



# Budget 2019-20: An appraisal

The disparity in income, wealth and opportunity has to be addressed in fully realising the dream of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman to establish a welfare state, free of poverty, illiteracy, homelessness, disease and exploitation. A possibility is to change the growth model from one of poverty reduction to a model of industrialisation and employment generation. Jobs ensure income generation which removes poverty, dents disparity and promotes equity, writes **Mohammed Farashuddin**

**T**HE proposed budget 2019-20 now under debate in the national parliament provides a positive continuation of the growth-development success story of the decade 2009-2018. The gross domestic product (GDP) growth rate of 8.2 per cent and the projected inflation rate of 5.5 are realistic. The budget makes a projection of a 10 per cent GDP growth for 2023-24, which may be more optimistic but still achievable under favourable conditions. The achievement of this target will translate into a per capita income of \$2500 for Bangladesh in 2024. According to a logarithmic projection table, an annual 10 per cent compound GDP growth with a 01 per cent population growth rate will cause a doubling of the per capita income in 08 years. This means the per capita income of an average citizen of Bangladesh would be \$5000 in 2032 and \$10,000 in 2040. This estimation knocks at the door of a developed and prosperous Sonar Bangladesh dream by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman and being implemented by his worthy eldest child Janabandhu Sheikh Hasina, the Prime Minister.

**ON THE LADDER TO PROSPERITY:** It's worth recalling here that the Economist in its April 12, 2017 issue reported that, Bangladesh per capita income had already surpassed that of Pakistan and the RMG-knitwear exports of Bangladesh were higher than the combined exports in that sector of India and Pakistan. A projection by the Standard Chartered Bank predicts that by 2030, the per capita income of Bangladesh will be \$5734 edging above the Indian per capita income at \$5432 (The Daily Star, May 15, 2019). Another similar projection by Bloomberg and the World Bank supported the above prediction. According to the PPP (purchasing power parity) dollar, the country is now 30th largest economy of the world and would climb to the 23rd position in the next two and a half decades. All these analyses show that Bangladesh is amongst the top three fastest growing economies of the world. These pleasant data are reinforced by the findings of the Noble Laureate Professor Amartya Sen and late Dr. Mahbubul Huq that the social transformation of the impressive economic growth in Bangladesh is really spectacular, highest in South Asia in most counts.

**THE QUESTION MARKS:** Budget 2019-20 blissfully vows to refrain from its implementation through SRO (Statutory Regulatory Order). The statement to introduce a Crop Insurance Pilot is very pleasing in the context of an extremely hard working kishan-kishanis who struggle to reconcile the cost-revenue imbalance. Amongst all these positive vibes, there is a need to rationalise some cruel realities. The budget implementation rate has declined from

87 per cent in 2011-12 to 78 per cent in 2017-18 (Jugantor, June 13, 2019). Although the Budget size (expenditure/GDP Ratio has more or less stabilised around 18 plus, the ideal ratio being 20), the Total Revenue:GDP ratio has not moved up much from 10 (Jugantor, June 13, 2019). The ratio in Bangladesh is the lowest amongst the developing countries of the Asia Pacific: 30 in Bhutan, 28 in China and Maldives, 26 in Nepal, 25 in Afghanistan, 24 in Vietnam, 21 in India, 16 in Pakistan and 14 in Sri Lanka. In fact the Budget Revenue:GDP ratio has improved in Nepal from 17 in 2015 to 26 in 2018 despite the pains towards the path of democracy and the devastating earthquake of

Bangla, BPC, Civil Aviation & Transportation Authority, Director General of Passports & Immigration and Bangladesh Telecommunication Regulatory Commission (BTRC) will certainly reduce the budget deficit. There is no reason why the government cannot convince Bangladesh Petroleum Corporation (BPC) to share its annual surplus generated mainly by its ability to continue to sell POL (Petroleum Oil Lubricants) at an unchanged higher price even though the Government of Bangladesh (GOB) has given it monopoly to import at a much reduced international price. Another area for promise for raising revenue is the Alternative Dispute

have hit the wall - a new and innovative approach is in order. The government would do well to revert to the January 2009 status in respect of the Bank Company Law and the BRPD (Banking Regulation and Policy Department) regulations to deal with the rather unwelcome state of bank default.

**INVESTMENT, THE YOUTH AND THE EXPANSION OF THE ECONOMY:** The Finance Minister deserves unalloyed praise for the provisions of a Tk 01 billion (100 crores) 'start up' fund for the young men and women contemplating to step into the shoes of entrepreneurship - for paid and self-employment jobs. The cause of the Demographic Dividend and the productive

the financial year to January-December will certainly help reduce the hurried work completion and wasting by monsoon flood water and the repeated breaches in the river embankments. Is there any argument in retaining the July-June financial year? Similarly, a Monday-Friday work week is bound to improve international contacts and generate additional benefits from international trade and the related issues. The government may think of strengthening the Planning Commission for better implementation and for creating capacity for project formulation.

The budget deficit of Tk 1453.80 billion (1,45,380 crore) should reduce if additional revenue can be raised. The financing of the deficit from the external sources to the extent of Tk 680.15 billion (68015 crores) should be easily done given the much bigger pipeline and the success in recent years in utilising \$6 billion or so a year. The proposed financing of Tk 473.63 billion (47,363 crores) from the banking system may elbrow out the private sector credit seekers. Alternatives may be thought of. It's our plea not to touch the dividend rate on the savings certificates and the tax thereon. It's a social investment and steps should be taken to reduce misuse rather than hurt the scheme.

**THE WELFARE STATE AND THE DISPARITY ATTENDANT TO A MARKET-BASED ECONOMY:** It's great that the proposed budget 2019-20 has recognised the existence of disparity. The country is committed in Article 19(6) of the constitution to remove economic and social disparity towards equity. The disparity is not only interpersonal but interregional as well. The disparity in income, wealth and opportunity has to be addressed in fully realising the dream of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman to establish a welfare state, free of poverty, illiteracy, homelessness, disease and exploitation. A possibility is to change the growth model from one of poverty reduction to a model of industrialisation and employment generation. Jobs ensure income generation which removes poverty, dents disparity and promotes equity. In a market economy that Bangladesh is now pursuing, creation of disparity is inevitable unless there is social security framework started by the Hasina Government in 1996-2001 tenure. The proposed Budget 2019-20 has provision of Tk 743.67 billion (74,367 crores) covering 5 per cent of the people. Can both be further enhanced?

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Most commentators in the budget analysis point to the less than optimal implementation of a given year's budget. They also point to the quality of expenditure not being the best. A change in the financial year to January-December will certainly help reduce the hurried work completion and wasting by monsoon flood water and the repeated breaches in the river embankments. Is there any argument in retaining the July-June financial year? Similarly, a Monday-Friday work week is bound to improve international contacts and generate additional benefits from international trade and the related issues

2016. Experts say that the division of the country into 17 provinces has worked wonders. How can it be that despite Centre for Policy Dialogue's (CPD's) credible estimation of an incremental capital-output ratio or ICOR of 4.4 (going up from 4), Bangladesh is about to achieve a 8.13 per cent GDP growth from a 32 per cent investment:GDP ratio? There must be an **ACTIVATION EFFECT** whereby the hitherto unutilised productive capacity of the economy bursts into producing goods and services more than proportionately to the expanding infrastructure. Research is needed in this area as also in seeking road maps for increasing revenue and enhancing implementation.

**THE REVENUE GENERATION ISSUE:** The successful implementation of the Budget 2019-20 will hinge on two critically important factors: (a) the ability for the National Board of Revenue (NBR) to additionally raise nearly TK 600 million (60 crores) in 2019-20 compared to 2018-19 and (b) a road map of implementation in the face of risks - known and unanticipated. The idea to reach a 10 million target tax payers (only 0.22 million now) requires a gigantic set of steps which the current budget does not seem to spell out. Opening of the NBR offices at upazila level and beyond with appropriately equipped human resources, training, facilities and strict monitoring will certainly help. The government's ability to realise Tk 22,764 in VAT overdue from five of its organisations, Petro

Resolution (ADR). What are needed is (a) a mindset change amongst NBR officials to admit some claims by the aggrieved tax payers and (b) a modification in ADR rules whereby a tax payer can enter the process without prejudice to his or her legal suit in the High Court. The tobacco taxation may yield higher revenue in this fiscal.

A key element in the strategy to realise higher revenue is to carefully implement the tax proposed on the stock and bonus share. The very name Retained Earnings for Reinvestment suggests a corporate body should not sit over such tax-exempted retained earnings. But the rate of taxes on the above three could be 05 per cent rather than 15 per cent initially to generate reinvestment pressure which is one of the engines of GDP growth.

The Finance Minister is fully conversant with the capital market and his proposals to revive and stabilise it as a source of investable capital may be further strengthened with a revised Book Binding Method, filling the holes in the revaluation practice and a replacement of the two per cent mandatory equity ownership to qualify to be an elected Director by a reasonable lump sum stake of taka one million or so. There must be other steps explored to generate confidence in the capital market towards a shift of generating long-term loan assets from short-term deposit liability of the scheduled banks. Apparently all efforts in creating a bond market

employment of the 50 million young men and women can certainly be promoted by the budget 2019-20 and the subsequent budgets by strengthening the process of skills development for empowerment particularly of the young women. The 'start up' cost fund has to be bolstered by a provision of 'venture capital' for creating entrepreneurs. They need to be pre-identified for training in the incubators in the universities as in USA and should be able to access highly concessional bank credit and renewable energy for setting up hundreds and thousands of agro-based micro, small and medium enterprises (MSME). The budget may guide formulation of such an MSME strategy under the joint collaboration of the Bangladesh Bank, SME Foundation and the Ministry of Education. The budget may also encourage 'coop' education of the western type for a student to alternate between the academic institution and the corporate entities. The tertiary level university-going students may be required to spend a nine credit winter semester with the village households to undertake resource mapping, birth registration, environmental awareness, dispute resolution and promotion of enterprises for SME development.

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