toring of the agencies implementing the ADP. Because of these constraining factors, ADP utilisation has always fallen short of the target, and failed to grow in line with the growing needs of the economy.

Certainly, this trend cannot be allowed to continue, and things must change on the implementation side. The government would need to re-examine the procurement policies and rationalise them as appropriate without compromising on the necessary safeguards. Efficiency of the government implementation ministries and agencies must be enhanced by strengthening their administrative capacity and accountability. Finally, close monitoring of the agencies implementing the ambitious ADP program would be needed for the program to reach its target level. Otherwise, actual ADP implementation would only be limited to around Tk 260 billion at the end of Fy10.

Public Private Partnerships

The current process of project selection and implementation based on the ADP framework has proved to be increasingly ineffective in meeting today's challenges. While the ADP model for providing public infrastructure investment worked during the 1970s and 1980s -- when domestic resource base was small and the country was largely dependent on foreign multilateral and bilateral assistance to carry out its public sector investment program -- it is increasingly apparent that this approach is no longer an adequate mechanism.

Recognising the limitations of traditional ADP-based approach for delivery of power and other infrastructure, the government has rightly embarked on the new PPP initiative. The initial allocation for this purpose is respectable at Tk 2,500 crore (about $350 million) and the government is committed to add more if needed. By leveraging private sector investment under various modes of PPP operations and risk sharing, if effectively executed, the program should be able to catalyse more than one billion in new investment.

Effective and prompt launching of the program however would be extremely challenging. The major tasks would include: putting in place the proper regulatory framework either by revising the current Private Sector Investment Guideline (PSIG) of 2004 or enacting a new PPP Law; establishing the PPP Cell with proper institutional framework, manpower support, and resource base; and putting in place an appropriate tax incentive regime and viability gap funding mechanisms to attract private sector investment in the infrastructure sector.

Only after these initial steps are in place, the government would be able to attract private sector investment by addressing other important issues like: ensuring competitiveness and transparency in the bidding process, investment pricing and financing aspects, and careful matching between asset and liability and cash flow. The government has to develop technical capacity for reviewing the financial and economic viability of PPP projects because success will depend largely on aspects relating to costing, pricing and risk sharing. The legal framework would lay down the obligations of the private sector partners, allow provisions for cost recovery, and address compensation and redress mechanisms. Success will ultimately depend on establishing comprehensive policies and regulatory frameworks for competitive and transparent bidding, appropriate risk sharing and rewards, and dispute settlement mechanisms.

Other challenges

While implementation of the investment programs under the ADP and PPP arrangements will remain a major hurdle, there are a number of other risks associated with the budget. The first area to look for is on the revenue side due to the inherent weakness of the economy. The other area of concern is on the external financing side. The two factors together could be a major problem for the private sector since the combined shortfall may seriously crowd out private sector borrowing.

How realistic is the revenue target?

In the coming fiscal year when the government needs the most revenue to cover its ambitious spending plans, revenue potential will be constrained by two factors: (i) growth in NBR taxes would be subdued due to lower import prices

Figure 3. Estimation of Over/Under Performance in Revenue Collection, FY08 and FY09 (based on budget numbers)

