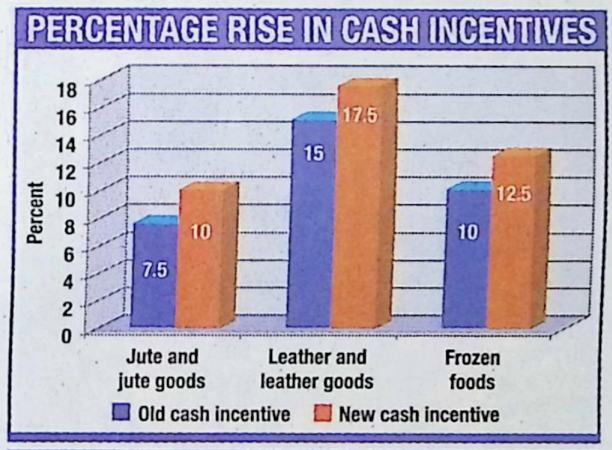
were negative for the first two months of the year and generally orders and prices were down. With all of that in mind the garments manufacturers demanded nothing short of a dream stimulus plan where the government would provide bank loans at a single digit interest rate. They also asked for a relaxation of the Credit Information Bureau rules, termination of the 0.25 percent tax at source, extension of loan rescheduling from the three-and five-year terms to seven and 10 years and withdrawal of VAT on utilities.

The total bill stood at a whopping Tk 6000 crores for a sector that has in real terms experienced a slight fall in confirmed demand and that has not yet projected negative growth till June (when the next budget will be announced). The real question to ask could then be, why such a hue and cry from them? While the answers differ, some economists claim it is out of lack of a better idea. They say with stimulus plans being offered to the same sector abroad, they feel they are entitled to one here in Bangladesh. While the fact that they account for a whopping three-fourths of our export earnings cannot be denied, the government cannot be held hostage either. If the sector had been severely affected by the global downturn maybe then it would have warranted such a response from the government, but the fact of the matter is that a slowing down of orders and profits is a simple phase of the common business cycle. The garments sector's real worry, is how long this trough will continue and that is a question that has no definitive answer. That is where the real problems lie.



FISCAL AND POLICY SUPPORT FOR 2008-09

Figures in crores of taka

Areas	Existing	Additional amount	Total
Exports	1,050	450	1,500
Agriculture	4,285	1,500	5,785
Power	600	600	1,200
Farm loan (recapitalisation)	1,000	500	1,500
Social security (Food)	4,195	374	4,569
Total	11,130	3,424	14,554

The clothing industry aside, the power sector is where the stimulus was really felt. The Tk 600 crores that was promised to the power sector doubles its budget and also proves to the people that the government understands its importance. Now the real thing to look into is how this extra Tk 600 crore will be spent. AT Capital Weekly, a publication of Asian Tiger Capital, a financial institution focussing on private equity and venture capital said with regard to the recent stimulus package for the power sector, "The consensus from the Government is that there are no near-term solutions. But we need "out-of-the box" thinking that outlines short term energy generation strategies which will need to focus on rental power plants, coal imports, merchant power policy and potentially Floating Liquid National Gas (LNG) imports." They recommend, "installing several small and medium sized coal fired power plants (Up to 100MW) mainly near the two sea ports and the northern region where Bangladesh's 5 coal mines exist." They also believed that imported coal from Indonesia, Australia and India would be able to fuel those power plants until the finalization of the governments coal policy and domestic coal mine development. Other possibilities include setting up a LNG terminal beside the Shangu offshore Gas field platform. These are all ideas and suggestions that the government must research and make an educated decision on. If not then the extra money will be of no real use, in fact it will hardly be stimulus at all.

Whenever the government hands out a subsidy or a stimulus in this case, it is the tax payers that have to bear the burden of footing the bill. In America this has caused widespread public outrage as the average Joe was livid that his tax Dollars were being pumped into companies like Fannie Mae, Freddie Mac and AIG. Here in Bangladesh that idea has not really caught on, yet others such as economist Akhter Mahmmod believe there is something to be gained out of using ones tax money for such subsidies. He says, "When a government gives out subsidies, it is usually for two things, either to maintain the status quo or to extract some changes. In Bangladesh this time around it seems like it is being done to maintain the status quo, but what we really need is for it to bring about some change. After all it is our tax money, and when it's being used, it should be used properly."

Mahmood goes on to say, "the money should not just be handed out without any monitoring. This is an ideal opportunity for the government to hold the subsidy receivers accountable for what, how and where they spend their money." Aside from increasing accountability he says this is the prefect time to bring about change, such as improving productivity, finding newer products and markets as well as improving social and environmental compliance standards. If these changes could be linked to the subsidies that are being provided as they were in 60's and 70's when East Asian governments associated subsidies with results then this could prove to be a great step forward for Bangladesh, its businesses and its business practices.

In the end the stimulus package while it leaves one major sector out, it essentially does what it is supposed to. If implemented correctly, as being result oriented and with a proper level of accountability it could prove to be a success.

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