

Staff reporter

The public investment and overall total investment target was not at par with the Sixth Five-Year Plan (SFYP) targets during FY 2011-13 while slowdown in investment rate may lead to not attaining of average GDP growth rate of above 7 percent over the remaining period of the Plan. This was revealed on Wednesday at a mid-term review of the SFYP held at the NEC conference room in city's Sher-e-Bangla Nagar.

Chaired by Planning Minister AHM Mustafa Kamal, Finance Minister AMA Muhith, State Minister for Finance and Planning MA Mannan and Bangladesh Bank Governor Dr Atiur Rahman spoke on the occasion.

General Economics Division (GED) member of the Planning Commission Prof Dr Shamsul Alam made the keynote presentation while an open discussion was also held on the mid-term review. Speaking on the occasion, Planning Minister AHM Mustafa Kamal said that raising the country's export earnings to US\$ 30 billion from \$ 14 billion in the last five years was "incredible."

About the government's bid to rein in inflation rate, he hoped that it would be excellent if the inflation rate remained at 6.30 percentage point at the end of this fiscal year.

The Planning Minister also opined that if the non-performing loans are not reduced, it would be tough to expand industrialization.

Bangladesh Bank Governor Dr Atiur Rahman said that the country wants to attain 8 percent growth rate in 2015, the terminal year of SFYP. But, for attaining that target, there was perhaps lack of infrastructure, coordination and above all political stability.

"But, despite all these, whatever we've achieved is not small, and there is nothing to be depressed,"

He said that the debt liability performance of the country is now fantastic while the bank interest rate has also come down below 13 percent.

Taking part in open discussion, Center for Policy Dialogue (CPF) executive director Prof Mustafizur Rahman stressed increasing return on capital for making investment, optimum implementation of the government's reform initiatives and reducing the trend of non-performing loans.

Otherwise, he said it would be tough to reduce spread, and in tapping the export potentials of regional export destinations like China and India.

BIBM Director General Dr Toufic Ahmad Chowdhury said that the central bank should enjoy autonomy in full scale. Otherwise, it would not be possible to reduce the non-performing loans. In his power-point presentation, GED member of the Planning Commission Prof Shamsul Alam said that about 86 percent of the targets envisaged in the 6th Plan were achieved till FY13, which was higher than any other Plan period.

He said urgent reform of public banks is necessary to reduce the non-performing loans and bad lending decision while there is a need for stronger implementation of the tax modernization project with special focus on strengthening income tax collections as well as strengthening the Anti-Corruption Commission, in having more judicial outcomes.

The mid-term review of the SFYP for 2011-2015 has suggested the government to identify the highest transformational projects and complete those first instead of spreading resources thinly on too many projects.

It cited some examples of transformative projects that need to be prioritised and fully resourced. These include the Dhaka-Chittagong four-lane project, double tracking of the

Dhaka-Chittagong Railway, the Padma Multipurpose Bridge Project, completion of the two Bibiyana gas field based large power plants, and the Dhaka metro rail.

The suggestion came as the performance in terms of infrastructural development, especially in the areas of transport including roads, bridges, railways and ports in the Sixth Five-Year Plan fell short of the target.

About the macroeconomic frameworks, it said that although the total investment as percentage of GDP reached 25.1 percent in FY 11 exceeding the target of 24.7 percent, in the successive years, the total investment as percentage of GDP touched 26.6 percent against the target of 26.8 percent in FY 12 and it notched 26.8 percent against the target of 29.6 percent in FY 13. On the whole, the review said, the slowdown at the rate of investment may lead to failure to achieve the average GDP growth rate above 7 percent over the remaining two years of the Plan.

About the progress with economic growth, the review noted that the solid growth performance in Bangladesh during the Sixth Five-Year Plan so far compares favourably not only by own historical standards, it also looks very good in international and regional comparison.

It said Bangladesh has been among the fastest growing countries in the world during 2011-13 along with China, India and Indonesia.

“On the whole, average GDP performance in the first three years is a solid (6.4pc), but lower than the Sixth Plan target (7.3pc),” the review said.

Regarding progress with poverty reduction in line with the Plan target of reducing head-count poverty at 22.5 percent by 2015, the incidence of poverty has been declining on an average 1.74 percentage points in Bangladesh during 2000 to 2010 as per the HIES data.

It noted that prudent macroeconomic management has been the hallmark of Bangladesh's long-term development as tax to GDP ratio, fiscal deficit, export growth, export to GDP ratio, current account balance, reserve build up and external debt management are all on track in line with Sixth Plan targets reflecting a prudent macroeconomic management.

The review suggested the government to take steps with the following priorities to create a better platform for higher growth supported by higher investment in the Seventh Plan period that includes improving the investment climate by removing the constraints identified by investors.

The shortfall in public investment also needs to be addressed speedily with a range of measures, including more focused and steady implementation of the tax modernization plan, proper pricing of electricity and energy, and rationalization of subsidies.