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CPD

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FROM
the editor's desk

The Second quarter of 2008 witnessed quite intensive research, dialogue and publication activities with special focus on the National Budget for FY2008-09. In April, CPD organised a dialogue on Boro Procurement Strategy and Food Security: An Actionable Agenda which articulated the actions required in the upcoming National Budget to achieve food security in FY2008-09 and beyond. The CPD also prepared a set of recommendations as regards annual development programmes and budgetary measures for inclusion in the Budget and submitted this to the Finance Adviser. A research report titled Bangladesh Economy in FY2007-08: An Interim Review of Macroeconomic Performance was released on 4 June 2008. The report focused on issues related to global trends and their implications for Bangladesh, management of fiscal deficit, trends in inflation and its impact on real income and poverty, subsidy situation, performance of industrial sector, management of food security and social safety net during the first 10-11 months in FY2007-08. The report observed that high inflationary pressure has led to significant erosion of real income and increased the number of people living below the poverty line in Bangladesh. It was also pointed out that power and energy deficit have emerged as major constraints to development in the context of Bangladesh. Following the presentation of the National Budget FY2008-09 by the Finance Adviser, CPD prepared an analysis of the major Budget proposals. CPD's budget response focused on some specific issues which included pre-budget concerns, salient features of the budget, and important aspects of budgetary performance in FY2007-08 particularly in terms of resource utilization, performance of major domestic and external sectors investment and aid. The CPD shared its concerns and suggestions about the national budget for FY2008-09 through a press briefing, which was live telecasted by Channel i. CPD also 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 shared their views on the proposed Budget. These studies and dialogues indicate that managing high deficit, sustaining credit flow to the private sector, containing inflation, ensuring food security, absorbing the subsidy and the nature of transition to democracy are likely to affect the outcomes of the FY2009 budget.



(From left) Mustafizur Rahman, Wahiduddin Mahmud, M Syeduzzaman, A B Mirza Azizul Islam, Muhammad Tareque, Muhammad Abdul Mazid and Jafar Ahmed Chowdhury

Managing High Deficit will be the Major Challenge Says CPD budget dialogue

CPD organised a dialogue titled 'State of the Bangladesh Economy and Budget Responses 2009' at Pan Pacific Sonargaon Hotel Ballroom on 17 June 2008. Finance Adviser, A B Mirza Azizul Islam, was present as the Chief Guest, and Professor Wahiduddin Mahmud, Dept. of Economics, University of Dhaka and former Adviser to the Caretaker Government, as the Special Guest. M Syeduzzaman, Member of CPD Board of Trustees, presided over the dialogue while Mustafizur Rahman, Executive Director, CPD presented the keynote paper. Rahman in his presentation highlighted the critical aspects of the national budget for FY2008-09 presented by the Finance Adviser on 9 June 2008. He mentioned managing high deficit, sustaining credit flow to the private sector, containing inflation, ensuring food security, absorbing subsidy demand, successful transition to democracy as some of the concerns that might affect the budget outcomes. Former Education Minister, M Osman Farruk, highlighted some macro features of the budget, and felt that they are worrisome, such as – projected lower GDP growth, an all-time low ADP, budget deficit, faster increasing public expenditure despite NBR's valiant effort in revenue generation. As regards domestic financing, he pointed out, whether the stress in the banking system would raise the interest rate and also crowd out the private borrowers.

Kamal Hossain, Former Minister and President of Gono Forum, suggested exploring more innovative ways to ensure food security, rather than the ration system for the people with low purchasing capacity. The budget weaknesses, he observed, persists for many years, because budgets are always designed for the present fiscal year and not beyond. So, little attention is paid to meet the sustainable objectives. He recommended a three-day seminar on budget to discuss problems and possible solutions of implementation, and share the learning and experiences of this government, so that the new government can take lead from there. Speakers also suggested to keep earning from agriculture completely tax-free, so that more people are attracted to agriculture, to introduce rationing system for workers, to sell bond certificate to public to meet deficit. Wahiduddin Mahmud highlighted the short term nature of the budgetary actions and emphasised on the need for a balance between short term and long term measures to ensure investment and sustainable growth. He also mentioned about a probable need for a mid-way revision of budgetary targets. While speaking about inflation, Mahmud emphasised on government's effort in building an adequate food stock.

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Press briefing on
State of the Bangladesh Economy in FY2008 and Outlook for FY2009



Accompanied by CPD researchers Mustafizur Rahman is briefing the press

CPD carried out an evaluation of the performance of the Bangladesh economy during FY2008. The assessment report titled State of the Bangladesh Economy in FY2008 and Outlook for FY2009 (2nd Reading) was presented before the press on June 4, 2008 at the CPD dialogue room. Mustafizur Rahman, Executive Director of CPD, made the presentation. The report noted the challenging nature of the financial year, mostly emanating from the consecutive natural disasters, creeping inflation driven by rising food and fuel prices in the international market along with domestic supply-side constraints and global

economic slowdown. Rahman pointed out that the government was facing increased expenditure burden originating from both domestic and international factors. However, the economy experienced some success in mobilising resources to embark upon the expenditure demand, as revealed by encouraging growth achieved in revenue collection during the first three quarters of FY2008. Regarding public expenditure, the CPD assessment marked that a major portion of the expenditure growth was due to the increased subsidy demand owing to higher import price of oil, food and fertiliser that

resulted in much higher subsidy expenditure than planned in the original budget. The CPD anticipated the total expenditure on subsidy in FY2008 to cross Tk. 16,000 crore, for which only Tk. 6,000 crore was allocated in the budget.

Regarding ADP implementation, the CPD reported that only 46.7 per cent of the original ADP or 55 per cent of the RADP was spent during the first ten months of the fiscal year which indicates no improvement over the frustrating performance of the previous years. However, the review suggested not to go for a smaller ADP in the next fiscal year considering the huge public investment demand that prevails in the economy and its expected consequences on employment creation.

In view of the growing pressure of subsidy and to deal with mounting deficit, the CPD review anticipated that an adjustment of fuel prices may be carried out by the government in near future. However, the CPD suggested that any fuel price adjustment should be crafted very carefully, keeping in mind the (a) international market price movements, (b) needs of crop and productive sectors, (c) purchasing power of the population and (d) equity considerations. The CPD review suggested for a continued subsidization of diesel as it is used for irrigation in agriculture that affects food security.

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Regulatory Commission, Jute Policy needed to save Jute sector

Says CPD Dialogue

The government should form an independent jute board, a strong regulatory commission and proper jute policy and ensure fair price for producers to revive the potential jute sector, speakers told the dialogue organised by CPD on 10 May 2008, styled 'In Search of a Future for the Jute Sector: Constraints, Opportunities and Policy Options', at BRAC Centre in Dhaka.

CPD undertook an in-depth investigation of the jute sector to identify the challenges and explore the opportunities with a view to rejuvenate the jute sector of the country. The results of the study were presented at the dialogue, jointly by CPD Research Head Uttam Kumar Deb and Research Fellow Khondaker Golam Moazzem. The session was chaired by CPD Chairman Rehman



Khondaker Golam Moazzem is presenting the keynote paper while Abdur Rashid Sarker, Rehman Sobhan, Mustafizur Rahman and Uttam Kumar Deb pay attention

privatisation, which did not work out well for the sector. He urged all relevant stakeholders to participate in the process to find an end to the problems, associated with the sector.

While presenting his paper, Uttam Kumar Deb reported that Bangladesh accounts for 75 per cent of the total global exports of jute and jute products. The domestic market of jute is also

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Press briefing on Budget FY2009

Welfare Oriented but Implementation will Be Challenging

CPD's initial analysis of budget for FY2009 reveals



Mustafizur Rahman is addressing the press. Other members of the CPD IRBD team are also seen

Following its tradition, CPD organised a post-budget press briefing titled 'Review of National Budget 2008-2009' on 10 June 2008 at BRAC auditorium. Mustafizur Rahman, Executive Director, CPD briefed the press about CPD's initial comments on Budget FY2009. Other members of CPD's budget analysis team were present at the press briefing. The briefing was telecast live through Channel i. Rahman in

his presentation said that according to the proposed expenditure allocation, the budget may be called a 'pro-people welfare budget'. However, he expressed his concerns regarding implementation of the budget in view of the existing poor capacities of the government. Rahman also mentioned that any instability in the political climate and disturbances in transition to democracy will bring in major

challenges for implementation of the proposed budget.

Considering the budget to be implemented by two governments, CPD's analysis suggested that a mid-course review of policies may be required.

Commenting on Tk 99,962 crore expenditure budget for FY2009, Rahman observed that the budget is not too large compared to the FY2008 budget, particularly if inflationary developments and the revised expenditure requirements of FY2008 are considered.

CPD appreciated the extended safety-net target of the government and noted that it is a reflection of government's poverty reduction strategy in the budget. However, they raised question over the implementation potentials of this programme with the existing poor state of the local government system.

Rahman further mentioned that the continuation of tax holiday facility provided in the budget will be helpful for employment and income generation. He also appreciated the government for giving tax breaks to women and elderly citizens and highlighted that recognition is there in the budget about growing inequalities which he thinks to be a distinguishing feature of the budget.

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Jute Policy needed to save Jute sector

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expanding. However, in fiscal year 1972-73, Bangladesh had produced 7.8 million metric tonnes of jute products, but by 2005-06 production has risen to 9.9 million metric tonnes, indicating only a nominal growth rate. On the other hand in the last few decades Indian jute production has increased by 60 percent.

He informed that jute area is decreasing as it has become a less profitable cash crop for the farmers. Emphasis should therefore, be given on increasing the area under jute, technological advancement, along with a new procurement policy, he added.

Khondaker Golem Moazzem observed in his presentation that the mills that are being managed in public-private partnership are performing relatively better. It is important to see why this is happening and replicate the same in other losing industries. The study reveal that the debt burden of the Bangladesh Jute Mills Corporation (BJMC) mills have been increasing over time. Rationalisation of the size of workforce in BJMC is urgently needed, Moazzem remarked.

The study recommended an independent Board for the sector that would aid the government in terms of planning, reformation and policy connotation. Other recommendations for the development of the sector included – reduction of labourer size, repayment of all outstanding bills, development of marketing and management system and enhance capacity of human resources in BJMC, setting up new jute mills with repair and maintenance of unused machineries of closed mills that would create new jobs, upgradation of accounting system, and revisiting the current jute policy.

A number of other factors were raised by the participants as major constraints for this sector. The BJMC Chairman, Ataharul Islam, pointed out that the BJMC counted Tk 5 crore in losses in April 2008 alone due to the power crisis. In the last 10 years, the BJMC

suffered Tk 600 crore in losses. Involvement of hoarders in the procurement system restrains the reach of full profit to the farmers. The trade union leaders and jute workers did not agree with the government's decision of cutting down the number of workers, and termed it as a conspiracy, orchestrated by the international lending agencies, against Bangladesh.

Other suggestions from the participants included – providing subsidy to the farmers to encourage them to continue producing the cash crop, ensuring equitable price for the farmers, ensuring more usage of jute for packaging different products under a packaging act to create a secured domestic market of jute, and revival of the Mongla Port to export jute easily.

Abdur Rashid Sarker stressed that the government is willing to boost this sector. He informed that revision of jute policy has already been initiated. The revised draft policy will soon be put on the web site for inputs from different stakeholders. Quality seeds, jute price, export and production would be the key areas to focus on the upcoming jute policy, he added.

Rehman Sobhan in his concluding remarks said, Bangladesh is the only country, which remains a leading grower of quality jute and producer of jute goods. He observed the present time demand for jute has increased globally for bags and packaging, due to increased prices of polypropylene products, with the rising cost of petroleum. Potentiality of Bangladesh jute across the world should be explored with all seriousness. Quality raw jute and jute products would attract the domestic and international market. On the note of Indian production growing faster, while Bangladesh's production maintains a slower rate, Sobhan pointed out Bangladesh produces jute focusing on its export market, while India produces it for its domestic market. So the course of action for the two countries should be different.

Participants of the dialogue comprised of jute mill owners, trade union leaders, politicians, and economic researchers.



Managing High Deficit

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Regarding safety nets, Mahmud expressed his concerns about the implementation problems and emphasised on finding ways to avoid leakages.

The Finance Adviser in his speech disagreed with the view that the earnings and expenditure targets set in the budget is over ambitious. Mentioning over 23 per cent growth in revenue collection achieved by the NBR during the first eleven months of FY2008, he said the revenue targets set for FY2009 is quite achievable.

Responding to the concern of deficit financing, the Finance Adviser said that higher government borrowing during FY2008 did not crowd-out the private sector as evident by high growth in credit flow towards the sector during that year and hence, there will be no such concern in FY2009. He also mentioned that aid requirement for FY2009 to finance the deficit is not too high compared to the revised targets of FY2008. He observed the targeted deficit to be moderate compared to some other countries in the region, particularly India.

Regarding the slow implementation pace of the budget the Finance Adviser argued that this has always been a concern but improvement in implementation capacity of the government cannot be achieved in a short period, rather it requires long term investment in public sector management capacity.

Responding to Wahiduddin Mahmud's apprehension over the budget being concerned only with short term measures, the

Finance Adviser acknowledged that the budget for FY2009 has emphasised on the short term correction measures, but not necessarily limited to it. He said that the budget also sets mid term priorities on sectors like agriculture and rural development, energy and power, transportation and health and education- the sectors that are connected with human resource development.

The Finance Adviser termed the budget for FY2009 investment friendly and realistic. Regarding food security, he added that the government aims at building a higher stock through domestic procurement and import. At the same time the government would provide inputs to the agriculture sector to ensure higher production, including subsidy in diesel, electricity and fertiliser.

M Syeduzzaman, Chair of the session, in his speech expressed his worry that the size of public investment as percentage of the GDP has fallen close to 4 per cent which is historically low. This will have implication on employment.

Pointing towards the existing gap between national savings and investment, Syeduzzaman noted that the economy is losing its growth potentials. He termed the short term measures as "justifiable and well intended", especially those measures dealing with social schemes and subsidies for agricultural inputs. However, he added that to sustain these schemes fiscally in the medium term, the challenges would be increasing revenue, reduction of expenditure and increase in the use of remittances.

Among others the dialogue was addressed by political, business leaders, researchers, bankers and representatives from NGOs and trade unions and diplomatic community.

Research Division reports

United Nations Conference on Trade and Development (UNCTAD) XII: Implications for Bangladesh and Other LDCs

UNCTAD XII Conference took place in Accra, Ghana during April 20-25, 2008. In view of the world-wide volatile price situation of essential commodities alongside the deadlock in the Doha Round of trade negotiations, UNCTAD XII had generated high expectations for developing countries in general and LDCs in particular. A team of CPD researchers, following a thorough study on "United Nations Conference on Trade and Development (UNCTAD) XII: Implications for Bangladesh and Other LDCs", provided a comprehensive analysis based on the final Accra Accord along with the issue of priorities for LDCs in general and Bangladesh in particular. The paper evaluated the final draft (Accra Accord) of the twelfth UNCTAD Conference against the pre-Conference drafts and suggested policy options for Bangladesh and other LDCs in order to realise the benefits emanating from both the evolving world trading regime and the process of globalisation.

Executive Opinion Survey 2008 conducted for the Global Competitiveness Report 2008-2009

The Executive Opinion Survey 2008, which is regularly conducted as part of preparing Bangladesh chapter for the Global Competitiveness Report (GCR), was completed in the last week of April, 2008. The study was jointly conducted by CPD and the World Economic Forum (WEF), Switzerland. A total of 91 companies participated in this year's survey. 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 was to understand intertemporal changes in competitiveness environment in the country, all variants were analysed from inter-temporal point of view. The findings of the survey will be made public through a press briefing in October this year, when the Global Competitiveness Report 2008-2009 will be launched globally. The study is being carried out by a team of CPD-researchers led by Mustafizur Rahman, ED, CPD. Other members of the team are Khondaker Golam Moazzem, Senior Research Fellow and Kazi Mahmudur Rahman, Senior Research Associate.

Accra High Level Forum 2008: Towards a Commonwealth Agenda on Aid Effectiveness

This policy paper has been prepared for the Commonwealth Secretariat, London. The paper seeks to articulate a Commonwealth perspective on the evolving international aid system and more particularly on the agenda of the High Level Forum on aid effectiveness due to be held in Accra in September 2008. The paper explores the strengths and weaknesses of the Paris Declaration and ways to improve aid effectiveness.

Regardless of the level of aid dependency, aid as a source of financing will be an important component of the financing required for reaching the millennium development goals (MDGs) for the majority of countries. Yet there is an overwhelming consensus that aid could be more effective at promoting poverty reduction and development. The study argued that there is ample evidence, particularly in the poorest countries where governments' capacity is very weak, aid can stretch systems unnecessarily and distort local priorities and strategies. It is in this context this study has put forward some suggestions as regards potential roles that the Commonwealth might play in strengthening aid effectiveness. This study was conducted at CPD by a team of researchers led by Fahmida Khatun, Additional Director.

Revised Draft Modalities for Agriculture of February 2008: Implications for Bangladesh

This paper reviewed the developments in WTO negotiation on agriculture in the light of the Revised Draft Modalities for Agriculture released in February 2008. It has critically analysed the negotiating proposals circulated by the committee on agriculture. The paper has also assessed the likely impact of various proposals put forward in the Revised Draft on Bangladesh agriculture. Potential impacts are measured in terms of reduction in tariffs, domestic support, and export subsidy. It has also quantified potential impacts of liberalization of global agricultural trade under Doha Round negotiations on prices of

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**32 Million Tonnes of Rice Needed for Food Security in Next Fiscal Year***Says CPD Dialogue*

Uttam Kumar Deb is presenting the keynote paper.
A M M Shawkat Ali, M Syeduzzaman, C S Karim and Mahabub Hossain are also seen.

Considering the hurdles of rice import as well as export bans by major rice exporting countries, Bangladesh must depend on its own production to meet up its food grain requirement. A national target of producing at least 32 million tonnes of rice needs to be set for financial year 2008-09 to attain 'comfort zone of food security'.

This was disclosed on 21 April 2008 at CPD dialogue on 'Boro Procurement Strategy and Food Security: An Actionable Agenda', at CIRDP Auditorium in the city. The dialogue was presided over by CPD Board Member M Syeduzzaman. Head of Research Division of CPD Uttam Kumar Deb presented the keynote paper, which was prepared based on data from a field survey. Food Adviser A M M Shawkat Ali, Agriculture Adviser C S Karim and Executive Director of BRAC Mahabub Hossain attended the dialogue as special Guests and Guest of Honour respectively. Deb noted that estimated average production cost of Boro paddy and rice in the current season was Tk 12.77 per kg and Tk 20.26 per kg respectively. Likely production of Boro rice is projected to be about 17.5 million metric tonnes. Based on these estimates, Deb argued that the procurement price set at Tk 18 per kg of paddy and Tk 28 per kg of

rice by the Ministry of Food has been able to maintain a balance between the interest of producers and consumers. But this may be reviewed after observing the impact at the field level, Deb remarked.

As regards, food security, the speaker argued that Bangladesh has to rely more on domestic production to supply rice at a lower price than the current international market price (US\$ 1000 per metric tonne). For increased production of Boro rice, there is scope for area expansion upto 10 lakh hectares particularly in the southern coastal regions and in greater Sylhet region. Special efforts would be required to increase production in the upcoming Aman and Boro season in the form of assured supply of good quality seeds, adequate fertilizers, and electricity and diesel for irrigation. He suggested that amount of food grains distributed under various public food distribution system (PFDS) channels needs to be doubled in the next fiscal year (FY2008-09) and has to be increased to the tune of 3 million metric tonnes.

Marginal farmers may be compelled to sell rice at cheaper prices during early harvest if the government fails to properly manage and monitor the Boro rice procurement, agriculture experts, traders and farmers

cautioned in unison, at the dialogue.

However, Food Adviser Shawkat Ali said, the procurement price was decided consulting the field level actors and specialists. Answering to the question of whether the farmers will get the real price, he responded that the farmers will have free access to the local procurement centres. He noted that the government maintained a flexible policy to raise the procurement target further from 12 lakh tonnes of rice during the current season to ensure food security. The government is going to construct new warehouses and repair old ones soon to enhance the storage capacity of food, he added.

Agriculture Adviser C S Karim assured that the government would keep surveillance on fertiliser distribution to reach the subsidy benefits to real farmers by increasing the number of sales centres. At present, the government distributes fertiliser from 20,000 points across the country, he informed the session.

He was plaintive over the incidences of harassment for fertiliser during the Boro season saying that the dyeing industry uses about 2 lakh tonnes of fertiliser, as narrated by a farmer present at the dialogue, and a deserving question would be if there 'was' a crisis, how did these enterprises get fertiliser along side a bumper production of rice.

Mahabub Hossain of BRAC insisted that the government would have to have command over 30 lakh tonnes of rice to ensure fair market price. He suggested that a close watch should be kept on prices of rice in the bordering states of India while setting procurement price and also to take initiative to increase the food storage capacity in order to manage the bumper production of Boro this season. About hybrid seed for increasing production, Hossain maintained that companies should not be allowed to establish their monopoly on the seed business and hold farmers hostage.

Apart from agriculture specialists, representatives from government agencies, researchers, trade union leaders, farmers, millers and fertiliser importers also took part in the discussion.

Press briefing on Budget FY2009

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The CPD analysis pointed out that deficit has been targeted at Tk 30,580 crore or 5 per cent of GDP for the fiscal 2008-09, financing of which will be another major challenge. Importance of credit flow to the private sector was emphasised and it was said that attention must be given to avoid any "crowding out" effect for private sector credit that may arise from the increased government borrowing from banks.

Regarding the smaller Annual Development Programme (ADP) target, Rahman observed that this was not desirable considering the huge demand for public investment in the country. He stressed on the linkages between ADP, private sector investment and employment creation. Rahman pointed out that it was not a reduction in size, rather an improvement in the implementation capacity that was desired.

The assessment appreciated the proposed decreases in import duty slabs from 5 per cent to 3 per cent, from 10 per cent to 7 per cent, and from 20 per cent to 15 per cent and expected the revision to contribute to the development of local industries, and help stabilise price spiral.

The major challenges for the fiscal year 2008-09 identified by the CPD ED were – implementation of the electoral roadmap, implementation of the budget by two governments, and maintaining adherence to the second phase of poverty reduction strategy. CPD's analysis of the proposed budget observed the proposals to be "investment friendly" from the perspective of fiscal rationalisation, "traditional" from the view point of revenue earnings, "conservative" from developmental expenditure side and "expansionary and populist" from the perspective of revenue expenditure.



SAFTA yet to Benefit All Countries Equally

Speakers observe at CPD Seminar

Unlike some of the other regional groupings the South Asian Free Trade Area (SAFTA), thus far has not resulted in significant intra-regional trade, cross border investment and freer movement of goods and services. However, it would be a useful tool if the participating

countries derive more or less equal benefits. A strong political will is required from all the member countries, especially the larger countries; if it is to be successful.

These views were expressed by speakers at a seminar 'Regional Cooperation in South Asia: Benefits from SAFTA and the Way Ahead' organised by CPD in association with Asian Development Bank (ADB) and United Nations Conference on Trade and Development (UNCTAD), India on 8 April 2008, at BRAC Centre Inn Auditorium. The seminar was organised to disseminate the results and obtain feedbacks on a study titled 'Quantification of Benefits from Regional Cooperation in South Asia,' conducted by ADB and UNCTAD – India.

Chaired by Syed Manzur Elahi, Member, CPD Board of Trustees and Former Adviser to the Caretaker Government, the inaugural session was addressed by CPD Executive Director Mustafizur Rahman, and Feroz Ahemd, Secretary, Ministry of Commerce and President of the Bangladesh Federation of Chambers of Commerce and Industry (FBCCI) Annisul Huq. The seminar was inaugurated by Foreign Adviser Iftekhar Ahmed Chowdhury.

Addressing the programme the Chief Guest informed the seminar that although some notable initiatives have been taken for removing and reducing tariff barriers, relaxing rules of origin, harmonising customs rules and procedure, a great deal remains to be done.

"Deeper cuts in tariff rates, removal of tariff and non-tariff barriers, wider product coverage through reduction of the sensitive list, simplification of customs rules and banking procedures, and promoting cross-border investments are needed to promote the regional trade," he said.

FBCCI President Annisul Huq maintained that, free movement in South Asia will ensure the first step in free trade in this region, and unless win-win solution can be found for all, it will be difficult to make SAFTA work effectively.

Rashmi Banga and Shahid Ahmed, economists of UNCTAD, India presented the keynote paper in the first session titled, 'Results from Benefits from Trade and Investment in SAFTA'.

The paper (by using various econometric models) stated that Bangladesh's welfare gains appeared to be the highest in 2016 as 4.31% of country's total export would go to the South Asian countries which is now only 2.80%. Also Bangladesh is an emerging competitive producer in chemicals such as pharmaceuticals, plastics and ceramics, the paper noted.

Removal of tariff barriers may increase the growth of regional trade by about 80 per cent, which could further enhance to 120 per cent with the removal of non-tariff barriers. The study identified a number of sectors with export potentiality for each of the SAFTA member



Syed Manzur Elahi addresses the seminar while Kavita Iyengar, Annisul Huq, Iftekhar Ahmed Chowdhury and Mustafizur Rahman look on

countries based on their respective comparative advantages.

A number of discussants however contested some of the findings arguing that the potential benefits to be derived from this agreement by Bangladesh and some other members were unlikely as there is

possibility of a high degree of 'trade diversion' among the countries. The second session was chaired by M Rahmatullah, Former Director, UN-ESCAP and Transport Policy Advisor. Mohammad Mahbubur Rahman, Secretary, Ministry of Communication was present as the Special Guest. Ferdous Ara Begum, Additional Secretary, DCCI, Ananya Raihan, Executive Director, Development Research Network, and Ashrafal Alam Sarker, Senior Transport Planner, Transport Sector Management Reform were the panelists for the session.

In this second session the keynote paper titled 'Study Results of Benefits of Transport Facilitation and Trade in Services' was presented by Kavita Iyengar, Regional Cooperation Specialist of ADB and Rashmi Banga.

The report stressed the importance of overall supportive policy framework for the promotion of transport and trade facilitation. The paper argued for simplification of customs procedures and enhanced connectivity to bring direct benefits to the economy. Cost benefit analysis was used to evaluate four infrastructure projects. Estimates indicated that the projects were highly beneficial for the region and benefits multiply manifold, if jointly undertaken by more than one country.

The study examined the possibility of the South Asian countries taking more liberal commitments under SAFTA than WTO-GATS by analysing mainly five services sectors – construction and related services, tourism and travel, health, higher education and telecommunication. It identified restrictions that exist across the board for all countries, and pointed out regulatory requirements, including qualification and standards, and possibility of Mutual Recognition of Agreements (MRAs) to further integrate regional trade in services. The study also suggested exploring the idea of a single visa for South Asia for service providers in the form of SAFTA visa.

In the final session, former Secretary General of SAARC Ambassador Q A M A Rahim mentioned that to simplify cross-border tradings, SAFTA can introduce standardisation of the procedures and documentation for transfer of goods. He also noted that it is urgent for the members to provide incentives to promote intra-regional investment and ensure protection of investment for each other's countries.

At the end of the day-long seminar, Mustafizur Rahman summarised by saying that views expressed in the seminar were both optimistic and pessimistic and the tone of discussants in general reflected an aspiration to searching 'doables' to make SAFTA work. He highlighted SAFTA's two track strategy in this regard and called for taking SAFTA cooperation beyond rhetorics, into concrete measures.



CPD Professionals Overseas

Rehman Sobhan

Chairman

Attended the 2nd Global Network Conference on "The Innovations Imperative: Global, National, Local: Celebrating 20 Years of Innovations in Government," organised by the Harvard University from 31 March – 2 April 2008, in Cambridge, USA.

Attended the seminar on "Moving Out of Poverty", Jointly organised by the ICRIER and the World Bank on 26th May 2008, New Delhi, India. He was a panellist at session on "Moving Out of Poverty: Role of Private Sector and Civil Society".

Participated at the South Asia Launching of "The Growth Report: Strategies for Sustained Growth and Inclusive Development" organised by the ICRIER on 27th May 2008, New Delhi, India.

Attended as the keynote speaker at the seminar titled "Does South Asia Exist?" organised by the South Asia Initiative at the Shorenstein APARC from 19-20 June 2008, Stanford University, San Francisco, USA.

Attended the Wilton Park Conference on "Bangladesh: the Prospect and Means for Strengthening Democracy". He also chaired the session on "Post Elections – Looking to the Medium Term: Policies to Meet the Challenges".

Mustafizur Rahman

Executive Director

Attended as a panellist at the seminar on "Micro-Economic Foundations of Economic Policy Performance and Economic Integration in South and East Asia" organised by the East Asian Bureau of Economic Research (EABER) at the Australian National University and National Council of Applied Economic Research (NCAER) from 3-4 April 2008, in New Delhi, India.

Participated at the seminar on "Endowments for Think Tanks in Developing Countries: What role for Private Foundations and Official Donors?" organised by the OECD Development Centre held on 28 April 2008, in Paris, France.

Attended a brainstorming session of the conference on "Geneva Trade and Development Forum" held on 27 June 2007 organised by the International Trade Development Economic Governance Advisory Services (IDEAS), in Geneva, Switzerland

Fahmida Khatun

Senior Research Fellow

Presented a paper titled "Accra High Level Forum: Towards a Commonwealth Agenda on Aid Effectiveness", at a seminar organised by the Commonwealth Secretariat from 23-24 June 2008 in London, United Kingdom.

Participated at the 2nd Annual Plenary of the OECD Global Forum on "Development: Strengthening Country Ownership", organised by the OECD on 20 May 2008, in Paris, France.

Chaired the session on "Alignment" at the 'Consultation on the 3rd High Level Forum on Aid Effectiveness: South Asia' from 5-6 May 2008, in Bangkok, Thailand.

Made a presentation on "Reforms in the Trade Governance" at the South Asia Policy Research Dialogue, from 28-29 April 2008 in New Delhi, India.

Uttam Kumar Deb

Head of Research

Participated at the project inception workshop on "Vulnerability to Climate Change: Adaptation Strategies and Layers of Resilience" organised by the ICRISAT from 7-9 May 2008, India.

Khondaker Golam Moazzem

Research Fellow

Attended the workshop on "Capacity Development: Accra and Beyond" from 15-16 May, 2008 jointly organised by the OECD/DAC and German Ministry of Economic Cooperation & Development (BMZ). On behalf of Ambassador Debapriya Bhattacharya, Moazzem chaired the plenary session on 'alignment'.

Muhammad Al Amin

Research Associate

Participated at the "ARTNeT Capacity Building Workshop for Trade Research" from 2-6 June 2008, jointly organised by the UN-ESCAP and WTO in Phnom Penh, Cambodia.

Md Tariqur Rahman

Research Associate

Participated at the "ARTNeT Capacity Building Workshop for Trade Research" from 2-6 June 2008, jointly organised by the UN-ESCAP and WTO in Phnom Penh, Cambodia.

State of the Bangladesh Economy

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The review report noted that food inflation during FY2008 was higher compared to non-food inflation, bearing significance for policy formulation since it is the poor that are affected most by food price growth. According to a CPD study on the impact of inflation on the poverty situation of Bangladesh, due to inflation, particularly for high price growth of rice, an additional 8.5 per cent of the population or 2.5 million households have fallen below the poverty line, compared to the poverty rate estimated in 2005 by the Household Income and Expenditure Survey, even if the income growth during this period is taken into consideration.

In his presentation, Rahman remarked that it will be challenging in view of the fact that this budget will be implemented by two governments.



A delegation of the Indian Foreign Service visited CPD on Sunday 20 April. Mustafizur Rahman, Executive Director of CPD briefed the delegation about CPD activities



Publications

CPD - SACEPS Monograph



Poverty Reduction Strategy of the International Development Community: The Scope for Structural Change

This monograph is the first in the series of publications of the CPD-SACEPS joint research project on Eradication of Poverty in South Asia Through the Empowerment of the Poor. The monograph reviews the South Asian strategies within the wider global policy perspective on poverty reduction by focusing on reports prepared by the WB, ADB, OECD, UNCTAD and IFAD.

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Poverty Reduction Strategies in South Asia: A Comparative Study

The second monograph reviews the poverty reduction strategies of five countries of South Asia: Bangladesh, India, Nepal, Pakistan and Sri Lanka. It examines the persistence of poverty in these countries and reveals how far governments in each of these countries designed their policies or aspired to build institutions that would address the structural injustices in society which lie at the source of poverty. The monograph also suggests ways to correct the structural injustices that create poverty.

Books



Bangladesh Economy in FY 2007-08: An Interim Review of Macroeconomic Performance

This publication presents an analysis of the performance of major macroeconomic indicators of Bangladesh during the first three quarters of FY 2007-08 (and in some cases beyond) as well as an outlook for the next fiscal 2009 in relation to some of the key emerging challenges which characterised this particular period. The overall economic analysis comprises of

Research Report

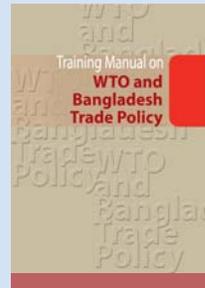
(from page 4)

agricultural commodities and welfare gains, production, consumption and trade of agricultural commodities in Bangladesh. This study was conducted by Uttam Kumar Deb, Head, Research Division and Muhammad Al Amin, Research Associate, CPD.

Inflation and its impact on poverty situation of Bangladesh

The CPD made an attempt to measure the consequences of inflation over the past three years on the current poverty situation of Bangladesh. While general inflation that was prevailing in the country was high during the recent past, the inflationary trend was also characterized by higher growth in food prices compared to non-food prices. This was expected to leave significant negative impact on the population, especially for the poor since food expenditure constitutes a significant part of their total expenditure. The study emphasised on the need for widened safety nets and employment creation programmes to protect the poor from a further deterioration of their livelihood.

several burning issues including global trend and their implications, managing the fiscal deficit, high inflationary trend, increasing subsidy burden, food security and social safety net, sluggish beginning of the industrial sector, power and energy deficit, pressure on balance of payment and deteriorating terms of trade.



Training Manual on WTO and Bangladesh Trade Policy

The Training Manual intends to contribute to trade related issues in areas such as agriculture, non-agricultural market access, services, intellectual property rights, trade facilitation, regional trading arrangements and environment, and Bangladesh's policy stance in view of these. It particularly draws on background materials prepared for a training programme organised for young university teachers, implemented jointly with UNDP in the recent past. It provides a first hand knowledge on multilateral trading system, key negotiating areas in the WTO and Bangladesh's interests in this view.

CPD Occasional Paper Series 68

State of the Bangladesh Economy and an Analysis of the National Budget for FY2008-09

This paper analyses major proposals in the budget with a view to assess the implications of the FY2008-09 budget proposals for the economy, highlights the challenges of implementation of the proposed measures and identifies areas where additional interventions were required.

Other Publications

Rahman, M., Moazzem, K G and Shimon, S R D. 2008. 'কোটা ব্যবস্থা বিলুপ্তির প্রেক্ষিতে বাংলাদেশের তৈরি পোশাক খাতে প্রযুক্তিগত পুনর্গঠন' in Bangladesh Unnayan Shamiksha, Annual Issue, Vol.25, 1414. April.

Rahman, M K, Iqbal, A. and Hasanuzzaman. Riceflation and agflation, The Daily Star, 4 April 2008.

Rahman, M K and Hasanuzzaman. Will Accra Carry a Message of Hope for Geneva? The Daily Star, 20 April 2008.

CPD Study on "Intraregional Trade and Investment in South Asia: Country Investment Study- Bangladesh"

CPD, in collaboration with Asian Development Bank (ADB), has completed a study on "Intraregional Trade and Investment in South Asia: Country Investment Study- Bangladesh". In the backdrop of low level of intra-regional trade and investment in South Asia even after the enforcement of SAFTA in 2006, the study has thoroughly examined various policies related with trade and investment of Bangladesh to identify major constraints as regards enhancing FDI, especially intra-regional FDI in the country. The study has further analysed revealed comparative advantage of various products compared to other countries of the region to identify possible opportunities of intra-regional investment in the country. The study has thoroughly examined scope of intraregional investment in two sectors- textiles and clothing and automobiles. Khondaker Golam Moazzem, Research Fellow, CPD has led the study with research assistance of Tariqur Rahman, Research Associate, CPD.

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