

# Budget in rear-view mirror

An analysis exploring ADP underutilisation problem provides some insight. Whereas a decade ago, delay in fund release and lack of human resources were the most important constraints, delays in tender process, land acquisition, and project amendments are the major bottlenecks today.

JYOTI RAHMAN

THE announcement of the budget is an important event in a country's political and economic calendar. In Bangladesh, public focus on the budget is still confined to a few weeks in June. The incumbent politicians and allied pundits hail the document as visionary and pro-people, the opposition denounces it as anti-poor and anti-people, and then, after a few weeks, nothing more is heard of it.

This is not conducive to democratic policymaking. With little review of the previous year's budget, there is little accountability for the government if it fails to implement what was announced, or change course if announced policies produce undesirable outcomes. By requiring the finance minister to regularly update the parliament on budget implementation, the Public Money and Budget Management Act, 2009 should improve both the economic policy and our democratic culture.

As mandated by the act, the finance minister presented a six-month review of the budget, covering July to December 2009, before the parliament on March 16, 2010. Whereas a deficit of 5% of GDP was estimated for the 2009-10 budget, the review revised the deficit to 4.5% of GDP. The revised deficit is a function of slightly higher revenue and lower expenditure. Table 1 summarises the revisions.

The budget was premised on the economy growing by 5.5% to 6% in 2009-10. The review is predicated on a growth rate of 6%. In the event, provisional estimate for GDP growth in 2009-10 turned out to be 5.5% -- similar to forecasts by the Asian Development Bank, the IMF, and major market forecasters.

There is a general agreement among economists that Bangladesh escaped the ravages of global recession relatively unscathed. Other than the global recession, an analysis of the budget considered energy shortage to be a major risk to the economic outlook.<sup>1</sup>

The budget explicitly assumed "increased private sector investment in response to measures to eliminate power and gas shortages." And the review notes that the government is taking actions to develop electricity and gas transmission. It seems that energy shortages have, indeed, affected economic growth adversely.

Turning from macroeconomic to fiscal outlook, in the first six-months of the financial year, 44.7% of the annual target revenue was mobilised. The government expects the budget target for revenue to be largely met. And calculations by a World Bank economist suggest that the government's assessment might be cautiously justified.<sup>2</sup>

That said, much work remains to be done on the tax collection front. Tax-to-GDP ratio in Bangladesh is about 8.5%, full 4 percentage points lower than our neighbours. To boost tax-GDP ratio, the government has promised policy measures including widening tax collection and coverage by conducting identification and monitoring at the upazilla level. Unfortunately, the government's record of economic and political devolution has been discouraging to say the least.<sup>3</sup>

On the expenditure side of the ledger, things are not quite as bright as they appear initially. Over the review period, only 30.4% of the allocated sum was spent. Compared with the budget, expenditure over the whole year is now expected to be Tk.3,296 crore (or 0.6% of GDP)

	2009-10 Budget	6-month Review	Revision
<b>In crores of taka</b>			
Revenue	79,461	79,484	23
NBR tax revenue	61,000	61,000	-
Expenditure	113,819	110,523	-3,296
ADP expenditure	30,500	28,500	-2,000
Deficit	34,358	31,039	3,319
<b>As percentage of GDP</b>			
Revenue	11.6	11.5	-0.1
NBR tax revenue	8.9	8.8	-0.1
Expenditure	16.6	16.0	-0.6
ADP expenditure	4.5	4.1	-0.4
Deficit	5	4.5	0.5

Source: Ministry of Finance, authors' calculations.

lower. It is this reduced expenditure, not any major change in revenue, that reduces the deficit.

This may seem positive, until one realises the fact that the reduced expenditure is driven by a Tk.2,000 crore (6.6%, or about 0.4% of GDP) mark down in the development budget (ADP). In the first half of the financial year, only 29% of the allotted ADP budget was utilised. While this was higher than 21-25% utilisation over the similar periods in the previous three years, the downward revision suggests that the recent trend of underutilisation of ADP budget is likely to continue.

An analysis exploring the ADP underutilisation problem provides some insight.<sup>4</sup> Whereas a decade ago, delay in fund release and lack of human resources were the most important constraints, delays in tender process, land acquisition, and project amendments are the major bottlenecks today. That is, it's no longer availability of resources, but actual implementation of development projects, that bedevils us. The devil is in implementation noted in an early analysis of the budget.<sup>5</sup>

While financing a deficit is a perennial risk, thus far this year, financing needs have been met adequately. And a smaller deficit can only help in this regard. But, given that the smaller

deficit is a function of underutilised ADP, it's a decidedly mixed outcome. An unequivocally better outcome would have been more development expenditure, paid for by higher revenue collection.

One key feature -- and a major "unknown" according to analysts -- of the 2009-10 Budget was private public partnership (PPP).<sup>6</sup> In the review, the finance minister conceded that the government had "not yet achieved the desired level of progress under PPP project." Indeed, there has been little progress on the PPP front. This issue deserves a lot more scrutiny than is possible in the current piece.

In the final analysis, the government deserves credit for mandating regular review of the budget. It is time the opposition and independent analysts hold the government to account on its promises and policies.

Jyoti Rahman is an applied macroeconomist, and writes for Drishtipat Writers' Collective (www.drishtipat.org/dpwriters). He can be reached at dpwriters@drishtipat.org.

<sup>1</sup>Ahamed S and Rahman J (2009), Review of Bangladesh's National Budget 2009-10, Drishtipat Writers' Collective, page 25.  
<sup>2</sup>Basher A (2010), Fiscal Policy of Bangladesh: Not There Yet, But Can Get There?, End Poverty in South Asia blog  
<sup>3</sup>Alamgir J in Ahmed S and Rahman J, Ibid, page 45-46.  
<sup>4</sup>Bhattacharya B, Iqbal MA, and Khan TI (2009), Delivering on Budget FY2009-10: a set of implementation issues, Centre for Policy Dialogue, page 22-13.  
<sup>5</sup>Saleh A in Ahmed S and Rahman J, Ibid, page 35-36.  
<sup>6</sup>Ahamed S and Rahman J, Ibid, page 33, 41-42.

# A woman-friendly budget

Our budget's aim must ensure the creation of employment and shelter, food, nutrition and education security for poor girls and women. In excluding them, we cannot reach any mainstream development goals.

PARVEZ BABUL

"Women are the only exploited group in history to have been idealized into powerlessness." -- Erica Jong.

MALIIHA (age 16, but not her real name) does not know what national budget is, because she is illiterate. She was married at 11 and became a mother at 13. Her rickshaw puller father died in a car accident on the day of her birth. Because of her father's death on that day, neighbours have called her *olokkhilopoya* (unlucky) ever since. She still has to bear this name for her father's death on the same day her child Momota was born. After her husband's death, Maliha earned money working as a rice mill helper. On a rainy night, the mill owner had sex with her in exchange for one kilogram of rice as a gift and his promise to marry her. Maliha believed the man and their sexual relationship continued; she became pregnant. Upon hearing of her pregnancy, the mill owner beat her mercilessly and informed people that Maliha was a prostitute. The people also insulted Maliha, but thanked the mill owner for chasing her away. Maliha thought of killing herself but for her daughter's future, she changed her decision and cried for her bad luck.

Now, Maliha and her daughter live on the city streets without food, sometimes with a piece of bread, and eat remains of others' meals, collecting them from the drains and garbage piles. She looked for a job as a household help, but the homemakers she contacted refused to employ her for being pregnant and having a child. While I talked to Maliha on the street, Momota, malnourished, was crying for food.

The fact is there are thousands of unfortunate girls and women like Maliha in our country and we need to feed them as part of ensuring their human rights and rehabilitation from hunger. Can they not demand a women-friendly budget to help them live a dignified normal life? Of course they have the rights to demand and our constitution has given them those rights. The Constitution of Bangladesh ensures equal rights to all citizens, prohibits discrimination and inequality on the basis of sex and strives to promote social and economic equality. Specifically, with respect to women, Article 28 states "Women shall have equal rights with men in all spheres of state and public life."

Our national budget should be women-friendly to benefit vulnerable and disadvantaged women. Our budget's aim must ensure the creation of employment and shelter, food, nutrition and education security for poor girls and women. In excluding them, we cannot reach any mainstream development goals.

So, dear honourable ministers of concerned ministries: On behalf of all helpless girls and women in our country, like Maliha and her daughter Momota, I humbly request you to kindly allocate them adequate money simply for a normal life with normal daily food.

The government's national budget is a legal document passed at the national parliament. That is why every parliament member of each constituency is responsible for looking into its constituents' interests, especially poor girls and women, to fulfill their five basic needs to live: food, cloth, shelter, education and health services. The government is accountable to them as it is to everyone. Professor Daniel Tarantola, of the University of New South Wales, Australia, has warned that global warming will indirectly affect people of developing countries, making them more vulnerable to death and severe ill health from HIV/Aids. Experts identified certain factors interrelated to climate change that can help kill more people infected with HIV/Aids.

Factors such as poverty, illiteracy, proximity, malnutrition, unemployment, slum housing, and highly mobile populations are closely related to climate change and may contribute to large number of deaths from Aids. So, the time is now to work sincerely and seriously to save the valuable lives of poor girls and women from poverty, hunger, stalking, violence and disasters. Girls and women are human beings too, and stakeholders of the state. So, poor women and children should be included in the national budget, which should be gender-sensitive. Simone de Beauvoir appropriately wrote in her book, *The Second Sex*, "One is not born a woman, one becomes one."

Parvez Babul is a Journalist, Convener of Bangladesh Climate Change Journalists Forum, and author of *Women's Empowerment, Food Security and Climate Change*. Email: parvezbabul@yahoo.com.



# The quarry quandary



The best mining method has been taking new turns at every phase.

Since all mineral resources belong to the people, they should be taken into confidence before the government adopts a mining method and coal policy that will have direct impacts on lives and livelihood of the people living in coal zone.

MD. KHALEQUZZAMAN

ALL aspects of coal in Bangladesh are proving to be as dark as the coal. Debates about the contribution that coal can make in solving the ever-increasing power crisis, the role it can and should play in overall energy security of the country for the next several decades, the steps needed to finalise the proposed national coal policy, and the best mining method have been taking new turns at every phase during the last several years (DS, June 21, 2009).

Recent news about the government's initiatives to finalise the proposed coal policy and the mining method for Barapukuria and Phulbari coalfields sparked fresh debate as to the content and extent of the proposed national coal policy and the best mining method for the coalfields (DS, April 20).

As the power shortage reaches crisis proportions and hinders industrial production, many consider coal as a panacea, yet others argue that the decision about coal mining is being pushed by a vested interest group and will not solve the power crisis in a short run.

Speculations about the government's decision about coal policy and mining methods are

rampant in the absence of a clear stand by the concerned authority in the government. On occasions, government spokespersons and ministers expressed their desire to carry out mining in Phulbari and Barapukuria using open-pit mining method.

An adviser, H.T. Imam, made remarks to the effect that those who opposed coal mining in the name of environment are anti-development and have a vested interest. Minister of Industries Dilip Barua also expressed a strong desire to mine coal from northern coal fields to generate electricity (*Financial Express*, May 22).

In addition to the government's advocacy for coal as a panacea for power crisis, there is a civil society advocacy group which openly supports open-pit mining in Phulbari and Barapukuria. *Energy & Power* magazine and online magazine *Energy Bangla* are among the groups that advocate in favour of Asia Energy Corporation's (now called GCM) proposal for open-pit mining in Phulbari.

This group does not see any need for a national coal policy and thinks that the Mine & Mineral Act of 1968 can be modified to include a section on coal mining (*Energy Bangla*,

February 17, 2009). In fact, most high-profile Petrobangla officials in charge of making decision about the coal policy and coal mining option favour open pit coal mining in Phulbari and Barapukuria. They too do not see any need for a comprehensive national coal policy that was proposed by the Patwary Commission in 2007.

It should be mentioned here that the Patwary Commission's coal policy was created in an open and transparent manner, and representatives of various stakeholders, including environmental watchdog groups such as Bangladesh Environment Network (BEN), Bangladesh Poribesh Andolon (BAPA), and Bangladesh Environmental Lawyers Association (BELA), were also consulted for inputs.

On assuming a power, the current government organised a roundtable conference on June 15-18, 2009, which was attended by eight non-resident Bangladeshi (NRB) experts. Among others, Energy Advisor Dr. Tawfiq Elahi Chowdhury, State Ministers Mr. Shamsul Haque Tuku and Mr. Mustafizur Rahman, Energy Secretary Mr. Md. Mohsin, Petrobangla Chairman Dr. Hossain Monsur, and several MPs from northern districts attended the roundtable conference.

This writer was one of the participants at the government-sponsored roundtable conference to discuss the proposed coal policy and mining options. Although there was disagreement among the participating NRBs with regard to the content of the proposed coal policy and the mining methods, some recommendations were agreed upon by all participants at the end of the conference.

Following the roundtable, those recommendations were made public at a press conference at Jamuna Resort on June 18, 2009. It appeared during the roundtable that the government was open to objective recommendations made by the NRB group. Major recommendations on mining options and coal policy addressed the following topics:

- Institutional and legal framework building.
- Developing environmental acts, regulations, standards, and laws that will be necessary during all phases of coal mining;
- Energy security for the next 20 years.
- Establishing water quality and quantity baseline for both surface water and ground water in the mining region and holding the mining authority responsible for maintaining pre-mining water quality and quantity.
- Resettlement and rehabilitation issues.
- Environment, health and safety issues, keeping provision for general public and environmental watchdog groups to file law suits against non-compliance by mining companies and against lack of enforcement of environmental laws by the con-

cerned authority.

- Not to favour any specific mining method, but to adopt a method that will be suitable for a specific coalfield in the context of geologic, hydro-geologic, environmental, and socio-economic conditions.
- Resource mobilisation and economic issues in the context of public private partnership (PPP).

The government representatives present at the roundtable conference made it very clear that they did not like the content of the Patwary Commission's coal policy, and that they favoured a substantially shorter document to replace the proposed coal policy. The Petrobangla officials prepared a shorter version of the coal policy, which was presented on behalf of Petrobangla at the roundtable conference.

Following the presentation, this writer made specific suggestions to improve the proposed coal policy. Many of the above recommendations were formulated in light of the presentations and suggestions made by this writer.

It has been almost a year since the roundtable conference was held; however, there has not been any indication that the concerned government authority has any desire to incorporate any of the recommendations made by the NRBs.

As per news published in *Energy Bangla* (May 26), the government has decided to adopt open-pit mining in Phulbari and Barapukuria. This raises a question as to how the proponents of AEC's proposal to mine coal in Phulbari using open-pit method received this exclusive news.

It is also worth noting that several high profile government representatives made a visit to Germany to see open-pit mining operation. As per the news, this trip was organised by the AEC, which raises question about the neutrality of the government in deciding the best mining method in Phulbari and Barapukuria.

In this context, it is imperative that the general public in Phulbari and Barapukuria demand transparency and accountability in decision-making on mining. The environmental watchdog groups need to demand implementation of the recommendations made by various stakeholders, including the NRB participants, at the roundtable conference.

Since all mineral resources belong to the people, they should be taken into confidence before the government adopts a mining method and coal policy that will have direct impacts on lives and livelihood of the people living in a coal zone. If not done properly, coal mining will not light up the country; instead, such action will engulf the country in yet another dark chapter and destroy the environment beyond the point of no return.

Md. Khalequzzaman, Ph.D., Lock Haven University, Lock Haven, PA, U.S.A.

COURTESY: PARVEZ BABUL