

The government should put a brake on falling investments.

The total revenue collections are expected to touch Tk 80,000 crore. The government has already approved a Tk 30,500 crore annual development programme (ADP) for the coming year, which many said was a stunt and too ambitious to implement completely. Revenue and development budgets combined, the size of the national budget will hover around Tk 115,000 crore.

Ifty Islam of AT Capital says a major initiative for the government should be to increase the revenue base for Bangladesh which is one of the lowest in Asia. "This requires greater pressure from NBR to ensure that both individuals and corporates pay their taxes. There should be greater sanctions for non-payment or misrepresentation of individual or corporate balance sheets to reduce the tax burden," Islam says.

A failure by the wealthier in society to pay direct taxes on income creates high levels of indirect tax on goods and imports, which ultimately falls disproportionately on the poorer segments of society versus those with a greater ability to pay, Islam explains. In its budget proposal, the Centre for Policy Dialogue, a private think-tank, says: "The defining features of the upcoming budget will be the ability of the development administration to deliver on the ADP. In its absence, the economy will be deprived of the much-needed fiscal and monetary stimulus."

To tackle the potential deceleration in growth in the days to come, CPD suggests, the government should be ready to go for higher deficit (which may be around 5 percent of gross domestic product). Bangladesh may also take advantage of a decline in inflation rates which is expected to sustain in future, according to the research organisation.

"In this connection, the government should consider foreign financing as an important source because of the non-inflationary nature of this particular source," CPD says.

If the government borrows more from domestic sources the availability of private credit may be crowded out, which may derail its effort to increase economic activity in times of economic slowdown. To face the adverse effects of the global economic crisis, the government has already announced an adjustment package with fiscal, monetary and trade policies and institutional measures to assist the affected sectors and encourage.

The government had earlier announced Tk 450 crore for export-oriented industries in cash compensation on top of Tk 1,050 crore allocated for fiscal 2008-09. Under this package, most of the industries hurt by the impact of recession will get additional cash incentives: jute products (10 percent), leather and leather goods (17.5 percent), shrimp and frozen fishes (12.5 percent). The benefits will continue in fiscal 2009-10 as well.