

About implementation of Sixth Five Year Plan

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By *Dr. Sadiq Ahmed*

Sadiq Ahmed concluding his three-part article on the Sixth Five Year Plan

The Sixth Five Year Plan (SFYP) targeted a substantial reduction in poverty from 32.5 per cent in FY10 to 22.9 per cent in FY15. This target was underpinned by average growth rate of 7.3 per cent for the plan period and the assumption that there will be no further worsening of income distribution. The shortfall in GDP (gross domestic product) growth in FY12 is a source of concern for poverty reduction.

The assumption of no worsening of income/consumption distribution is predicated on proper implementation of all the Sixth Plan programmes related to the poor and vulnerable population including higher funding for social security programmes. The target to increase social security spending to 2.0 per cent of GDP in FY11 was not achieved and the prospect for increasing this spending to 3.0 per cent of GDP by FY15 is challenging. Additionally, available M&E of a number of social protection spending suggest a mixed record of achievement. Similarly, while the FY11 and FY12 budgets have emphasised spending on education, health, and rural infrastructure, the volume of spending is below the levels needed for sustained improvement in these services. The other key development that could seriously hurt income/consumption distribution is inflation. There is considerable empirical evidence that inflation hurts the poor relatively more than the rich. So, higher inflation since 2009 is of serious concern. The recent reduction in inflation is a welcome development. Sustained efforts to further reduce inflation to 4.0-5.0 per cent rate will be important for poverty reduction.

Implications for policy reforms: It is obvious that the poverty reduction targets for the Sixth Plan face serious downside risks that require careful monitoring and policy actions. Corrective policy measures to increase the investment rate focused on infrastructure, strengthening

agricultural diversification, sharply reducing the rate of inflation and improving the level and quality of social safety net spending are of particular significance for securing the poverty reduction goals of the Sixth Plan.

On the growth front, the highest priority is to increase the investment rate. The financing constraint could be addressed by reducing energy subsidies, strengthening income taxes (eliminating the exemptions on capital gains, introducing a broad-based property tax system), attracting foreign private investment and mobilising more resources from development partners. The Public-Private Partnership (PPP) initiative for infrastructure financing could be revitalised by assigning this responsibility to an autonomous entity staffed by proper technical specialists. Public investment programmes should be protected from budgetary cutbacks and implementation capacity strengthened by recruiting professional staff from outside the civil service. Stronger partnership with development partners in project development and implementation will also help.

Exports could be boosted by reducing trade protection, reducing trade logistic costs by improving transport and port services. The potential for agricultural exports including exports of foodgrains may also be explored. Bangladesh has already made some headway in exporting food-products. The lessons of that experience might be reviewed for policy support. Agricultural export, including foodgrain, is possibly the best strategy for supporting production and income in the agricultural sector. Diversification of manufacturing exports and options for entering the services exports market may also be explored. Services exports in India provide a good example of how this might be promoted in Bangladesh.

In addition to strengthening growth, the social sector programmes need more attention. The priority given to health, education and social protection is appropriate but budgetary resources allocated to these programmes is lower than needed to achieve the poverty reduction targets of the Sixth Five Year Plan (SFYP). A part of the additional resources mobilised by cutting energy subsidies and increasing income taxes might be reallocated to these programmes. In the area of social protection, corrective policy actions to improve programme design, reduce the multiplicity of programmes, and improve targeting are also needed. In environmental management, attention could be given to fiscal and pricing policy aspects. In energy resolving the primary fuel shortage requires urgent policy attention.

Acute governance problems continue to impinge on higher GDP growth and delivery of public services. In terms of immediate priority, institutional reforms to strengthen the urban management, local governments and public administration need to be bolstered. The strategies and policies for these reforms are well identified in the SFYP. The implementation of these strategies and policies require urgent attention.

The writer, Dr Sadiq Ahmed, is vice-Chairman, Policy Research Institute of Bangladesh. This write-up was presented by him at a recent seminar in Dhaka, organised by

the PRI.pri.bangladesh@gmail.com

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