

7.0 Challenges and Policy Responses

The possible impacts of global financial crisis and ongoing economic recession throughout the world require a careful observation to ensure sustained and accelerated growth for the Bangladesh economy and to make poverty reduction mission successful. In this context, we need to categorise the existing challenges for the economy. These need immediate, short-term and long-term policy interventions.

7.1 Immediate Challenges and Policy Responses

- Effective market monitoring and policy intervention to bring inflation down and keep it stable.
 - Take the advantage of recent slowdown in international price level to keep inflation at a tolerable limit.
 - Market mechanisms should be strengthened and carefully monitored.
- ADP implementation to an optimum level
 - Ensure the implementation of Annual Development Programme by capacity building (Appointment, Training and Authority of PDs and reviewing the procurement policy).
- Increase Revenue Mobilisation
 - expansion of tax-net
 - strengthening of tax collection measures
 - separation of tax policy activities from tax administration
- Increase power generation to meet the demand (power generation is a long term phenomenon but situation deserves highest and most immediate attention. A pragmatic master plan can be designed/developed)
- Maintain the export and remittance flow:
 - Diversify export especially jute goods, leather (footwear), ship building and ICT.
 - Increase intra-regional trade and move away from huge reliance on the US and the EU markets.
 - Continue the existing incentive package in export sector.
 - Expand small scale enterprises and light engineering
 - The economic and labour wings of Bangladesh embassies need to be made more effective in the countries of current and prospective trade partners and recruiting immigrant workers.
 - Formulation of appropriate policies to encourage the import of capital machinery for Investment.
 - Protect the volatility of foreign exchange rate by keeping stable and moderate difference between NEER and REER.
 - The Medium-term Budgetary Reform Programme should immediately be widened to eliminate the coordination problem between Finance Division and Planning Commission.
- Ensure the smooth supply of fertilizer at a reasonable price.

- Maintain food security with a satisfactory public stock of rice and wheat (average 10-12 Lac MT)
- Tighten the non-productive credit expansion and expand the private credit to SME, IT, agriculture and rural economy.
- Reduce regional disparity through
 - successful implementation of safety net programme particularly the 100 Days Employment Generation Programme.
 - increase in the budgetary allocation for lagging regions through targeted safety net programmes and development projects.
 - Coordinate and standardize the microcredit programmes operated by different agencies of GoB closely and effectively.
- Operationalize Agricultural Endowment Fund and Climate Change Fund
- Boost up energy sector through Public Private Partnership(PPP)
- Continue with the ongoing reform agenda like Financial Reporting Ordinance, Medium Term Budget Framework, Public Resource and Budget Management Ordinance etc.

7.2 Short-term Challenges and Policy Responses

- Minimise losses and subsidies for state owned enterprises (SOEs)
- Maintain a tolerable limit of budget deficit and government borrowing (not exceeding 5% of GDP)
- Maintain stability in the financial markets:
 - Measures to reduce the interest rate spread to encourage investment
 - Reform the rules and regulations related to capital market and strengthen supervision and monitoring of stock-market operations. Increase surveillance to check any sort of manipulation in the capital market.
 - Establish and strengthen the Central Credit Information Bureau
 - Expedite the implementation of Insurance Ordinance for creating an effective insurance sector
- Increase efficiency in the secondary level education
 - Introduce vocational and IT education in mass scale. Priority basis distribution of 3rd generation computers in schools and colleges at all levels
- Establish Skill Development Foundation to provide training to enhance the skill base of the prospective expatriate workers
- Strengthen Bangladesh Bureau of Statistics (BBS) enhance its capacity to provide real sector data

7.3 Long-term Challenges and Policy Responses

- Ensure Good Governance (Easy and smooth regulation and safety, security) to attract Foreign Direct Investment (FDI) to propel economic growth.
- Tackle acute scarcity of land (loosing 1% of cultivable land each year for urbanization)
- Manage the risks of climate change
- Ensure utilization of IT Equity Fund of Tk 100 crore. ICT Ministry and Bangladesh Computer Council may be given responsibility to implement the programme
- Expand communication network particularly in railway and water transport sector
- Develop comprehensive land use and land management policy. Planned township development is a crucial need in this purpose.
- Explore gas and increase gas supply
- Continue allocation to the Climate Change Fund. This is imperative to reduce the risk and loss that may arise out of climate change as well as to increase adaptability.
- Implement the strategy paper on reducing the regional disparity prepared by the caretaker government. Development of Mongla port should get high priority.
- Pay special attention to implement the recommendations of Bangladesh Better Business Forum (BBBF)
- Coordinate and standardize the micro credit programmes operated by different agencies of GoB closely and effectively.
- Priority in medium and large scale power generation projects.
- Immediate reform programme for BOI to build capacity to increase dialogue and interactions with potential investors and facilitate them to invest in Bangladesh.
- Strengthen the SME sector by easy access to loan and relaxing tax and VAT and subsidizing potential projects. A comprehensive policy support is required.
- Continue allocation to the Climate Change Fund and, if necessary, to enhance the current limit may be considered.
- Establish Venture Capital through Public Private Partnership (PPP) to realize the vision of Digital Bangladesh