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# CPD

Centre for  
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Dialogue  
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## Quarterly

### FROM the editor's desk

The budget for FY2010-11 has once again projected a *higher than trend* budget deficit, equivalent to Tk. 39,323 crore or 5.0 per cent of the GDP. This is lower than some of the neighbouring countries, such as India (about 5.5 per cent). Indeed, in recent years, levels of actual deficits have tended to remain below the projected ones because of underperformance of the ADP. In FY2009-10 the projected deficit was about 5.0 per cent of the GDP; however, actual deficit estimate will perhaps turn out to be less than 4.0 per cent in view of the scaling down of the ADP and its subsequent underimplementation. However, a cautionary note is perhaps called for. Firstly, deficits in the recent past have hovered around a relatively low 3.0 per cent of the GDP (except for the extra-ordinary year of FY2007-08 when it was 5.4 per cent). Secondly, in recent years, almost all of the revenue earnings had to be spent to meet the burden of revenue expenditure (e.g. in FY2010-11, revenue earning is projected to be Tk. 92,874 crore and non-ADP expenditure to be Tk. 93,670 crore). Thirdly, the structure of financing of the deficit needs to be put on the spotlight. In FY2010-11, the deficit of Tk. 39,323 crore will be financed through expected aid flow of Tk. 15,643 crore, and non-aid domestic borrowings of Tk. 23,680 crore. Within the foreign financing, foreign grant component will finance only 30.7 per cent whilst the share of foreign loan component will be 69.3 per cent, of which, a significant part would be high interest paying *Ordinary Capital Resources (OCR)* loans (*LIBOR plus*). This increasing share of non-grant loans is likely to lead to higher debt servicing requirement in the future. Within the domestic borrowing component, net bank borrowing will account for 66.2 per cent whilst share of non-bank borrowing will be 33.8 per cent. Good that the government is increasingly taking resort to commercial bank borrowing, which is non-inflationary, rather than central bank borrowing, which is of inflationary nature. However, high cost domestic borrowing may lead to higher debt burden in future. In FY2009-10, debt servicing at Tk. 14,646 crore, accounted for 21.3 per cent of non-development expenditure. The share of this burden is on the rise.

Thus, in light of the above, raising the efficacy of deficit management could become an issue of increasing importance in future. Both sourcing and appropriate use of the borrowed funds should command heightened attention of policymakers in view of this emerging prospect.



Hon'ble Minister for Finance AMA Muhith, MP is speaking at the dialogue; (from left) Mustafizur Rahman, Wahiduddin Mahmud, Rehman Sobhan, Masihur Rahman and AB Mirza Azizul Islam are also seen in the picture

### Finance Minister Emphasises Government's Commitment to Boost Agriculture, Energy and ICT Sectors

#### at the CPD Budget Dialogue

"Demands for the agriculture, energy, power and ICT sectors will be met no matter the amount allotted for them in the budget," said AMA Muhith, Hon'ble Minister for Finance at the CPD budget dialogue titled *State of Bangladesh Economy FY2009-10 and Analysis of Budget FY2010-11* on 19 June 2010 at the Dhaka Sheraton Hotel. He, however, felt that financing of power and energy sectors will be a formidable challenge and the government will have to depend largely on public-private partnership (PPP) for this. The Finance Minister was present as the Chief Guest while Dr Masihur Rahman, Economic Affairs Advisor to the Hon'ble Prime Minister attended the dialogue as the Special Guest. Dr AB Mirza Azizul Islam and Professor Wahiduddin Mahmud, both Former Advisors to the Caretaker Government, were present as Guests of Honour. Professor Mustafizur Rahman, Executive Director, CPD presented the keynote paper at the dialogue which was chaired by Professor Rehman Sobhan, Chairman, CPD.

While highlighting some of the significant features of the proposed National Budget for FY2010-11, Professor Rahman remarked that the size of the budget should not be perceived as too big if needs of the economy and the tasks ahead are kept in the perspective. He emphasised on the quality of implementation of the proposals, and the need for continued efforts to mitigate the adverse lagged impact of the global

financial crisis. He stressed on the need for factoring in the regional dimensions of development in Bangladesh context. He appreciated the measures to widen the tax net but observed that the personal income tax ceiling could have been revised upward considering the inflationary pressure in the economy. He also felt that efficacy of the delivery of the ADP should be raised significantly. He underscored the need for formulating a comprehensive PPP Guideline to improve the investment scenario of the country.

Dr AB Mirza Azizul Islam remarked that while the size of the ADP was not overambitious considering the investment and infrastructural needs, however it was perceived so in view of the implementation capacity of the government. He urged for special attention in improving the power sector emphasising that the power is the most binding constraint to growth. Dr Islam also commented that the numerous tax exemptions and tax holidays in place in the fiscal system of Bangladesh should be revisited. He felt that the status quo on the Pensioner's Saving Scheme should be maintained. He expressed his disappointment regarding the fact that no policy measures to reduce the regional inequality the country had been included in the budget.

Professor Wahiduddin Mahmud recalled government's efforts towards implementing a progressive tax system in the country and its actions to alleviate the adverse impact of the global financial

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## "Protect Agriculture from Climate Change Impacts"

### Agriculture Minister Urges Scientists at the CPD-ICRISAT International Workshop



Begum Matia Chowdhury is speaking at the inaugural session; while (from left) MCS Bantilan, Rehman Sobhan, AMM Shawkat Ali and Mustafizur Rahman are paying attention

Disaster Management was the Chief Guest of the concluding session. Dr MCS Bantilan, Global Theme Leader, ICRISAT made a presentation at the inaugural session where she gave an introduction to the ongoing cross-country research project titled "Vulnerability to Climate Change: Adaptation Strategies and Layers of Resilience." She informed the audience about the focus of the study and elaborated on the expected

analysis using microlevel data matching with farmers' perception about reality, government response to climate change, and adaptation to climate change for food security.

Dr Razzaque, the Chief Guest at the concluding session also took a cautionary tone and observed that sea level rise is already a threat to the coastal areas of Bangladesh, while the regional poverty situation and national inflation is creating additional burden for the climate-victims. Considering these issues, the Bangladesh government has finalised an action plan, and allocated Tk. 700 crore for the preparation to minimise the adverse impacts of natural disasters in future, he added.

Professor Rehman Sobhan emphasised on institutional arrangements to combat the adverse impacts of climate change in Asian countries.

A synthesis report was presented to draw the conclusion to the workshop by Dr MCS Bantilan. She observed that farmers are aware of the changes and effects of climate change, and "it is our turn now to help them with new technologies and effective methods and policies for combating the hazards and disasters." Wrapping up the session Professor Mustafizur Rahman, Executive Director, CPD remarked that the governments of all the affected countries have to focus on agricultural research and inventions to deliver farmer-friendly and compatible measures to enable their respective agricultural sectors to cope with the changed environment.

**Flash floods** in the haor areas of Bangladesh have damaged about 156,000 tonnes of Boro crops on around 40,000 hectares of land, said Begum Matia Chowdhury, at the inauguration of a two-day workshop on *Building Climate Resilient Agriculture in Asia*, jointly organised by the CPD and the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Hyderabad, India with support from the Asian Development Bank (ADB), on 5-6 May 2010 at the BRAC Centre Inn Auditorium, Dhaka. 43 participants from various government and non-government organisations of the seven countries covered under the study attended the workshop. Begum Matia Chowdhury, Hon'ble Minister for Agriculture was present as the Chief Guest at the inaugural session, and Dr Abdur Razzaque, Hon'ble Minister for Food and

outcome of the workshop.

Begum Matia Chowdhury highlighted some of Bangladesh's achievements regarding development of salinity and drought-tolerant crop varieties in view of adapting the country's agriculture towards climate vulnerabilities. Drawing attention to the issue of over-mining of the underground water, she said it has led to the arsenic problem in the country, and desertification in the northern region. However, the practice of rainwater conservation is yet to be adapted in an extensive manner in Bangladesh. This is causing massive depletion to our below-surface water reservoir.

Participants at the workshop discussed farmers' perception and adaptation strategies for Bangladesh and other Asian countries in the face of climate change by developing agendas based on grassroot level adaptation. They also shared cross-country climatic

parts, encourage captive power users by providing loans with low rates of interest and to finalise the coal policy on a priority basis.

The CPD anticipated that the budget for FY2010-11 would be around Tk. 132,000 crore with a deficit expecting to be 5 per cent of GDP in the backdrop of the need for increased public expenditure to accelerate growth. Besides mobilising foreign grants, funds from non-banking sources can be mobilised to meet such deficit, it was suggested. CPD said capital gains tax could be a potential source for mobilising additional resources, particularly resources that can be generated from the capital market. But this should be done in a manner that does not add to volatility in the stock market.

For higher income tax collection CPD proposed promotion of online submission of tax returns with tax form having an in-built tax calculator to facilitate self-assessment. It laid stress on enforcement of the use of

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### FY2010-11 has to be the Year of Delivery

#### Says CPD in its Press Briefing on Budget Proposal



Mustafizur Rahman along with the CPD-IRBD team is addressing the media

"During the current fiscal year the government has made many promises and drafted many policies to reach the targets for advancing the economy. It is important for the government now to deliver on these promises. If the FY2009-10 has been the year of preparation, FY2010-11 has to be the year of delivery." These observations were made by Professor Mustafizur Rahman, Executive Director, CPD at a Press Briefing on *CPD Proposals for Upcoming National Budget FY2010-11*. In order to contribute to the preparation of national budget CPD prepared a set of recommendations which were presented before the media on 17 April 2010 at its office.

Professor Rahman said that the key challenges for next budget preparation would be to deal with lower investment, growing shortfall in power and gas supply, and rising inflation pressure. To tackle the power crisis he stressed the need to immediately allocate adequate funds to refurbish and reconstruct the existing power plants. CPD also suggested to supply diesel and furnace oil for generators at a subsidised rate, facilitate duty-free import of generators and generator

#### CPD In-house Consultation Meeting on Developing Framework for a Comprehensive Trade Policy for Bangladesh

The preliminary findings of CPD study on "Developing a Framework for a Comprehensive Trade Policy for Bangladesh" were shared through an in-house consultation meeting with the stakeholders. The meeting was organised by the CPD in association with Catalyst at the CPD Dialogue Room, on 4 April 2010.

The issues that were discussed at the meeting encompassed setting targets in the relevant policies and inconsistencies among these policies, regulatory issues to be addressed, role of regional and bilateral trade agreements along with concerns on the issues like infrastructure, human resources, global warming and food security. The discussion was attended by researchers, NGO officials and representatives with interest in these issues.



An in-house expert group meeting on *State of the Bangladesh Economy in FY2009-10* was arranged by the CPD on 30 May 2010, prior to the presentation of the report before the media. Professor Mustafizur Rahman, Executive Director of CPD presented the paper which focused on such issues as macroeconomic scenario in FY2009-10, inflation and price, private and public investment, performance and plan for energy sector, agriculture and food security, employment generation programmes of the government, attaining MDGs in health and education sectors, performance and outlook of the external sector in view of recovery from the global recession, and macroeconomic management and major challenges in FY2010-11. Amongst those who took part in the discussion were Dr Rushidan Islam Rahman, Research Director, BIDS; Dr Mahabub Hossain, Executive Director, BRAC; Mr Md Aminur Rahman, Member, Income Tax Policy, NBR; Dr AB Mirza Azizul Islam, Former Advisor to the Caretaker Government; Mr Zakir Ahmed Khan, Former Secretary, Finance Division; and Mr Muhammad Abdul Mazid, Former Chairman, NBR. CPD senior officials and researchers were also present at the meeting.

### Expert Group Meeting on State of the Bangladesh Economy in FY2009-10



### Press Briefing on State of the Bangladesh Economy in FY2009-10



Mustafizur Rahman addresses the media while CPD researchers pay attention

The CPD launched its annual flagship report titled "State of the Bangladesh Economy in FY2009-10" at a media briefing on 6 June 2010 at the CPD Dialogue Room. Professor Mustafizur Rahman, Executive Director of CPD made the presentation while Dr Uttam Kumar Deb, Head of Research; Dr Fahmida Khatun, Additional Director, Research; and Dr Khondaker Golam Moazzem, Senior Research Fellow of the centre along with other members of the CPD-IRBD team were present at the press briefing. The assessment report noted that the actual growth for the current fiscal year would be 5.5 per cent rather than the targeted

6 per cent. Revenue collection was on track during the first 10 months; however, failure in achieving the collection target from non-NBR sources might result in a shortfall by Tk. 2,400 crore or 3 per cent of the total revenue target.

Reporting that inflationary pressure was continuing to mount, Professor Rahman noted that point-to-point inflation and food inflation has risen to 8.8 per cent and 10.8 per cent respectively, and the trend was found to be similar to what was experienced during 2007 and 2008. On the issue of power crunch, Professor Rahman observed that power shortage was imposing an unsustainable burden on the economy; however, the government was yet to start implementing the required initiatives, such as PPP in power generation. Recalling the government's plan to generate 9,500 MW electricity by 2015, Professor Rahman urged for more focus on sequencing the policy measures towards achieving this target. He also explained to the media that though industrial term loan and import of capital machinery were showing positive signals, growth would not gather sufficient momentum unless the acute energy and infrastructure crises were solved. A higher economic growth of 6.5 per cent would be possible only if the country was able to ensure adequate energy and infrastructure facilities, he added.

While discussing the macroeconomic outlook of the forthcoming fiscal year, Professor Rahman highlighted some major challenges, such as implementation capacity, prudent fiscal management, and policy coherence in view of the 'growth versus stability trade-off.' Professor Rahman reminded that the next fiscal year should be synchronised with the targets set in the Sixth Five-Year Plan and the Ten-Year Perspective Plan.

### Attaining 6.7 Per cent Growth Target will be Challenging Says CPD in its Budget Press Briefing

In line with its tradition, the CPD organised a press briefing on 11 June 2010 at the BRAC Auditorium, Dhaka, immediately the day after the National Budget FY2010-11 was announced by the Finance Minister on 10 June 2010. Professor Mustafizur Rahman, Executive Director, CPD briefed the press about CPD's initial comments on the proposed budget. The briefing was telecast live on Channel i, and was covered extensively by both the print and electronic media.

Professor Rahman remarked that growth target for FY2010-11 has been ambitiously set at 6.7 per cent. Particularly in the context of the uncertainty regarding power, external demand, etc. in the industrial sector, a growth rate between 6.0 and 6.5 may be more realistic. About the size of the budget set at Tk. 132,170 crore, he felt that this was realistic considering the country's economic requirements. Professor Rahman appreciated that the proposed budget has attempted to mitigate the adverse impacts of global financial crisis. He, however, underscored the need for timely disbursement of the stimulus package to enhance competitiveness of the export-oriented industries.

He appreciated the proposed measures to widen the tax net and noted that realisation of revenue targets should be within the reach of the authorities. He said the income tax floor should have been revised upward as increased inflation was eroding the purchasing power of the low and fixed income groups. With respect to the implementation status



Mustafizur Rahman is presenting the CPD budget analysis for the media while a part of CPD-IRBD team are also seen

of the ADP, Professor Rahman remarked that the authorities should prepare an action plan to complete the large number of carryover projects, prioritising those in the power and infrastructure sectors.

Although the amount allocated for subsidies in the agriculture sector is reasonable, the government should be prepared to increase the allocation considering volatility in international prices, noted Professor Rahman. He also expressed concern regarding the fact that some important reform initiatives such as Bangladesh Better Business Forum (BBBF) and Regulatory Reforms Commission (RRC) are not being

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Budgetary Implementation and Sane Bureaucratism Stressed  
at CPD-BEA Regional Dialogue



Dilip Barua addresses the dialogue; (from left) Fahmida Khatun, M Sekandar Khan, Mainuddin Khan Badal MP and Mustafizur Rahman are also seen

Good performance with regard to budgetary implementation and a depoliticised bureaucracy in the development process were called for by the discussants in a post-budget dialogue titled *An Analysis of the National Budget for FY2010-11*, held on 24 June 2010 at the Dalia Room of Hotel The Peninsula, Chittagong organised by the CPD in association with Bangladesh Economic Association (BEA) (Chittagong Chapter).

Hon'ble Minister for Industries, Mr Dilip Barua was the Chief Guest, whilst Mr Mainuddin Khan Badal, MP was the Special Guest. Professor Muinul Islam of Chittagong University and Mr Saifuzzaman Chowdhury, Former President of Chittagong Chamber of Commerce and Industries (CCCI), provided valuable insights as Designated Discussants. The session was chaired by Professor M Sekandar Khan, President, BEA (Chittagong Chapter), and the welcome speech was delivered by Professor Mustafizur Rahman, Executive Director, CPD. CPD's Additional Director, Research, Dr Fahmida Khatun presented the keynote paper.

Dr Khatun remarked that the budget for FY2010-11 is a crucial watershed since this will be the last year of the PRSP as well as the first year of sixth FYP and the Perspective Plan. She flagged some of the highlights of the proposed budget including broadening the tax net and the opportunity to invest in bonds to be issued under the BIFF by paying a tax rate of 10 per cent. Dr Khatun stressed the need for straightening regulatory reforms, public expenditure reform and revamping the role of BBBF in order to raise efficacy of public service delivery.

Professor Muinul Islam termed the budget as 'feasible to achieve' though some of the critics had termed it as an ambitious one. He highlighted that the power crunch affected the economy adversely during the last fiscal and had slowed down the GDP growth. Taking into cognisance the domestic savings and remittance ratio to GDP was much higher against a stagnant investment-GDP ratio in recent years, he underscored the need for adequate and appropriate use of the surplus savings which was about 5-6 per cent of the GDP. Opposing the opportunity given to legalise the undisclosed money to be invested under the BIFF, he remarked "it was not a workable effort." Professor Islam strongly argued for subsidy in livestock sector, particularly in fish breeding, poultry sectors, etc. He also opposed the proposed reduction of tariff to 5 per cent on milk powder and urged the government to provide subsidy to domestic livestock producers.

Mr Saifuzzaman Chowdhury emphasised the importance of power sector and insisted on immediate exploration of coal and gas from the offshore fields. He also felt that there was a need for appropriate directions for nuclear power plant installation in the budget. He proposed to build specialised 'SME parks' in different parts of the country.

In his Special Guest's speech, Mr Mainuddin Khan Badal, MP urged for steady and quality implementation of ADP projects. He expressed his disappointment as no special allocation for Chittagong was earmarked in the budget. He asked for activation of autonomous bodies of the government and decentralisation of governing bodies. He suggested to build a 'coastal belt Chittagong highway,' without disturbing agricultural lands. He criticised the slow pace of policy implementation by the bureaucracy and urged for depoliticisation of that bureaucrats. He also called for an active role of lawmakers.

Mr Dilip Barua in his speech as the Chief Guest informed that agriculture, safety net and food security has received the highest priority in the budget. He assured that subsidy to agriculture would be raised as required, and allocation for research & development in agriculture would be strengthened. Government's active interest to heighten the pace of investment, infrastructure development, and establishment of deep sea port got reflected in his speech.

Professor Sekandar Khan, in his concluding remarks, urged for more independent working environment for the existing autonomous commissions of the government. He felt that 30 per cent of the national budget should be allocated to the local government.

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

Expert Group Meeting on

Employment Generation Programme under Social Safety Net

The CPD organised an expert group consultation on *Employment Generation Programme under Social Safety Net: Challenges of Effective Implementation* at CPD Dialogue Room on 18 April 2010. To initiate the discussion, Mr Towfiqul Islam Khan, Senior Research Associate, CPD presented the preliminary findings of the study. The study aimed to assess the operational mechanisms of two of the government's safety net programmes, namely "Employment Generation for the Hardcore Poor" and "National Service."

While Dr Fahmida Khatun, Additional Director, Research, CPD moderated the discussion, the meeting was attended by relevant government officials, researchers and NGO representatives.



CPD Press Briefing on Budget Proposal

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electronic cash registrars (ECR) to enhance VAT collection for medium and large commercial entities located in divisions and districts towns.

On the ADP implementation Professor Rahman said the government should select top 100 projects, with particular emphasis on power and infrastructure projects, and prepare action plans for ensuring their timely completion. He also suggested floatation of bonds and sector-wise mutual funds to develop infrastructure.

Support to different industrial sectors to help these combat the recession fallout should be continued, CPD opined. To reduce inflationary pressure, CPD favoured continuation of zero-tariff on imports

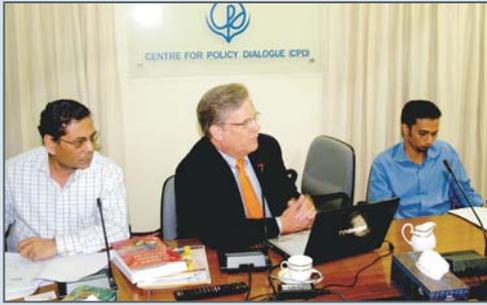
of essential commodities. However, CPD opposed any provision for legalising undisclosed income in the upcoming budget. "This type of facility provided in the budget have never delivered the expected output," said Professor Rahman.

CPD also suggested to impose green tax on all polluting industries to encourage installation of effluent treatment plants. It proposed introduction of insurance scheme for agriculture and livestock, and incentives for establishment of cold storage for vegetables and fruits. Labour-intensive light engineering, plastic melamine and electronics industrial units should come under the Equity Entrepreneurship Fund (EEF) coverage, CPD recommended.

CPD-IRBD team was also present at the press briefing.



Lecture by  
Mr James  
M Roberts



Mr James M Roberts, Research Fellow in Economic Freedom and Growth, Heritage Foundation's Center for International Trade and Economics presented a lecture on *2010 Index of Economic Freedom: The Link between Economic Opportunity and Prosperity*, at CPD on 16 June 2010.

Lecture by  
Professor  
Ulrich von Alemann



Dr Ulrich von Alemann, Professor, Heinrich Heine University Düsseldorf, Germany delivered a lecture on *Political Parties, Financing and Corruption* during his visit to CPD on 20 May 2010.

Lunch Meeting  
with Professor  
Gustav Papanek



In honour of Professor Gustav F Papanek, President of the Boston Institute for Developing Economies (BIDE) and Professor of Economics, Emeritus at Boston University, CPD hosted a lunch at the Hotel Westin, Dhaka on 17 April 2010. The lunch meeting was attended by Professor Mustafizur Rahman, Executive Director and other senior officials and researchers of CPD. The discussion at the meeting centred around the state of the Bangladesh economy, challenges ahead, and the best modalities to address these challenges.

CPD Visit of  
UNICEF Officials



UNICEF officials Dr Iyolumun Uhaa, Deputy Representative; Christine Jaulmes, Chief of Communication and Information Section; Deqa Ibrahim Musa, Project Officer; and Mohammad Shafiqul Islam, Social Policy Specialist visited CPD on 10 May 2010. Professor Mustafizur Rahman, Executive Director; Anisatul Fatema Yousuf, Director, Dialogue and Communication; and Dr Khondaker Golam Moazzem, Senior Research Fellow were present at the meeting. The meeting explored possibilities of collaboration between the two organisations.

### CPD Budget Dialogue

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crisis. In this context, he underscored the need for acceleratise the pace of policy implementation. Professor Mahmud noted that the government should focus on the qualitative aspects of ADP implementation and not simply on fund disbursement. He remarked that there is a lack of synchronisation between the Industrial Policy and the Tax Policy, and also criticised the imposition of tax on saving certificates. He stressed on 'innovative expansion' to accelerate the growth of GDP by replacing the 'replicating expansion.' "We need to bring innovation in manpower, technology and all other potential sectors to reach the GDP growth of 7-8 per cent," he maintained.

Dr Masihur Rahman noted that the structure of the budget has improved and emphasised the importance of the Medium Term Budgetary Framework (MTBF) in this context. He also recommended that the capacity of Bangladesh Bureau of Statistics (BBS) would have to be strengthened manifold. He reiterated government's seriousness to move towards decentralisation of economic activities and to address regional disparity across the country.

The Finance Minister took a strong stand on raising tax particularly from the local sources. Referring to the RMG industry owners of the country, he said the tax paid by them is significantly low compared to the sector's annual earning of USD 13-14 billion. He noted that people

need to get used to the culture of paying more taxes, at least for the sake of public welfare. The Hon'ble Finance Minister agreed that greater emphasis should be placed on quality implementation of the national budget. He assured the audience that the quality of the projects will be monitored on a continuing basis. He further noted that major portion of the investment must come from the private sector. He maintained that the government would focus on rental power plants in order to meet the short-term demand for energy. He remarked that some of the debated proposals such as income tax on Pensioners' Savings Scheme and vehicle tax may need to be reviewed before full passage of the budget.

Discussants from the floor emphasised the need for prioritising power sector investment and remarked that it has emerged as one of the major constraints to growth in Bangladesh. Implementation and monitoring was brought up by the participants as vital aspects of the budget. SME sector, employment generation, safety net measures and policies to mitigate the impact of the global financial crisis were also debated in detail.

Professor Rehman Sobhan, Chairman, CPD remarked that government should focus more on qualitative and institutional challenges that undermined the budgetary process in the country and its implementation. He also noted that measures should be taken to ensure that the farmers and workers receive the intended benefits from the budget.

### CPD Budget Press Briefing

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continued. Employment generation schemes under social safety net require serious attention from the government with regard to budgetary allocation, project design, implementation and monitoring, he added.

Professor Rahman requested the authorities to finalise the PPP Guideline as it would be a key mechanism to stimulate growth in the

future. He appreciated the government's initiatives such as Bangladesh Infrastructure Finance Fund (BIFF) and infrastructure depreciation allowance to strengthen the PPP framework. He also suggested that for projects which require high and priority attention, the government will need to go forward on its own, if PPP is not forthcoming.

In his concluding remarks Professor Rahman said implementation of the budget will require initiatives in terms of changes in policies, adequate human resource development and strengthening of logistics support.



## Research Division Report



### TRIPS and Pharmaceutical Industry in Bangladesh

In association with the United Nations Development Programme (UNDP), the CPD conducted a study on "The Impact of TRIPS for the Pharmaceutical Industry in Bangladesh." The study analyses the implications of the WTO flexibilities for the pharmaceutical industry in Bangladesh, and examines whether and to what extent the country's pharmaceutical industry has been able to take advantage of the derogations. Besides, the study also examines the relationship between the dynamics in the pharmaceutical sector and attainment of health-related MDGs in Bangladesh. Based on the findings, a set of policy recommendations has been articulated highlighting the expected doables at both national and international levels. The study was carried out by Syed Saifuddin Hossain, Senior Research Associate, CPD.

### An Analysis of the National Budget for FY2010-11

CPD presented its reaction to the National Budget in a study titled "State of the Bangladesh Economy and Budget Responses: FY2010-11." The study noted that size of the budget, set at Tk. 132,170 crore, is realistic considering the country's economic requirements. However, it urged the government to take initiatives to increase the efficacy of delivery and implementation of the budgetary proposals. The study examined various measures and initiatives proposed in the national budget, and stated that the continued fiscal support offered in the budget will aid to mitigate the adverse effects of the global financial crisis. It was projected that in the context of the investment structure and the recent performance of the industrial sector, achieving a 6.7 per cent growth might be challenging.

Current efforts to widen the tax net should help achieve the revenue targets, and resource mobilisation should be within reach, the study observed. The study analysed the implementation status of the ADP and noted that the government must create an action plan to complete the large number of carryover projects, prioritising those in the power and infrastructure sectors.

Professor Mustafizur Rahman, Executive Director, CPD was in-charge of the overall study which was prepared by the CPD-IRBD research team.

### Vulnerability to Climate Change: Adaptation Strategies and Layers of Resilience in Bangladesh

CPD, in collaboration with ICRISAT, has conducted a research on adaptation strategies in Bangladesh agriculture to combat negative consequences of climate change. The study analysed changes in climatic conditions in Bangladesh over the last four decades with special focus on flood-prone and drought-prone ecological conditions. It has documented changes and patterns of the rural economic life and livelihood activities in four districts (Mymensingh, Faridpur, Kushtia and Dinajpur) during 1990-91 to 2004-05. Farmers' perception about climate change, impacts of cropping patterns and intensity, land usage patterns, input use, market access and use of technology in production process were studied in four selected villages representing both flood-prone and drought-prone ecological situations. The study also analysed the changes in cropping pattern, livelihoods and poverty situation in the four study villages. Based on the research findings, the study has put forward some suggestions towards development of strategies for agricultural adaptation in response to the climate change in flood and drought-prone villages in Bangladesh. The study was led by Dr Uttam Deb, Head, Research Division, CPD; and members of the study team include Dr AKM Nazrul Islam, Research Fellow, CPD; Nafisa Khaled, Senior Research Associate, CPD; Ashiqun Nabi, Research Associate, CPD; Muhammad Al Amin, Research Associate, CPD; Mazbahul Golam Ahamad, Research Associate, CPD; Kaniz Tasnima, Research Associate, CPD; and Professor Debi Narayan Rudra Paul of Uttara University.

### CPD-ICRIER Study on Making SAFTA Effective: An Approach to Prune Sensitive Lists in South Asia

Although SAFTA was put in place in 2006, its success in enhancing intra-regional trade among South Asian countries has been rather limited. One of the main reasons behind the low intra-regional trade is attributed to the practice of maintaining large negative lists by member countries. According to the agreement of SAFTA the protection is accorded for a specific period and eventually these lists need to be pruned down to facilitate greater trade in the region. So far the progress as regards the pruning down the list has not been impressive. In this context, a regional study titled "Making SAFTA Effective: An Approach to Prune Sensitive Lists in South Asia" was undertaken by ICRIER, India with CPD (Bangladesh), IPS (Sri Lanka), PIDE (Pakistan) and SAWTEE (Nepal) being partner institutions. The objective of the study is to identify products that could be pruned from the negative lists of individual member countries. The study will classify items on the basis of trade complementarities and revealed comparative advantages, evaluate the price and non-price competitiveness of these items, examine the domestic market structure of these items, and identify the items that overlap with the sensitive lists under FTAs other than SAFTA. Dr Khondaker Golam Moazzem, Senior Research Fellow, CPD is the lead researcher, while Kishore Kumer Basak, Research Associate, CPD is providing the research support.

### CPD-LUMS Study on the Prospects and Impact of Increased Intra-regional Trade and FDI in the Light Engineering Sector in South Asia

CPD in collaboration with Lahore University of Management Sciences (LUMS) is conducting a study on "The Prospects and Impact of Increased Intra Regional Trade and FDI in the Light Engineering Sector in South Asia." As is known, light engineering, and agricultural equipment and machinery sectors are important backward linkages for the industrial and agricultural industries in developing countries including Bangladesh. The objective of the study is to analyse the scope and potentiality of intra-regional trade and investment in these sectors in Bangladesh. The study is being led by Dr Khondaker Golam Moazzem, Senior Research Fellow, CPD; and Mehruna Islam Chowdhury, Research Associate, CPD is providing the research support to this study.

### Staff News



*Mazbahul Golam Ahmad* has been promoted to Research Associate from Programme Associate with effect from 1 April 2010.

*Afrin Islam* has been promoted to Research Associate from Programme Associate with effect from 1 April 2010.

*Kaniz Tasnima* has been promoted to Research Associate from Programme Associate with effect from 1 April 2010.

*Md Humayun Kabir* has been promoted to Deputy Director, Administration from Senior Administrative Associate with effect from 1 May 2010.

*Dr AKM Nazrul Islam* has been promoted to Research Fellow from Senior Research Associate with effect from 1 May 2010.

*Md Tariqur Rahman* has been promoted to Senior Research Associate from Research Associate with effect from 1 May 2010.

*Muhammad Al Amin* has been promoted to Senior Research Associate from Research Associate with effect from 1 May 2010.



## CPD Professionals in International Fora

### Professor Rehman Sobhan, Chairman

- Delivered a speech on *Sangbad at the Sixties: Keeping the Flame Burning*, in UNCTAD's Second Public Symposium, organised by UNCTAD, on 10-11 May 2010, in Geneva, Switzerland.
- Attended the Second Annual West Asia-North Africa (WANA) Forum meeting, on 16-18 May 2010, in Amman, Jordan.
- Presented a paper on *Promoting Social Cohesion in the Asia Region: Lessons from the EU Experience*, as a speaker in ASEM Development Conference II on "Towards an Asia-EU Partnership for Sustainable Development," on 26-27 May 2010, in Jakarta, Indonesia.

### Professor Mustafizur Rahman, Executive Director

- Participated as member of the Government Delegation, organised by the Bangladesh Ministry of Commerce, which visited to pursue duty-free market access in the US, on 18-24 April 2010, in Washington, D.C., US.
- Participated in the Wilton Park Conference 10/01 on "Enhancing Domestic Resource Mobilisation in Sub-Saharan Africa," on 27-30 April 2010, in West Sussex, UK.
- Attended the International Experts Meeting on "Social Cohesion," organised by OECD and GTZ, on 31 May-1 June 2010, in Eschborn, Germany.
- Participated in a Training Workshop on "Trade-Related Survey for LDCs," organised by UNDESA, on 27-29 June 2010, in Geneva, Switzerland.

### Ms Anisatul Fatema Yousuf, Director, Dialogue and Communication

- Participated as a Discussant at the opening plenary of the Regional Workshop on "Towards More Open and Transparent Governance in South Asia," organised jointly by the World Bank and Indian Institute of Public Administration, on 27-29 April 2010, in New Delhi, India.

### Dr Fahmida Khatun, Additional Director, Research

- Presented a proposal on *Liberalising Health Services under the Proposed SAARC Framework Agreement on Trade in Services: Implications for South Asian Countries*, at the Sixth Meeting of "RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asian: Phase II," organised by the Asian Development Bank (ADB), on 7-10 April 2010, in Bangkok, Thailand.
- Made a presentation on *Sustainable Aquaculture Trade: Challenges and Opportunities for the Poor*, as a speaker at the meeting on "Trade, Climate Change and Fisheries," organised by the International Centre for Trade and Sustainable Development (ICTSD), on 16 June 2010, in Geneva, Switzerland.

### Dr Khondaker Golam Moazzem, Senior Research Fellow

- Attended a meeting on "Making SAFTA Effective: An Approach to Prune Sensitive Lists in South Asia," organised by Indian Council for Research on International Economic Relations (ICRIER), on 29 April 2010, in New Delhi, India.

### Dr AKM Nazrul Islam, Research Fellow

- Participated in "WTO/ESCAP 6th ARTNeT Capacity Building Workshop for Trade Research," organised by WTO and ESCAP in collaboration with National University of Lao, on 21-26 June 2010, in Vientiane, Lao PDR.

### Ms Nafisa Khaled, Senior Research Associate

- Participated in a workshop on "WTO/ESCAP 6th ARTNeT Capacity Building Workshop for Trade Research," organised by WTO and ESCAP in collaboration with National University of Lao, on 21-26 June 2010, in Vientiane, Lao PDR.

### Mr Ashiqun Nabi, Research Associate

- Participated in a workshop on "WTO/ESCAP 6th ARTNeT Capacity Building Workshop for Trade Research," organised by WTO and ESCAP in collaboration with National University of Lao, on 21-26 June 2010, in Vientiane, Lao PDR.

### Ms Nusrat Jahan, Research Associate

- Participated in a training on "Gender and Macroeconomics," organised by UNDP Regional Centre, Bangkok, on 14-24 June 2010, in Quezon city, Philippines.

## CPD Professionals in National Fora

### Professor Mustafizur Rahman, Executive Director

- Delivered a lecture on *World Trade Organization (WTO) Negotiations: Interests and Challenges for Bangladesh*, at the Faculty of Business Studies, Bangladesh University of Professionals (BUP), on 9 April 2010.
- Delivered a lecture on *Bangladesh Manpower Export: Dynamics and Emerging Challenges*, at the Defence Services Command and Staff College, Dhaka, on 10 May 2010.
- Delivered a presentation on *State of the Bangladesh Economy in the Run-up to the National Budget FY2010-11*, at the lunch meeting organised by Switzerland-Bangladesh Chamber of Commerce & Industry (SBCCI), on 15 May 2010.
- Delivered a lecture titled *Towards Strengthened Regional Economic Integration: A Window of Opportunity for Bangladesh*, organised by Agrani Bank, on 28 May 2010.
- Made a presentation on *International Trade Alliances* at the National Defence College (NDC), Dhaka, on 7 June 2010.

### Dr Uttam Deb, Head of Research

- Made a joint presentation on *Agricultural Marketing, Price Stabilization, Value Chains and Global/Regional Trade*, at the Bangladesh Food Security Investment Forum, on 26-27 May.

### Dr Fahmida Khatun, Additional Director, Research

- Presented the keynote paper in a seminar on "Gender Sensitive Economy and National Budget," organised by Bangladesh Mahila Parishad, on 11 April 2010.
- Participated as Discussant at a seminar on "Status of Women in the National Budget," organised by Bangladesh Nari Progoti Sangstha, on 4 May 2010.
- Presented a paper on *Gender Sensitive National Budget*, at the Gender Fair organised by Democracy Watch, on 13 May 2010.
- Presented keynote paper on *Introducing New Technology in the Knitwear Sector in Bangladesh: Facing the Challenges of the 21st Century*, at a seminar organised by BGMEA, on 17 May 2010.
- Participated as Discussant in a seminar on "Forward Looking Gender Strategy for the Next Five Years Planning based on NSAPR Experience," organised by Bangladesh Mahila Parishad, on 22 May 2010.

(Continued on page 8)



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- Delivered a lecture on *WTO: An International Order - Options for LDCs*, at the Defence Services and Staff College, Dhaka, on 2 June 2010.
- Presented the keynote paper in a seminar on "Gender Sensitivity in the Proposed National Budget," organised by Bangladesh Mahila Parishad, on 22 June 2010.

*Dr Khondaker Golam Moazzem, Senior Research Fellow*

- Presented a paper on *Dynamics and Changes of International Production Network in the Export-Oriented Apparels Industry of Bangladesh*, at the 17th Bi-annual Conference of Bangladesh Economic Association (BEA), on 9 April 2010.

*Dr AKM Nazrul Islam, Research Fellow*

- Acted as a Co-Chair for a working group discussion in an international workshop on "Climate Change and Migration," organised by International Organization for Migration (IOM), on 23 May 2010.

*Mr Syed Saifuddin Hossain, Senior Research Associate*

- Made a presentation on *Impact of TRIPS for the Pharmaceutical Industry in Bangladesh*, at the national dialogue on "MDG 8: Partnership for Development," jointly organised by General Economics Division (GED), Planning Commission and UNDP, on 3 June 2010.



## CPD Publications

### Book

#### Bangladesh Economy in FY2009-10: An Interim Review of Macroeconomic Performance



The report takes a close look at the performance of the economy in FY2009-10 by examining the dynamics of selected key macroeconomic correlates based on available data and information, in most cases for the first three quarters and beyond. In doing so, the report presents an assessment of policies pursued in some key sectors and areas. It also identifies some emerging challenges as the economy enters into FY2010-11 this year.

### Occasional Papers

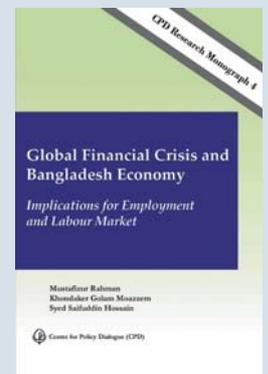
- Fahmida Khatun and AKM Nazrul Islam. Policy Agenda for Addressing Climate Change in Bangladesh: Copenhagen and Beyond. Occasional Paper 88.
- Hasanuzzaman and Zeeshan Rahman. Bangladesh and Regional Connectivity: Best Practices from Global Experiences. Occasional Paper 89.

### CPD Research Monograph 4

#### Global Financial Crisis and Bangladesh Economy: Implications for Employment and Labour Market

Authors: *Mustafizur Rahman, Khondaker Golam Moazzem and Syed Saifuddin Hossain*

This monograph originates from a collaborative work undertaken by the CPD and the ILO, Dhaka with a view to examining the impact of the recent global economic crisis on the labour market of Bangladesh. The study reviews the wider implications of the crisis on the Bangladesh economy by tracking the movement of major macroeconomic performance indicators during the period of financial crisis. It analyses the social protection system in place in Bangladesh, government's response in view of the crisis and examines the efficacy of the measures taken to address the adverse impacts of the crisis, particularly on the poor and vulnerable segments of population.



## Other Publications of CPD Researchers

Uttam Deb. 2010. Public Private Partnership for Agricultural Development. *Executive Times*, June.

Uttam Deb. 2010. Budget: Krishoker Sarthey Aaro Padakhhep Chai (in Bangla). *Dainik Samakal*, 27 June.

Fahmida Khatun. 2010. Dirghomeyadi Roopkolper Budget (in Bangla). *The Prothom Alo*, 23 May.

Fahmida Khatun. 2010. Unnayan Karmashuchi: Ekti Porjalochona (in Bangla). *The Ittefaq*, 29 May.

Fahmida Khatun. 2010. Thoughts on ADP. *The Daily Star*, 31 May.

Fahmida Khatun. 2010. Aim Remains the Same. *Forum*, June.

Fahmida Khatun. 2010. Budget e Naree Kee Pelo (in Bangla). *Anannya*, June.

Fahmida Khatun. 2010. Insights into Budget. *The Daily Star*, 10 June.

Khondaker Golam Moazzem. 2010. Poshak Shilpo: Grohonjogyo

Noonyotomo Mojurir Obosthan Kothay? (in Bangla). *The Prothom Alo*, 17 July.

Hasanuzzaman. 2010. "Assessing the Aid for Trade (Aft) Agenda: Bangladesh Case Study." *Asia Pacific Business Review*, VI (2): 5-14.

Hasanuzzaman. 2010. Rhetoric and Reality. *The Daily Star*, 22 April.

Hasanuzzaman. 2010. Sweet Sixteenth. *The Daily Star*, 29 April.

Hasanuzzaman. 2010. The MPO Tug-of-War. *The Daily Star*, 16 May.

Hasanuzzaman. 2010. Social Transformation through Education. *The New Age*, 7 June.

Mazbahul Golam Ahamad and Rezai Karim Khondker. 2010. "Climate Risks, Seasonal Food Insecurity and Consumption Coping Strategies: Evidences from a Micro-level Study from Northern Bangladesh." *Economics Bulletin*, 30 (2): 1444-1459.

Mazbahul Golam Ahamad. 2010. Prerequisites of Investment Decision at Stock Market. *The Financial Express*, 11 April.

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