year. Farmers not getting the right price for their most recent rice crop may also act as a negative incentive for higher agriculture output.

Manufacturing sector performance is significantly dependent on export sector developments and thus indirectly on the health of the global economy. It is projected that the world economy would continue to struggle/shrink in the first half of FY10 before moving to a recovery phase. At this stage, both domestic and foreign demand for Bangladeshi products will be subdued due to slower growth in remittance inflows and lower demand for exports leading to a slower manufacturing growth (5 percent) in this half. The world economy is expected to enter into a recovery phase in the second half of FY10, which will contribute to a rise in overall demand (through higher exports and remittances) and a consequent rebound in manufacturing sector growth to 7 percent.

A review of the growth projections of some neighbouring and emerging economies also supports government's cautious growth outlook for the Bangladesh economy. In particular, growth projections for FY10 compared to the pre-financial crisis period (i.e. FY08) are respectively 2 and 2.5 percentage points lower for India and Pakistan. The corresponding projections for China and Vietnam are respectively 4.5 and 2 percentage points lower. In this context, the projected slowdown in Bangladesh by 0.7 percentage point in FY10 compared to the pre-crisis year may even appear optimistic, essentially reflecting Bangladesh's better performance relative to others during the global meltdown.

Expansionary fiscal stance may be undermined by implementation

By setting the fiscal deficit at 5% of GDP, the budget aims to inject additional stimulus amounting to about one percent of GDP into the economy. This stimulus would largely result from the planned ADP and PPP spending. These two items in the budget together, if implemented fully, would amount to a 44% increase in government capital spending.

From a demand management perspective, such a boost in spending growth would be most desirable since it would be easily reversible when the economy rebounds. In addition to boosting domestic activity, the planned spending (if executed effectively) will also help reduce the infrastructure gap and contribute to future growth potential.

The challenge lies in effective implementation. In recent years, ADP implementation has always been much lower than its target. The size of ADP has declined by half in relation to GDP over the years. A review of the last five fiscal years' actual-against-targets suggests an average 15 percent shortfall in ADP implementation.

The key factors contributing to the unsatisfactory implementation of the ADP are: (i) complex procurement policy; (ii) inadequate capacity of the implementing agencies; and (iii) a lack of proper moni-

Table 1: Projected GDP Growth

Sector	Growth % FY09	Share	Growth (%) First half	Second half	FY10
Agriculture	*4.6*	*0.21*	*3.6*	*3.6*	*3.6*
Industry	*5.9*	*0.30*	*5.0*	*7.0*	*6.0*
Services	*6.3*	*0.49*	*5.6*	*6.5*	*6.1*
Total (GDP)	*5.9*	*1.00*	*5.0*	*6.0*	*5.5*

Figure 1. GDP Growth (FY08-FY10Pr)

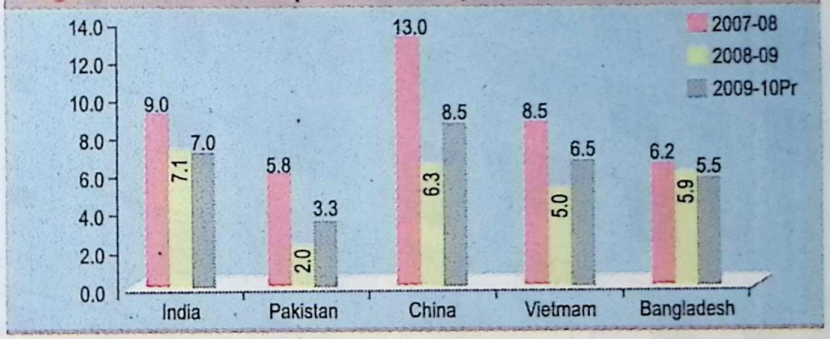


Figure 2. ADP Implementation

