Star Business

DHAKA WEDNESDAY MAY 27, 2009

Stocks

DGEN	▼ 0.55%	2,570.08
CSCX	▲ 1.68%	5,587.39

Asian Markets

MUMBAI	▼ 2.33%	13,589.23
TOKYO	▼ 0.39%	9,310.81
SINGAPORE	▼ 1.26%	2,238.79
SHANGHAI	▼ 0.82%	2,588.57

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	93.81	99.21
GBP	106.86	112.49
JPY	0.71	0.79

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼ $945.35 (per ounce)

Oil ▼ $59.79 (per barrel)

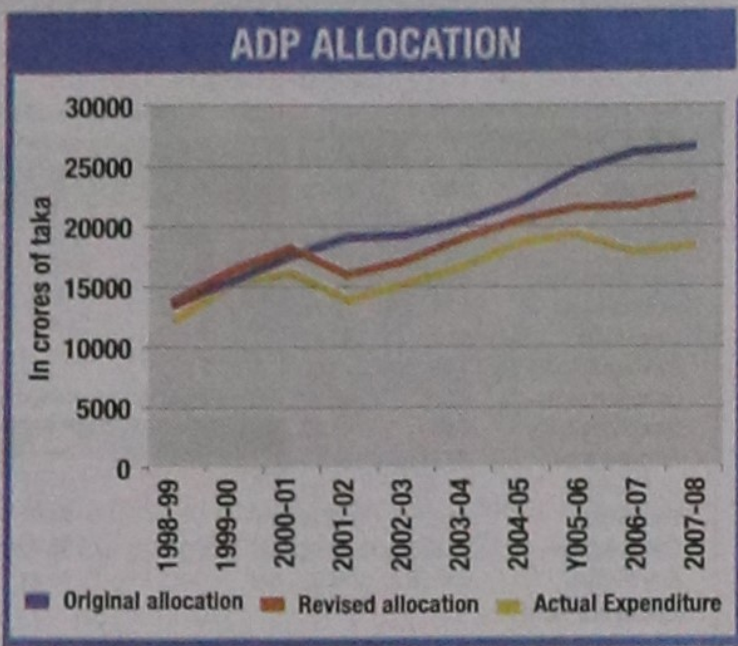
SOURCE: AFP

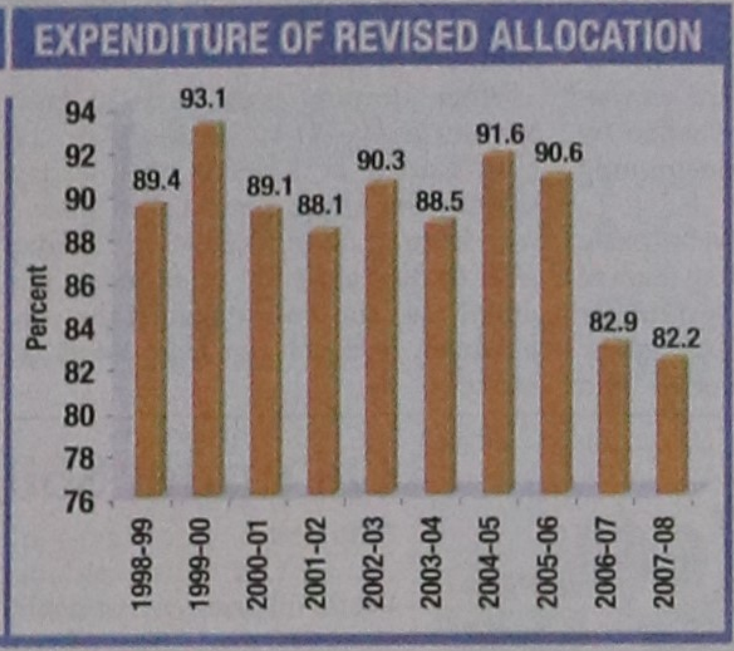
(Midday Trade)

ADP takes sky-high aim

Economists say Tk 30,500 crore plan is too difficult to implement

REJAUL KARIM BYRON





A Tk 30,500 crore annual development programme (ADP) for the next fiscal year is highly ambitious, a stunt and will be too difficult to implement completely, economists said yesterday.

The government must increase development expenditure and take special steps to implement the programme, they said. They also suggested formation of a committee to implement the recommendations of the public expenditure review commission.

"Such a big ADP is simply a stunt and will fail to be implemented," former finance adviser of the caretaker government M Hafizuddin Khan told The Daily Star.

"Government tends to take on ADP that are beyond their capacity. Furthermore, a major portion of the expenditure is made in the second half of the year in a rush, resulting in a waste of funds."

Khan suggested that the government should take up projects on the basis of priority and avoid unnecessary projects, just for the sake of political consideration.

Khan, also former chairman of the public expenditure review commission (PERC), said: "The commission has submitted a report to the government with recommendations for streamlining government spending. But the government did not even read the report."

He said a copy of the recommendations was also sent to Finance Minister AMA Muhith.

"The commission was formed much earlier but the government can form another committee to decide on which of the recommendations should be implemented," Khan said.

Bangladesh Institute of Development Studies (BIDS) Research Director Zaid Bakht said: "Public expenditure in Bangladesh, which is only about 15 percent of GDP, is low even by regional standards and tilted more towards revenue expenditure."

Bakht said the share of development expenditure in the national budget is quite small and has dwindled over time. The size of the realised ADP, as a percentage of GDP, steadily declined from 5.16 percent in FY2002 to 3.41 percent in FY2008.

"There is a strong case in favour of raising the size of the ADP, which would also be in line with the present government's election pledges on broad-based employment generation and rapid poverty reduction," he said.

"Augmentation of domestic demand to counter the possible adverse effects of global recession on the Bangladesh economy would also require to enhance public expenditure."

The BIDS research director said notwithstanding these justifications, an ADP of Tk 30,500 crore for FY10 seems too ambitious and risky.

Bakht said first, it would require commensurate ambitious growth in revenue earnings, which is unlikely to be achieved given the current outlook for the domestic and global economies.

Second, in the event of a significant shortfall in achieving the revenue target, the government will either have to raise borrowing or downsize the ADP, the latter being the common practice in recent years, which results in a waste of resources due to abruptly stopping the flow of funds to ongoing projects, he said.

Third, the quality of the ADP, already burdened with low-priority projects from the past political government, is likely to be compromised further with the inclusion of a large number of new projects, he said. The industry minister's recent announcement to reopen all closed-down public enterprises to generate employment, adds to this fear, the economist added.

Fourth, an oversized ADP would result in resources being dispersed over a large number of projects, resulting in delayed implementation and a consequent wastage of resources, Bakht said.

"If we look at the recent trend in the level of ADP implementation, it will be clear that realisation of an ADP target of Tk 30,500 crore in FY10 will require more than 50 percent improvement in the capacity of our project implementation machinery in a single year," the BIDS research director said.

World Bank Senior Economist Zahid Hussain said it appears that the size of the FY10 ADP is likely to be over Tk 300 billion, the largest ADP in Bangladesh's history in nominal terms.

Hussain said it is understandable that in its first budget, the newly elected government would like to be seen delivering on the promises it had made in its election manifesto.

"However, it is also important to keep in mind that at the end of the day, it is implementation that matters."

Hussain said the quality and effectiveness of the ADP, which typically comprises about 1,000 projects, have remained a major policy concern for years.

"Even though the physical progress in ADP implementation is usually faster than financial progress during the year, we normally fail to implement more than 80 percent of the original ADP size," he said.

Hussain said: "There is growing realisation among policymakers that ADP implementation bottlenecks need to be addressed on an urgent basis to increase the rate of public investment expenditures and improve its effectiveness. The bottlenecks range from procurement snags to land acquisition, court cases, lack of well-developed work plan and instability in project management."

He said these problems have proven difficult to surmount historically.

RELATED STORIES ON PAGE 1

Parliament sub-committee moves on RMG unrest

RASHIDUL HASAN

The parliamentary standing committee on labour and employment ministry yesterday formed a sub-committee to find out ways to resolve labour unrest in readymade garments (RMG) sector, the prime foreign exchange earner.

Led by lawmaker Israfil Alam, the three-member sub-committee has been asked to place its report before the next meeting of the body.

"We have formed a parliamentary sub-committee to combat labour unrest in RMG sector," Shajahan Khan, chairman of the standing committee, told reporters after the meeting held at the parliament building.

Khan also said that his committee has started working on devising ways to stop extortion in transport sector.

"We have recommended to the labour ministry not to give registration to different transport organisations on wholesale basis," he said.

The standing committee also asked the government to form a wage board for workers.

It also recommended filling up a vast number of vacant posts in different departments and organisations under the labour ministry in a bid to work efficiently.

"The committee is also working to bring about changes in the existing labour law," Khan added.

ADP a heartbreak

REJAUL KARIM BYRON

The country has been used to a poor ADP implementation over the years. And the Awami League-led grand alliance government is going to take a bigger ADP (annual development programme) in the next fiscal year's budget without any breakthrough in increasing the implementation capacity.

The history of the last 20 years shows that the government takes an ADP in the original budget, slashes it in the revised budget and ultimately fails to implement that too. In fiscal 2005-06 the highest amount -- Tk 19,473 crore -- was implemented.

In fiscal 1991-92 the original ADP was Tk 7,500 crore, which was revised at Tk 7,150 crore, but the real expenditure was Tk 6,024 crore -- 84 percent of the revised ADP.

Until the last fiscal year (FY), the trend was same except for in 1998-99 and 1999-2000 when the allocation in revised ADP was increased. However actual implementation was 89-93 percent of the revised ADP.

In the current FY, of the Tk 25,600 crore ADP only 41 percent was implemented in the first nine months. The ADP was revised at Tk 23,000 crore.

Planning ministry officials said at best Tk 18,000 crore can be implemented by the end of the FY.

Bangladesh Institute of Development Studies said: "In recent years there has been a tendency to set the size of the ADP at a relatively high level. While the main consideration behind larger ADP was achievement of faster economic growth, the use of development projects as vehicles of patronage politics and rent seeking also contributed to the inflated size of the ADP."

During the last BNP-led four-party alliance government, a number of initiatives were taken regarding ADP implementation. A public expenditure review commission was formed, and it pointed out a number of flaws and suggested remedies after reviewing ADP.

The commission found that the number of projects in the ADP is much more than allocation against those. As a result implementation of a project takes many years and money is wasted. Many projects are taken in political consideration, which do not address the main problems of the country.

In the last few years some small changes were made in ADP implementation procedure but no major changes came.

At a meeting of the National Economic Council (NEC) yesterday, the Implementation, Monitoring and Evaluation Department placed a report where it cited a number of impediments to poor ADP implementation. These are delay in planning a project, repeated amendment to the project, delay in approval or correction of the project, complexities in purchase, a lack of idea about public procurement and donors' conditions.

A senior planning ministry official said the ministry has been facing these problems for the last 20 years but there were no remedies in place.

Finance minister and planning minister have been seen year after year holding meetings with all secretaries, having one-to-one meetings and groups meetings, but when they are asked why the projects are not being implemented they show the same reasons, the official said.

Mobile importers seek duty cut in budget

STAR BUSINESS REPORT

Mobile handset importers have urged the government to cut import duty to Tk 100 from existing Tk 300 on each set in the upcoming budget, saying such a tax reduction will help users get quality products and discourage substandard handset imports.

Leaders of Bangladesh Mobile Phone Importers Association (BMPIA) said yesterday that a Tk 300 duty on imported handsets also precludes them from competing with low-cost handsets usually imported through illegal channels.

"A big untapped market remains in the poor segment. And for them affordable handsets is a demand," said Mustafa Rafiqul Islam, acting president of BMPIA, at a press meet at La Vinci Hotel in Dhaka.

The tax reduction will discourage importing handsets through illegal channels, he said, adding that the government's revenue will also go up as handset imports will increase riding on a reduced duty.

Mobile handset imports increased by 92 percent to 60.82 lakh pieces in fiscal 2006-07, while the figure was 31.70 lakh in fiscal 2005-06. The imports shot up as the import duty on handsets was cut from Tk 300 in fiscal 2005-06 to Tk 200 in fiscal 2006-07, said BMPIA leaders.

Handset imports in fiscal 2007-08 however witnessed a 13 percent downtrend as the government re-fixed Tk 300 duty in that fiscal year when a total of 53 lakh handsets were imported.

Besides the legal imports, BMPIA claimed that around 20 lakh handsets enter Bangladesh market every year through illegal channels.

Nokia, Motorola, Samsung, LG, Sagem and Sony Ericsson are the leading brands in Bangladesh's 46 million subscribers' market.

A parliamentary standing committee on telecom recently recommended full duty waiver for mobile handsets valued up to Tk 3,000.

Welcoming the move, the association leaders however said the government should introduce a unified duty structure for mobile sets of all ranges.

"Mobile handset price fluctuates every day in the global market. So it will be difficult to fix duty considering handset prices," said Islam.

He suggested a specific and unified duty structure should continue.

The BMPIA leaders also urged the government to fix advanced tax on value at Tk 10 in the upcoming budget. The importers now have to pay 1.5 percent advanced tax on each mobile set price.

For ensuring better after-sales service for the customers, the association also proposed reducing duty on mobile phone accessories from existing 55 percent to 15 percent.

More tax likely on luxuries

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A proposal is likely for a rise in tax on luxury items, including cars and cigarettes, in the next national budget in an effort to increase public expenditure for the poor.

A rise in tax on luxury items, including cars and cigarettes, would be proposed in the next national budget, to up the public expenditure for the poor section of the society, the finance minister hinted yesterday.

"Duties on luxury items and goods harmful to health are likely to be increased," AMA Muhith told reporters after a meeting with Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA) at his ministry.

However, the minister did not specify the luxury items that would face higher taxes.

Muhith said, "Awami League is a party of the poor. So there will be tax on luxury items, as we will have to collect huge revenue to meet their demand. Besides, tax collection can be raised through tax net expansion."

This time the number of tax payers will be raised to 10 lakh from 7 lakh, the minister added.

On the recent import of huge cars, he said it happens ahead of budget every year and this time is no exception.

Admitting to the possible enhanced overseas assistance for the 2009-10 fiscal year budget, Muhith hoped that around 3 percent of the 5 percent deficit budget would come from donors.

Earlier, during Muhith's meeting with World Bank Executive Director for South Asia Pulok Chatterji, the bank's new programme to help different countries to cope up with the ongoing global financial meltdown figured high.

The finance minister also discussed the World Bank's increasing contribution to Bangladesh's social safety net programme.

More News

Regional connectivity key to economic growth

Regional transit among Saarc nations is not a political but rather an economic issue now, said the commerce minister yesterday. Faruk Khan said the political willingness of the leaders of the countries in the region is essential to implement the transit, transhipment and regional connectivity.

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International

Cambodia's dump dwellers face eviction

Scavenging for bits of plastic, metal and glass that earn them an average 10 dollars a month, the children of Phnom Penh's municipal rubbish dump are among Cambodia's poorest.

Hong Kong unveils $2.2b stimulus plan

Hong Kong Tuesday unveiled economic stimulus measures totalling 16.8 billion Hong Kong dollars (2.2 billion US) in a bid to counter the impact of the global financial downturn on the territory.

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net