keen interest in strengthening the ties of regional cooperation. He sought the assistance of donor agencies to improve connectivity among the South Asian countries and said that developing relationship with ASEAN would benefit the SAARC countries.

The CPD Executive Director opined that transport connectivity is vital for the regional economic cooperation among BCIM member

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**BCIM seminar**  
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countries. He also emphasised the development of Chittagong port to reduce trade gap and enhance export to countries like China and India as there is a huge trade gap of over two billion US dollars each between these two countries and Bangladesh.

Rehman Sobhan encouraged the BCIM countries to invest in Bangladesh. He stressed the need for establishing direct road link between Kunming and Dhaka through Myanmar to speed up the development process. He also stressed the development of Chittagong port so that it can be used as a natural port by Nepal, Bhutan, northeast India, Myanmar and Yunnan province of China. Rehman Sobhan said that Bangladesh is in a "transit point" between India and China, both of which will emerge as Asia's two main economies. Therefore, the success of BCIM is all the more important for the future of Bangladesh, as it stands at a crossroads of that transformation.

The two-day meeting incorporated five technical sessions. On the first day, three sessions included presentations on Strengthening Trade Cooperation by Mustafizur Rahman, Research Director, CPD; Promoting Transport Cooperation by Zhang Chengan, Deputy Director, Department of Transport Communication, Yunnan, China; and 'BCIM Car Rally 2007' jointly by Jin Cheng, Director, International Regional Cooperation Office, Foreign Affairs Office of Yunnan Provincial Government, China; Sunil Kumar, Regional Director, Eastern Region, India and M Rahmatullah, Programme Director of CPD.

The rest sessions held on the second day of the forum included: Maximizing Tourism Cooperation presented by Tha Aung Nyan, Deputy Director, International Organisation and Economic Department, Ministry of Foreign Affairs, Myanmar; and Organisational and Institutional Issues presented by Professor Patricia Robyn Uberoi, Director, Institute of Chinese Studies, India.

The forum ended with a concluding session where Major General (ret'd) Abdul Matin, Adviser of the Communication Ministry was present as the Chief Guest. The session was presided over by Rehman Sobhan. According to the adviser, the BCIM countries are close neighbours. And traditions of economic and cultural interactions from time immemorial still exist. He also expressed his concerns over the trade imbalance of Bangladesh in favour of China and India. General Matin opined that a properly functioning sea-port with excellent rail and road connectivity could significantly boost the economic growth of the country. Realising this, the present caretaker government has initiated some long and short-term

measures to improve the port facilities, said the adviser. Rehman Sobhan, who headed the Bangladesh delegation, sought the government's support for the BCIM initiatives to accelerate activities of the forum.

The four heads of delegations of the BCIM countries signed the "Dhaka Statement 2007" which was presented by CPD's Executive



Finance Adviser A B Mirza Azizul Islam addressing the inaugural session of the BCIM Forum on Regional Economic Cooperation among BCIM member countries while (from left) Debapriya Bhattacharya, Che Zhimin and Rehman Sobhan are looking on.

Director, Debapriya Bhattacharya. The Dhaka Statement recommended that BCIM governments provide zero-tariff access for products to increase trade in the region. According to the statement, only a few inter-state connectivity infrastructures exist and alternative connectivity infrastructures need to be built in order to increase communications among these nations. It mentioned that the forum had identified enormous potential for cooperation in this sub-region, rich in both natural and human resources; representing the interface between East Asia, Southeast Asia and South Asia. The statement stated that strengthening cooperation in this sub-region, could yield considerable mutual benefits. Initiatives should be taken to develop concrete proposals for improving trade facilitation, enhancing tourism and promoting educational, scientific, cultural and social exchanges, it pointed out.

In order to highlight the importance of regional transport facilities, the representatives in the forum agreed to hold the "BCIM Car Rally 2007" in November 2007, which would travel from Kolkata through Dhaka to Kunming. Regarding trade, the delegates recommended that officials of BCIM member countries should be posted in the major cities of partner countries with an objective to promote trade. Certain ports in the region were also identified and proposed to be used as inter-port for trade. The forum urged the governments of the member countries to simplify border formalities to ease movement of goods, vehicles and people.

**Book Launching at Harvard**



Rehman Sobhan speaks at his book launching at the Harvard titled *The End of Poverty: Challenging Injustices*. A section of audience is also seen.

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have produced good students - he mentioned Nobel Laureate Mohammad Yunus and Fakhruddin Ahmed, Chief Adviser of the Caretaker Government. He spoke about his political philosophy and how, over the years, his ideologies have evolved - from his work at the Planning Commission to the establishment of CPD. Sugata Bose, Director of Harvard's South Asia Initiative, closed the session by carefully noting the individual contributions of Sobhan and their cumulative effect not only on the development of Bangladesh, but also on the overall development of South Asia's consciousness.

Noted faculties and students from Columbia University, Southern Asian Institute, Kennedy School of Government, Belfer Centre, Harvard School of Public Health, Massachusetts Institute of Technology, Brandeis University, University of Massachusetts, Harvard College, Boston University, The Fletcher School, Tufts University, Hampshire College, Penn State University, Boston University, Cornell University, Yale University, Suffolk University, Framingham State College and Cambridge University attended the ceremony.



Press briefing on  
State of the Bangladesh Economy in FY2007 and Outlook for FY2008  
Taming price spiral will be major challenge for government



Debapriya Bhattacharya along with the CPD IRBD Team is addressing the media.

Under its Independent Review of Bangladesh's Development (IRBD) programme, CPD undertook a review of the performance of the Bangladesh economy during FY07. The assessment report titled State of the Bangladesh Economy in FY2007 and Outlook for FY2008 (Third Reading) was placed before the press on 2 June, 2007 at CIRDAP auditorium. Debapriya Bhattacharya, Executive Director of CPD, made the presentation.

The CPD review noted that the economy posted a 6.51 per cent growth during FY2007, according to the preliminary estimates of BBS. In view of the usual trend of revision in GDP estimates during the last one decade, CPD questioned credibility of the growth figure as proxy indicators. It mentioned that the economy during FY07 would slow down compared to that of FY06. CPD anticipated that the initial growth estimate for FY2007

might be revised downward once again by about 0.5 per cent to settle at 6.0 per cent.

According to the CPD review, as Bangladesh continues to remain an under-invested country, national savings rate remains higher than the gross investment rate and the gap continued to increase in recent time. A portion of the surplus is reflected in the increase of foreign exchange reserves. But transforming this savings into investment still remains a major challenge for the country. The report also noted that the growth target for FY2008 has been set at 7 per cent. To achieve the target, it would require either a considerable increase in investment rate or a much-improved ICOR, or a combination of the both.

Regarding Tk 26,000 crore ADP of FY2007, Bhattacharya noted that the original allocation had been revised downward to Tk

21,600 crore in the RADP which was 16.9 per cent and 13.4 per cent lower than the ADP of FY07 and the RADP of FY06 respectively. He said Block Allocation in the RADP has been increased by 17.7 over the original allocation which, to him, is surprising. At the same time, 18.6 per cent (242.6 crore) of the Block Allocation is placed under the head Special Block Allocation; details of which is not available. This poses a question mark about the transparency of such allocation.

About inflation situation, the CPD review identified both domestic and external causes behind the recent price hike. Bhattacharya mentioned the lack of institutional monitoring mechanism, information gap between different stakeholders and too many market intermediaries accompanied by increase in production cost as domestic factors contributing to the price hike. The presentation also noted that the dislocation in market structure due to anti-corruption drive and increase in transportation cost also added to the crisis. Bhattacharya mentioned relatively high interest rate and bank charges as other domestic factors responsible for distortion in the market structure. Regarding external reasons, the CPD review identified that global supply shocks due to adverse climatic conditions in major exporting areas and global price hike of petroleum products are directly affecting import and production cost, adding to the price level. At the same time an inflationary expectation originating from the current inflation trend is further deteriorating the price scenario. The inflation is unlikely to come down below 7 per cent in near future, Bhattacharya observed.

He said stabilising market, addressing inequality, greater foreign aid flow and pushing forward structural reforms, among many others, will be the major challenges for the government in FY2008.

## CPD professionals overseas

**Rehman Sobhan**  
Chairman, CPD

- Participated as a Member of Working Group-4 on "Legal Mechanisms to Empower Informal Businesses" organised by the Commission on Legal Empowerment of the Poor at the International Labour Organization (ILO) Headquarter, Geneva, Switzerland on 18-19 April 2007.
- Participated as a Member in the Second Meeting of Working Group-2 on "Property Rights" organised by the Commission on Legal Empowerment of the Poor at the United States of America (USA) from 2-3 May 2007.
- Participated in the "7th Global Forum on Reinventing Government" organised by Division for Public Administration and Development Management, Department of Economic and Social Affairs, United Nations Held in Vienna, Austria from 26-29 June 2007.

**Debapriya Bhattacharya**  
Executive Director, CPD

- Participated in the "1st Annual Plenary of the Organisation for Economic Co-operation and Development (OECD) Global Forum on Development" organised by the OECD Development Centre and the OECD Development Cooperation Directorate at Paris, France on 3 April 2007.
- Participated in the "Regional Trade Policy Course (RTPC) Lecture" organised by the World Trade Organization (WTO) and Singapore

National University at Singapore from 11-14 May 2007.

- Participated in the "International Trade Experts Meeting/BRICSAM symposium" organised by the Centre for International Governance Innovation (CIGI) at Ontario, Canada from 17 - 19 June 2007.

**Mustafizur Rahman**  
Research Director

- Participated in the Trade and Poverty Reduction Conference as discussant in the session "What we know and we don't, Asian perspective" held on June 11, 2007 in Lima, Peru. He also attended the Policy Conference on MDG on June 12 and the PEP General Meeting on June 14.

**Khondaker Golam Moazzem**  
Research Fellow

- Attended the Certificate Programme on "Trade Policy and Commercial Diplomacy" organised by the Centre for Trade Policy and Law (CTPL), Carleton University, Ottawa, Canada. The programme was held during 28 May-06 July, 2007.

**Nafisa Khaled**  
Research Associate

- Attended the Certificate Programme on "Trade Policy and Commercial Diplomacy" organised by the Centre for Trade Policy and Law (CTPL), Carleton University, Ottawa, Canada. The programme was held during 28 May-06 July, 2007.



## Research division reports

### Trade liberalisation and employment in Bangladesh

In collaboration with the International Labour Organization (ILO), CPD has initiated a study titled "Trade Liberalisation and Employment in Bangladesh". The study will explore and examine the nexus between trade liberalisation and employment in the context of Bangladesh. Starting from analysis of the features of major phases of trade liberalisation undertaken by Bangladesh, this study aims to critically look at the trend, pace and sequences of trade liberalisation in terms of broad categories of goods and policies and their implications for employment. The macro impact of trade liberalisation over time will be examined. The study will particularly investigate the impact of trade liberalisation on employment in Bangladesh both at the aggregate and the disaggregate levels. Both the adversely affected sectors and positively affected sectors due to trade liberalisation will be identified and the associated adjustment cost (including employment implications) will be examined. The study will also attempt to foresee possible employment implications of further liberalisation by undertaking simulation exercise with the application of dynamic CGE model. The policy implication to be formulated to offset the adjustment cost of trade liberalisation and ways how to maximise benefits originating from trade liberalisation will also be discussed. The core research team of the study includes Debapriya Bhattacharya, Executive Director, CPD; Mustafizur Rahman, Research Director, CPD; Selim Raihan, Assistant Professor, Department of Economics, University of Dhaka; and Wasel Bin Shadat, Senior Research Associate, CPD. The study is expected to be completed by September 2007.

### Trade, investment linkages and need for policy coordination in LDCs: A case study of Bangladesh

Debapriya Bhattacharya, Executive Director, and Tazeen Tahsina, Research Associate, completed a research on "Trade and Investment Linkages and Need for Policy Coordination in LDCs: A Case Study of Bangladesh". The study was conducted as part of the ARTNeT Regional Study on Trade and Investment Linkages and Policy Coordination. It has explored trade and investment policy linkages in the context of Bangladesh through an in-depth analysis of macroeconomic trends

compiled with perceptions gathered through a private sector survey. The institutional mechanism behind formation and implementation of trade and investment policies have also been elaborated. The elaboration aims to explore any particular framework followed by relevant institutions to form an association between the two. Using time series data from 1973, the paper made an attempt to establish a relationship between trade liberalisation and private investment by developing a regression analysis. The paper also highlights a number of important factors relating to trade and investment policy situation of the country. The findings from analysis indicated lack of institutional and infrastructural bases for implementing and improving the overall trade scenario and business environment of Bangladesh as the major obstructions.

### Executive Opinion Survey 2007 conducted for the Global Competitiveness Report 2007-2008

The Executive Opinion Survey 2007, which is regularly conducted as part of preparing Bangladesh chapter for the Global Competitiveness Report (GCR), was completed in the first week of April, 2007. The study was jointly conducted by CPD and the World Economic Forum (WEF), Switzerland. A total of 99 companies participated in this year's survey. The composition of participants represented well the structure of the economy. Participants of the survey are chief executives of leading companies and leaders of major business associations. Collected survey data was subsequently compiled and used for analysis. The survey covered information on following areas such as public institutions, infrastructure, technology, financial management, information technology, business operation and strategy, environmental standard, tourism etc. Since the objective of the study is to understand inter-temporal changes in competitiveness environment in the country, all variants are analysed from inter-temporal point of view. Major analyses that have been carried out are: frequency analysis, analysis on participants' weighted response, analysis on normalised lead determining factor, and Chi square test etc. The findings of the survey will be made public through a press briefing in the late September, when the Global Competitiveness Report 2007-2008 will be launched globally. The study is being carried out by a team of CPD-researchers led by Debapriya Bhattacharya. Other members of the team are Khondaker Golam Moazzem, Wasel bin Shadat and Khaleda Akter.

## Meetings

### ● Discussion meet on BCIM with Chief Adviser

A meeting was held on 8 May 2007 with the Chief Adviser to the Caretaker Government, Fakhruddin Ahmed, at his office. Various issues relating to the upcoming BCIM Car Rally scheduled for November 2007 were discussed. All advisers to the Caretaker Government and high officials of the Ministry of Communication attended the meeting. Led by CPD Executive Director Debapriya Bhattacharya, other members of the CPD delegation included Research Director Mustafizur Rahman, Programme Director (Transport and Infrastructure) M Rahmatullah and Additional Director of Dialogue and Communication Anisatul Fatema Yousuf.

### ● Meeting with CA on CPD's Price Essential survey findings

A three-member CPD team, led by the Centre's Executive Director Debapriya Bhattacharya, submitted a report titled Price of Daily Essentials: A Diagnostic Study of Recent Trends on Tuesday 12 June 2007. It was prepared upon a request from the Ministry of Commerce (MoC) and Ministry of Finance (MoF). Other members of the CPD team included Additional Director of Dialogue and Communication Anisatul Fatema Yousuf, Senior Research Fellows Uttam Kumar Deb and Fahmida Khatun, and Senior Research Associate Wasel Bin Shadat. The meeting was attended by Bangladesh Rural Development Board (BRDB), DG Abdus Sobhan Sikder, DG of Bangladesh Rifles (BDR) Major General Shakil Ahmed, ndc, psc, Commerce Secretary Feroz Ahmed and Secretary of the Chief Adviser's Office Kazi M Aminul Islam.

### ● Expert group meet on State of the Bangladesh Economy FY2007

In line with the tradition in recent years, CPD organised an Expert Group Consultation Meeting on Tuesday 29 May 2007 to discuss the working document of the Third Reading of the State of the Bangladesh Economy FY2007. Held in the CPD Dialogue Room, this Expert Group Meeting was attended by a distinguished group of professionals who contributed in terms of sharing views and providing comments on the draft report placed for discussion at this meeting. CPD ED Debapriya Bhattacharya presented the keynote paper which was prepared under the CPD IRBD programme. The meeting was attended by Saadat Husain, Chairman, Public Service Commission; Akbar Ali Khan, Former Adviser to the Caretaker Government; Masihur Rahman, Former Secretary, Economic Relations Division; Siddiqur Rahman Choudhury, Chairman, Agrani Bank and Former Secretary, Finance Division; Syed M Ahsan, WBI Resident Advisor, World Bank; Zobdul Hoque, Former Deputy Director General, Bangladesh Bureau of Statistics (BBS); S R Osmani, Visiting Professor, Department of Development Studies, BRAC University; Kaniz Siddique, International Consultant, Ministry of Finance; Sajjad Zohir, Executive Director, Economic Researcher Group (ERG).



Members of the IRBD Expert Group at CPD meeting



## Book Launching at Harvard

CPD Chairman Rehman Sobhan was honoured by the Ash Institute at Harvard University's Kennedy School of Government in special commemoration of his new volume of books *The Collected Works of Rehman Sobhan*, which include (1) *Challenging Injustice*; (2) *Milestones to Bangladesh*; and (3) *The Political Economy of Malgovernance in Bangladesh*. The compendium encapsulates the notion of justice and equity at their core and manifests the author's ideas about how Bangladesh should develop. The ceremony titled 'The End of Poverty: Challenging Injustice' was held on 17 April 2007 at Harvard University. The set of books along with bangla compendium volume was published and launched by CPD early this year.

In his introductory remark Gowher Rizvi, Director of the Ash Institute, spoke about Professor Sobhan's contribution as a teacher, a mentor and a dedicated citizen of his country. In this connection he elaborated on how significantly Sobhan has contributed in the country's nationalist movement during the late 1960's and early 1970's. Sobhan in his speech spoke about his early days and how proud he was to

(Continued on page 5)

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