Cheers, fears and no surprises

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By *Dr. Zaidi Sattar*

If anyone was expecting fireworks in this budget, he or she must wait another turn. I would guess that this is partly because the Finance Minister was taken ill at a critical juncture in budget formulation. So, some radical moves that were being contemplated had to be postponed for another day.

Yet there is much to chew on. First, it gives the notion of growth fragility a short shrift. Even the announcedestimate of FY2010 GDP growth of 5.54% has been pushed aside, to project an enviable recount of 6.0% growth, largely on the basis of production and export performance in the last two months of the fiscal year. Riding on a predicted recovery of the global economy in the coming year, and sustained strong domestic demand, growth projection for FY2010-11 has been made at an optimistic 6.7%. Assuming that power generation plans of 1700MW in 2010 and 2011 come on stream, this becomes a plausible scenario as both export and import projections in the coming year look much rosier in comparison to the lackluster performance of the current year.

Second, NBR's revenue performance for the outgoing year gives reason for good cheer. To achieve 16.5% revenue growth was no mean feat given what was considered a highly ambitious revenue target for FY2010 in the aftermath of the Great Recession, which stymied exports, imports and domestic economic activity. For this National Board of Revenue (NBR) and Ministry of Finance (MoF) staff deserve commendation. In this light, the revenue growth target of 18.5% for the coming year appears quite plausible and consistent with the near-term outlook for the domestic and global economy.

Third, there are mixed signals about the investment strategy to move the economy on to a higher growth trajectory. The failure to get private public partnership (PPP) concept off the ground has been acknowledged and alternative approaches to getting the private sector involved in partnership with government in building infrastructure projects has been indicated , namely, the incentives contained in the new Bangladesh Infrastructure Finance Fund (BIFF). What seems missing was a strategy to get the economy out of the investment doldrums of 24-25% of gross domestic product (GDP) (static for the past eight years or so). One would be looking for strategies to break the deadlock and move to rates of investment of 30% of GDP over the next five years or so, if the goal of reaching 7.0-8.0% GDP growth is to be attained. There is no way that 8% GDP growth target can be reached by 2015 if the rate of investment does not show upward movement. One would have expected to see the initial drive for breaking the logjam this year. Leaving it for another year seems to be a year too late.

Fourth, a pleasantly surprising element was the high performance in Annual Development Programme (ADP) implementation that has been indicated in the Budget at a Glance. A lot of skepticism was expressed by all and sundry about the lack of dynamism in the bureaucratic machinery in so far as project implementation was concerned – blame it on PPR or whatever. If the budget figure of Tk. 285 billion is really accomplished at the end of the year, that would be a whopping 46% increase over the actual utilisation in FY2009. The Planning and Finance Ministry deserve credit for this feat subject to the caveat that all observers will make, and that is with regard to the quality of public spending. The national interest would be best served by focusing on outcomes or results from the copious amounts of public spending that is done every year. Hardly anyone will disagree with this observation.

All in all, there are few surprises in Budget 2011. Notable moves are the increased share of social spending and – quite expectedly – on physical infrastructure, i.e. power. The rest is to be gleaned from budget implementation.

(Dr. Zaidi Sattar is Chairman, Policy Research Institute of Bangladesh)