

Recommendations of the CPD Conference on
Development with Equity and Justice
Immediate Tasks for the Newly Elected Government

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RECOMMENDATIONS FOR THE NEWLY ELECTED GOVERNMENT

This Report puts forward recommendations emerging from the Conference on *Development with Equity and Justice: Immediate Tasks for the Newly Elected Government* organised by the Centre for Policy Dialogue (CPD). The Conference was held at the Bangladesh-China Friendship Conference Centre during March 28-29, 2009. The purpose of the Conference was to identify a set of actionable agendas in the context of the developmental challenges facing the Bangladesh economy in the present juncture.

In all, five sessions were held as part of the Conference. These were: *Macroeconomic Management in the Face of Global Economic Crisis*, *Food Security and Containing Price Inflation*, *Energy Sector: Challenges of Adding New Capacity*, *ICT for Development: The Immediate Doables*, and *100-Day Employment Generation Programme: Challenges of Effective Implementation*. Concerned Ministers, Members of the Parliament, high level policymakers, political leaders, academics, development practitioners, civil society activists and experts and development partners participated in these sessions. A total of 512 participants attended the five sessions of the Conference. Each of the sessions was devoted to problem diagnosis and key concerns and policy options, and sought to come up with an actionable agenda which would incorporate both immediate tasks and medium-term tasks for the government in view of the suggestions and policy recommendations.

Based on the keynote papers, deliberations and discussions in various sessions of the Conference, CPD has prepared a set of recommendations which is reported below. It is hoped that the recommendations coming out of this Conference will contribute towards designing of plans and programmes by the government and also prove to be useful in preparation of the upcoming national budget for the fiscal year 2009-10.

I. MACROECONOMIC MANAGEMENT IN THE FACE OF GLOBAL CHALLENGES

First session of the conference, which was also the Inaugural Plenary was titled *Macroeconomic Management in the Face of Global Challenges*. The session discussed short- and medium-term prospects of the global economy in the backdrop of the ongoing financial crisis and elaborated on the transmission mechanisms (exports, remittances, imports, ODA, policies of other countries, FDI and PFI) through which performance of the Bangladesh economy was likely to get impacted. Whilst the overall performance of the Bangladesh economy in FY2008-09 (July-January/February) remains by and large robust, some disquieting developments (slowdown in export orders, lower number of people going abroad for jobs, term loan disbursement, impact of capital machinery, etc.) are already visible. The Keynote paper and discussions that followed evaluated the current state of the Bangladesh economy and highlighted both positive and disquieting trends. The discussion also dealt with measures taken by other countries in view of the crisis. A salient feature of these stimulus packages is to boost domestic demand and thereby create jobs and stimulate growth. Participants discussed the scale and extent of policy space available to the government to deal with the crisis. Professor Rehman Sobhan, Chairman, CPD chaired the session. Hon'ble Finance Minister Mr. A M A Muhith, *MP*, attended the session as the Chief Guest. Dr.

Masihur Rahman, Economic Affairs Advisor to the hon'ble Prime Minister was present as the Guest of Honour. Professor Mustafizur Rahman, Executive Director, CPD presented the keynote paper. Amongst others BNP lawmaker Mr M.K Anwar, *MP*, Former Finance Adviser to the Caretaker Government Dr Mirza Azizul Islam participated in the session.

Issue 1.1: Fiscal Management

- The government should be ready to live with the deficit of around 5 per cent of GDP (foreseen in the budget) in view of allocating additional resources to mitigate possible adverse consequences of the global economic crisis. Fiscal space may be available within the budgetary allocations for FY2008-09 with falling commodity prices in the international market resulting in lower subsidy demand (particularly on account of fuel subsidy).
- However, while estimating the available fiscal space in the current budget, BPC's previous loans and liabilities and increased expenditure emanating from implementation of the new pay-scale should be taken into account.
- In the process of deficit financing, the government should concentrate more on foreign financing rather than domestic financing, considering the lower inflationary impact of this particular source.

Issue 1.2: Interest Rate and Credit Availability

Immediate Tasks

- Despite the fact that inflation has gone down considerably during recent months, interest rates did not respond accordingly. It was suggested by many that the Bangladesh Bank (BB) should pursue a more proactive policy to reduce the spread and to lower the lending rate.
- In the backdrop of excess liquidity in the system, it would appear that there are scopes to reduce this high spread. In this connection, it was recommended by some participants that through consultations with relevant stakeholders the government may introduce a limit for the spread between lending and deposit rates.
- Many of Bangladesh's competitors have come up with initiatives to establish dedicated funds that would allow access to credit line at lower cost. Policymakers could consider establishing such dedicated funds in support of export-oriented industries which are facing difficulties in view of the global crisis. Such funds could be used to ensure credit-flow to crisis-hit sectors at lower interest rates. It was suggested that an *Export Stabilisation Fund* could be established, which will be of time-bound nature, to provide credit (and other related) support to sectors which have been adversely affected by the crisis.
- Any fund created to ensure credit availability with lower interest rates and extended repayment period should be subject to strict monitoring. Provisions should be made so that repayment cannot be delayed and opportunities for borrowers to take recourse to court action involving repayment are restricted.
- At a time like this, sending cautionary signals to defaulters merit consideration. Cases against selected top defaulters should be rigorously pursued.

Medium-term and budgetary measures

- Reduction of tax rates on financial institutions could be a possible policy alternative in bringing down interest rates (income tax rate for financial institutions is at present as high as 45%).
- Considering the increasingly important role of the SMEs in the domestic economy (through employment generation and increasing contribution to exports), a *crisis management fund for the SMEs* may be established to mitigate adverse impacts of global financial crisis. This could be in addition to the Tk. 500 crore SME Fund which is being operated by the BB.

Issue 1.3: Reduction in Duties, Taxes and Bank Charges

Immediate Tasks

- At present export-oriented industries import capital machineries and spare parts on payment of 1% customs duty – the indemnity bond system was replaced with a concessionary rate of 1% in the FY2008-09 budget. This concessionary rate of 1% could be revisited by the government in the upcoming budget and be abolished (the fiscal impact as well as impact on production of this initiative is likely to be, however, insignificant).
- Bangladesh's exporters and importers had raised concerns about high bank charges for various services. The BB issued a circular which asked banks to review their policies in fixing service charges. The Government will need to strongly monitor adherence to what has been stipulated by this circular to help bring down cost of doing business for entrepreneurs.

Medium-term and budgetary measures

- In the budget of FY2008-09, customs duty on basic raw materials was reduced to 7% from 10%. At the same time, duty on intermediate raw materials was also reduced from 15% to 12%. In view of the current financial crisis, a number of countries have adjusted their duty levels with the objective to addressing the looming concerns. In the upcoming budget for FY2009-10, the Government may think about further rationalisation of these rates through reduction.
- In view of the crisis, countries such as India and Vietnam are putting in place new initiatives in support of small and medium domestic industries, particularly to boost domestic demand. Various industries received support through duty cuts and access to funds at lower cost. Whilst designing the budget for FY2009-10, the government may consider revisiting the existing tax and duty structure and undertake further adjustments to stimulate domestic consumption and production.
- Before considering duty cuts, the government should analyse the net incidence of tax on exports and production to identify and measure net gains.

Issue 1.4: Cash Incentive

Immediate Tasks

- An amount of Tk 1,050 crore has been kept in the budget for FY2008-09 as export subsidy for 13 export-oriented industrial products. In view of the need to strengthen

competitive strength and lower the costs of doing business in the country, this cash compensation scheme (CCS) should be further enhanced.

- Immediate steps are required to release the arrear of about Tk. 2.43 billion cash subsidy which were not released to the sectors that were eligible for this support.
- Any possible extension of the list and/or enhancement of entitlement under the CCS should be strictly monitored to prevent leakage and ensure proper use.

Medium-term, budgetary and long-term measures

- If there is deceleration in RMG growth in the coming months, then to support backward linkage industries (since demand for their products will likely come down), and to pass on reduced cost to forward linkage RMG, increase in cash and credit (CC) limit may be considered.
- As in India, support may be put in place for exporters to new markets (e.g. Japan, East Europe) against additional export (perhaps in the form of a certain percentage of incremental export).
- In view of the need to help entrepreneurs to go for upmarket products and raise productivity, the government could consider providing incentives for R&D activities and import of capital machineries in the form of income tax rebates, lower duties and other measures.
- A *Technology Upgradation Fund* (TUF) could be set up to provide support to country's export-oriented industries.

Issue 1.5: Domestic Demand Stimulation

Immediate Tasks

- Direct fiscal-budgetary support to stimulate domestic economic activities, job creation and domestic demand should be seen as major policy interventions, accepting the risk of higher deficits as some of the other countries have opted for.
- Unlike many other low income countries, Bangladesh does have a formidable and large domestic market. Private consumption accounts for 74.5% of Bangladesh's GDP (in FY2007-08). Stimulating private consumption through government expenditure would, thus, be the most effective way of stimulating the economy.
- Effective implementation of programmes such as 100-day employment generation programme, proposed initiatives in support of one-job-one-family, higher allocation for VGD/VGF and other social protection programmes could absorb shocks arising from slowdown in export, industrial growth and lower number of people going abroad for jobs.
- The government should scrutinise the reasons for non-implementation of the public investment programme and pay special attention to enhance its capacity to ensure higher use of ADP funds. It was suggested that a set of actionable suggestions be identified, through further discussions, towards higher and more effective utilisation of ADP.
- Poverty alleviation related projects in the ADP need to be implemented on a priority basis.

Medium-term, budgetary and long-term measures

- The government has already indicated plans to go for expanded VGD programme and introduction of rationing system for selected groups of workers. The upcoming budget will need to reflect government's initiatives in this regard.
- Initiatives to pursue large scale infrastructure projects could play a positive role in stimulating domestic demand and creating jobs. The government has already expressed its intention to pursue a number of mega-projects (deep seaport, Padma bridge, Dhaka-Chittagong highway). The work on these should start in earnest. This is also likely to have positive impact on the job market.
- To improve governance, which is vital for any stimulus plan aiming at enhanced domestic demand, district-wise budget may be considered.
- Public-private partnership will be vital for large-scale infrastructure development initiatives, particularly in the energy sector. Incentives need to be identified to encourage this partnership.
- To attract investments and to aid industrial growth, priorities need to be set with regard to alternative energy sources in order to address the shortfall in gas and electricity supply.
- With local government structure at the upazilla level now in place, ADP allocation/utilisation through these local government bodies should be given due policy priority.

Issue 1.6: Overseas Employment

Immediate Tasks

- Efforts are needed (both through diplomatic and non-diplomatic ways) to allow Bangladeshi workers to stay on in Middle East countries even when work permits (*akamas*) are discontinued.
- It will also be important to negotiate with host-countries, particularly in the Middle-East and Malaysia, to allow extension of work permits for Bangladeshi workers who could lose their jobs because their respective companies have discontinued their operations. Efforts should be taken to compensate those workers, who have paid for work visits, travels etc. but are unable to travel now. Close consultation with Bangladesh Association of International Recruiting Agencies (BAIRA) and other stakeholders will be required for this. Diplomatic efforts should also target that Bangladeshi workers are not the first to be thrown out.
- The present crisis is also to be seen as an opportunity to curb and discipline the activities of unscrupulous middlemen in the 'manpower business'.
- Returning workers may be provided soft loan from *Foreign Workers Welfare Fund* to help them tide over bad times and for the purposes of lending and help start businesses on their own.

Medium-term Tasks

- Efforts should now be strengthened so that Bangladesh is able to cater to the needs of the new markets for migrant workers in the developed countries, particularly in caring services, nursing, medical technicians, etc.

- A time-bound plan should be put in place so that all workers travelling abroad have an opportunity to undergo skill upgrading training before they leave for jobs abroad.
- The government should take immediate steps towards remittance flow through legal channels (it is apprehended that a significant percentage of the total remittance flow comes through informal channels).

Issue 1.7: Exchange Rate

- In the context of the recent high inflation, the need for transmitting the positive impact of falling commodity prices from global markets to consumers remains a concern. Furthermore, devaluation could also have adverse economy-wide impact. These concerns limit the scope for further devaluation of BDT.
- Since exchange rate manipulation is likely to have economy-wide impact, it is argued that a better policy option would be to have sector-specific intervention mechanisms in place rather than pursuing a proactive policy of intervention in the exchange rate markets that results in exchange rate depreciation.

Issue 1.8: Other Policy Options

- The government may consider lowering prices of diesel and kerosene in the backdrop of decline in international prices and transmit the benefits of falling fuel prices to consumers, particularly consumers of diesel and kerosene.
- Data availability is a major limitation for informed policy making in Bangladesh. In view of this, the Bangladesh Bureau of Statistics (BBS) needs to be further strengthened. The Household Income and Expenditure Survey (HIES) should be conducted more frequently since it is a major source of information on poverty and MDG attainment.
- Budget should consider the adverse impact of climate change. a gender audit should also design the budget by taking cognisance of impact of global financial crisis on gender.
- The government should strengthen the monitoring of the current global economic crisis and its possible transmission mechanism and impacts on various sectors of the economy. In this context, the government may consider periodic press briefings regarding the status of the crisis and the initiatives that the government is considering in order to cope with the crisis. The Task Force on Global Financial Crisis set up by the government was viewed by the participants as an important initiative. It was felt that the work of the Task Force should be strengthened so that it is able to make speedy and concrete suggestions in view of the emerging situation.

II. FOOD SECURITY AND CONTAINING INFLATION

The second session of the Conference was on *Food Security and Containing Inflation*. The session discussed relevant attendant issues, challenges and options related to food security and inflation. A number of suggestions was put forward by the keynote paper and participants to ensure food security and contain price escalation. Mr. M. Syeduzzaman, Member, CPD Board of Trustee and Former Finance Minister Chaired this session. Dr. Muhammad Abdur Razzaque, MP, Hon'ble Minister for Food and Disaster Management was the Chief Guest and Dr A M M Shawkat Ali, Former Advisor to the Caretaker Government was the Special Guest. Dr Mahabub Hossain, Executive Director, BRAC and Dr Uttam Deb, Head of Research, CPD prepared the keynote paper. Professor M A Sattar Mandal, Vice Chancellor, Bangladesh Agricultural University, Mymensingh and Dr. Quazi Shahabuddin, Director General, Bangladesh Institute of Development Studies (BIDS) were the designated discussants. Amongst others, the session was attended by BNP Lawmaker and former Agriculture Minister Mr. M.K. Anwar, MP and former Education Minister Dr M. Osman Faruk.

Issue 2.1 Self-sufficiency versus Self-reliance

- Bangladesh should aim for self-sufficiency in rice production. In case of wheat, import will be needed to cater to domestic need.
- Support policy and incentive mechanism will need to be put in place to ensure increased domestic production of food items.

Issue 2.2 Increased Production of Rice

- Demand for food is gradually increasing due to increase in population and income. On the other hand, availability of land and irrigation water (particularly ground water) is declining and soil fertility has also been decreasing due to imbalanced and inadequate fertiliser use. Consequently, increased production will have to be achieved through rise in yield.

Immediate Tasks

- Promotion of improved crop husbandry practices such as alternate wet and dry (AWD) irrigation technology, introduction of System of Rice Intensification (SRI), promotion of balanced fertiliser use and use of leaf colour chart (LCC) for better management of urea fertiliser, and direct seeding of rice with Drum Seeders for reduction in per unit cost of production.
- Additional one million hectare of land in coastal areas could be brought under cultivation during the dry season (late *Boro* and *Aus*). Proper support for tillage and irrigation will be needed if this is going to happen.
- Policies with regard to dissemination of technologies developed for unfavourable ecologies, and promotion of hybrid rice for further shift in yield for the irrigated environment require urgent attention by the government.
- More effective extension service needs to be put in place by using TV Channels, toll-free or low-tariff mobile phones, etc.

- *Aman* rice has lower unit cost of production and higher profitability compared to *boro* rice, and is competitive internationally. Therefore, adequate importance for increase in rice production in the *Aman* season should be given priority.
- Increased supply of agricultural credit to overcome shortage of working capital for agriculture particularly for *Boro* production, can be achieved through a well coordinated initiative of the government which will involve Krishi Banks, NCBs (nationalised commercial banks), private banks and NGOs providing micro-credit.
- Agricultural forecast system should be modernised and easily accessible to the farmers to facilitate best cultivation strategy for higher production at the farm level. Bangladesh Space Research and Remote Sensing Organisation (SPARRSO) can play a vital role in this regard.

Issue 2.3 Development of Seed Sector

- Supply of quality seed is critical to increasing the rice production. Supply of quality rice seed alone can increase production by 20 lakh metric tons.

Immediate Tasks

- In the *Boro* season, adequate seed supply for *BRRRI Dhan 28*, *BRRRI Dhan 29*, *BRRRI Dhan 25*, *BRRRI Dhan 36*, and *BRRRI Dhan 47* (in the salinity affected southern-coastal region) is necessary. This can be achieved through special schemes for production of Breeders seed production by BRRRI and Truthful level seed production by BADC, Agricultural universities, NGOs and private companies.
- For increasing the yield in irrigated areas, cultivation of hybrids can be promoted.
- During the *Aman* season, BR 11 is still the most popular variety but it has degenerated at the farmer's level. Higher amount of distribution of quality seed of BR 11 will increase production. Efforts should be made to promote *BRRRI Dhan 40* and *BRRRI Dhan 41* in salt affected coastal regions. For late cultivation, *BRRRI Dhan 46*, *BRRRI Dhan 37*, *BRRRI Dhan 38* and *Binashail Dhan* need to be promoted. *BRRRI Dhan 44* is highly suitable for cultivation in major areas of the Coastal belt. In *Monga* affected regions, *BRRRI Dhan 33* need to be promoted.
- Regular monitoring of seed quality is important. The Seed Certification Agency (SCA) is a rather weak organisation. It should be converted into a regulatory authority which is vested with adequate power. The agency is operated by staff from extension department. This practice should be discontinued and dedicated specialised people should be inducted into this institution.

Issue 2.4 Subsidy for Diesel and Irrigation

- Irrigation cost in Bangladesh is 2 to 3 times higher than in India, Thailand and Vietnam, mainly because Bangladeshi farmers have to use diesel for irrigation while farmers of other countries have the scope to irrigate through subsidised electricity and large scale irrigation project.

Immediate Tasks

- Reduction in diesel prices with a view to lower cost of irrigation is urgently needed. Price of per litre diesel may be set at Tk. 35. Another alternative is to distribute diesel subsidy allocated in the Budget for FY2008-09 to the farmers. National ID card can be used for

this purpose. In the case of providing subsidy marginal farmers should be targeted, first and given priority.

- The government should undertake a plan to establish electricity operated irrigation system throughout the country within 5 years. This will reduce cost of irrigation by two-thirds.

Issue 2.5 Development of New HYVs and Hybrids

- Bangladeshi farmers have adopted HYVs in most of the areas suitable for food grains. As a result, yield gap between the farmers' field and experimental stations has narrowed down over the recent past. Therefore, further increase in yield of food grains at the farm level will depend on making breakthrough in development and diffusion of new varieties and hybrids that have higher yield frontier.

Tasks

- Priority should be given to development of varieties for unfavourable ecologies (flood, drought, salinity). Development of hybrid rice should be encouraged for further shift in yield for irrigated environment.
- More dependence on new sciences such as bio-technology, GIS, remote sensing and ICT for technology generation is required.

Issue 2.6 Public Investment and Capacity Strengthening

- New technologies were the major source of increased production in Bangladesh agriculture over the years. International financial and technical support to Bangladesh through IRRI, CIMMYT and other research and development organisations played a critical role in technology development and dissemination. Regrettably, international support for agricultural research and development has declined over the past decade which has possibly acted as a limiting factor when considered in terms of making a breakthrough in technology development in Bangladesh.

Immediate Tasks

- Increase public investment for agricultural research, extension, and development of rural infrastructure. Consider fixing a minimum share in terms of agri-GDP for relevant expenditure.
- Training and research support for frontier science, particularly for bio-technology and hybrid, should get priority.
- Investment in training of extension workers particularly for agricultural officers and assistant officers working at the Upazilla and Block level are essential.
- Strengthen capacity of BBS so that it can develop reliable food statistics and data related to production, consumption and price of the agricultural products.
- Government needs to establish *New Krishi Bazars* for farmers, particularly in the higher production areas of Bangladesh. Establishment of additional wholesale markets in big cities and towns would also be required.
- Strengthen marketing information services for agricultural products through more allocation.
- Modernise Passbooks for Agricultural Credit.

Issue 2.7 Promoting Agricultural Diversification

- In recent years, production of non-cereal crops, vegetables, fruits, fish, meat, milk and egg has increased substantially. But post-harvest processing and storage facilities for vegetables, potato and fruits continues to remain limited. The poultry sector is being severely threatened by *bird flu*. Livestock sector has suffered from trans-boundary diseases. Fisheries sector is also threatened by outbreak of some diseases of fish and genetic stagnation.

Tasks

- Formulate an integrated strategy to promote non-cereal production.
- Encourage establishment of post-harvest processing and storage facilities such as cold storage for vegetables, and fruits, and processing centre for milk.
- Ensure optimum utilisation of the potentials of the hill tracts in the low hilly regions of the North and North-Eastern part of the region which constitute 10 per cent of the total land area of the country. This is particularly important since high potential for horticultural and fruit crops exist in these areas.

Issue 2.8 Provide Incentives to the Farmers

- Prices of foodgrains (rice and wheat) and many agricultural commodities have declined in recent months. However, the cost of production of these commodities has gone up due to higher prices of fertilizers, diesel, labour and other inputs. If the price drops further, it may create the reverse problem of how to provide incentives to farmers to sustain growth in production in future.

Immediate Tasks

- Ensure minimum price to the farmers with adequate incentive. Price of paddy at the farm level should not fall below Tk 500 per maund (i.e. 40 kg). To this end, linking up government procurement programmes with social safety net programmes particularly with *Public Foodgrain Distribution System* (PFDS) will be needed.

Medium-term Tasks

- Long term planning on how to provide agricultural support needs to be identified in place of various short term supports and subsidy.
- Insurance coverage system for crops and livestock needs to be established for farmers.

Issue 2.9 Containing Inflation

Tasks

- Stabilisation of prices constitutes an important element of production incentives and consumer welfare. Price stabilisation (especially upward movement of prices) is also important politically. As such, high prices point to the need for government intervention even when such intervention could sometimes be costly and suffer from lack of appropriate response. Stabilisation of prices of essential commodities within a band will require maintaining a comfortable level of public stock. In case of retail price of coarse rice, the government may fix a transparent target of maintaining the price level in the range of Tk. 20 to Tk. 25. This could work in the following manner - if the market price

goes above this, then the government will have to sell in the market from the public stock so that market price of coarse rice comes down. On the other hand, if the market price falls below Tk. 20, then government will buy from that market so that price stability is achieved and farmers are saved from losses.

- Use of both fiscal and monetary tools to contain inflation needs to be considered. This might include continuation of zero tariff on import of rice and wheat and other essential items, continuity of accommodative monetary policy to encourage production oriented credit and investment. The BB should encourage the banks to provide credit facilities on softer terms to new importers, ease LC margin for food items, and extend the time limit for customer facility.
- Policy of variable tariff rate in the annual budget on the basis of the assessment of the previous *Aman* and *Boro* harvest, and the prevailing world market prices. Monitoring trade policies of major exporting countries including India will be needed for effective implementation of variable tariff.
- Strengthening of marketing infrastructure and institutional measures such as *Consumers' Rights Protection Ordinance* could be helpful in safeguarding consumers' interests. There is a general consensus at present that consumers' rights were being severely undermined due to lax supervision by the relevant authorities.

Issue 2.10 Food Security for Low Income Group and Hard-core Poor

Immediate Task

- Increased distribution of subsidised food grains to the targeted vulnerable community under PFDS and an expanded social safety net programme will be needed especially when farmers need an incentive price to sustain the growth in production.
- The Safety Nets Programme needs to be designed in such a way so that hard core poor families are covered. Effective implementation of the programmes to reduce mis-targeting and reduction in leakages must be ensured.
- Targeting outcomes can be improved by using spatial targeting (higher allocation for upazillas with high poverty rate). Recently-updated upazilla level poverty maps (based on data related to 2005) developed by the BBS in partnership with World Bank and WFP, could be used for this purpose.
- Per capita consumption level of food items by both poor and non-poor population has increased over time. However, there is still substantial urban-rural gap in the issue of food consumption. Level of child malnutrition (wasting, stunting and underweight) is very high. In view of this, nutrition policy needs to be integrated with the national food policy.
- Nutritional issues should be addressed more directly. Increases in food availability and household access to food alone will not be adequate to address the malnutrition problems in Bangladesh. Coordinated programmes involving nutrition education, food fortification, improvements in water quality and public health are needed.

Issue 2.11 Agrarian Reform

- Absence of collective voice of the peasants and landless labourers.
- Absence of institutions owned by small and marginal farmers.

Tasks

- Establish collective farming and cooperative marketing systems to empower small and marginal farmers. Facilitate rice milling facility development and processing facility

development by small farmers. Provide credit and other support to incentivise such initiatives.

- Design Action Plan for land reform and ensure right of share croppers to encourage efficient production.
- Landless and agricultural labourers should be given access and ownership to new productive assets such as power pumps, solar dryer, power tiller, thresher, drum seeder, harvester etc. through credit facilities and training.
- Influence of the middleman need to be reduced through an appropriate strategy that allows farmers to receive adequate price for their produces.

Issue 2.12 Facing the Challenges of Climate Change

- Bangladesh is recognised worldwide as one of those countries which are most vulnerable to the adverse impacts of climate change. A recent study has predicted that rice production in Bangladesh is likely to be reduced annually by 12.2 lakh metric tons by 2030, as a result of climate change. It may be noted that cyclone *Sidr* (in November 2007) damaged rice production of about 12.95 lakh tons. In other words, a silent *Sidr* awaits Bangladesh even in normal years as far as impact on rice production was concerned.

Medium-term Tasks

- Establish a *Climate Change Adaptation Fund*.
- Formulate policy for adaptation to climate change.
- Research on drought, flood and saline tolerant varieties of crops to facilitate adaptation in future.
- Develop eco-specific adaptive knowledge (including indigenous knowledge) on adaptation to climate variability to enhance adaptive capacity for future climate change.
- International and regional partnership for rice research and development should be encouraged.

Issue 2.13 Collaboration with SAARC Countries

- At the SAARC level, collaboration for agricultural development is always considered as one priority area though actual progress has continued to be rather very limited.

Immediate Tasks

- Collaboration with South Asian countries for setting up of SAARC Food Bank and for increased agricultural production would be beneficial to reduce the food security risks particularly after natural disasters (floods, cyclones, etc.).
- Other areas of cooperation in the SAARC region from which Bangladesh could considerably benefit in terms of ensuring sustainable food security include: agricultural research and technology development, technology exchange (exchange of germplasm, exchange of variety and breed, crop and animal husbandry practices, water and natural resources management techniques, etc.), capacity building through development of human resources and development of regional facilities (SPS compliant facilities and certification system for organic farming and promotion of environmental goods with a view to ensure food quality and safety), and regional programmes for plant and animal trans-boundary pests and diseases control (bird flu, foot and mouth disease).

III. ENERGY SECTOR: CHALLENGES OF ADDING NEW CAPACITY

Energy Crisis in Bangladesh has been a persistent concern in recent years. A demand to deal with this issue urgently and effectively have been voiced by all relevant stakeholders who have called for initiatives to provide energy in the short-term and guarantee energy security in the medium term. This issue has been selected for discussion in the third session of the Conference titled “Energy Sector: Challenges of Adding New Capacity”. The session was chaired by Syed Manzur Elahi, Member, CPD Board of Trustees and Chairman, Apex Group. Advocate Shamsul Hoque Tuku, MP, Honourable State Minister for Power, Energy, and Mineral Resources attended the session as the Chief Guest while Mr. Annisul Huq, President of FBCCI was the Special Guest of the session. Dr. M Fouzul Kabir Khan, Professor of Economics and Finance, School of Business at North South University presented the keynote paper. In the keynote presentation and the floor discussion, major issues that were discussed included reserves of energy, challenges facing exploration of energy, problems in generation and distribution of adequate electricity, reform in the power sector including enactment/revision of energy sector related policies, governance in the energy sector, corruption and challenges and opportunities for the newly elected government to deal with the attendant issues.

The key issues and challenges, and the policy recommendations suggested in the course of discussion at the session have been presented below in four sections - (3.1) issues and recommendations regarding energy resource base, (3.2) challenges relating to generation and distribution of electricity, (3.3) reforms in the energy sector and (3.4) challenges and opportunities for the newly elected government to deal with the energy crisis and ensure energy security. Recommendations have been presented from immediate and medium term perspectives.

3.1 Issues regarding Energy Resource Base

3.1.1 *Limited Gas Reserve*

i. Depletion of Gas reserve

Issues

- Bangladesh’s gas reserves are not adequate to meet the demand for economic activities beyond 2019. Whether it is *proven* reserves (13.1 tcf), *probable* reserves (additional 8.5 tcf) or *possible* reserves (additional 4.6 tcf) estimates do not suggest that Bangladesh would be able to meet the growing demand for gas for electricity generation and fertilizer production.
- The problem of asymmetric information as regards gas reserve, in case of new gas fields, impedes proper estimation of reserve.
- No drilling has taken place in Bangladesh for a considerable time period. (The last major effort for exploration of gas was made in 1998). A small amount of gas (0.44 tcf of gas) was discovered in 2006 at *Bangura*.
- In absence of adding to the existing reserves through new discoveries, increasing demand for gas has been met through raising the supply of gas from existing wells. This has led to considerable damage to the wells and has subsequently, shortened the lifespan of existing reserves of these wells.

Immediate Task

- Prevailing asymmetric information with regard to reserves between international oil companies (IOCs) and Petrobangla should be narrowed down. Petrobangla should strengthen its technical capacity in order to carry out independent estimates of the gas reserve of existing gas fields, and of those to be explored in the future.

Medium Term Tasks

- Petrobangla has short, medium, and long-term production augmentation activities planned to bring additional 100 MMSCFD, and 208 MMSCFD of gas in the system in FY 2008-2009 and during the period FY 2009-2011, respectively.
- Opportunities for expanding available gas resources by converting some of the *possible* and *probable* reserves into *proven* reserves need to be explored. If successful, this may generate an additional 1000 MMSCFD of gas.

ii. Problems with Exploration of Gas

Issue

- Offshore gas exploration is constrained by disputes regarding maritime boundary with India and Myanmar.

Immediate Task

- Disputes on maritime boundary with India and Myanmar on demarcation of Bangladesh's Exclusive Economic Zones (EEZ) needs to be immediately considered by the government. Under the United Nations Convention on the Law of the Sea (UNCLOS) 1982, Bangladesh is entitled to claim 200nm of sea area as her EEZ.

Medium Term Tasks

- Bangladesh could also claim another 150-mile or more beyond the EEZ limit based on the geo-physical characteristics of the seabed as its extended Continental Shelf (CS). However, to claim the CS, Bangladesh needs to complete various surveys as prescribed by the UN and submit the claim before 2011.
- Technical expertise should be developed in the public sector for exploring new sources.

iii. Issues related with Intertemporal Choice of Gas Production

Issues

- The speed with which gas resources should be extracted is particularly important, since gas production at a faster pace (compared to optimal rate) may be detrimental to the country's interests, as it happened in case of *Sangu*.
- Early recovery of investments allowed in exploration clause of PSC's creates an incentive for faster exploitation of reserves. Future PSCs may take cognizance of this.

Immediate Task

- Gas production should not progress in excess of the optimal rate. The government should monitor the performance of gas supply by IOCs and BAPEX on a regular basis.

iv. *Issues related with Energy Pricing*

Issues

- Revision of price of gas relating procurement from BAPEX which has been reset recently has not served the purpose adequately.
- Current level of prices negates both producers' and consumers' incentives. An artificially low price stimulates an increase in demand and it also encourages waste. The tariff on gas in Bangladesh is the lowest for all categories of consumers compared to other countries in South Asia.
- Substantial price differential between procurement prices of IOCs and Petrobangla distorts the market. Low price of gas for BAPEX lowers the income of the government organization and discourages taking initiative for further exploration of gas.

Immediate Task

- There is scope for revision of price of gas for BAPEX through adjustment of taxes levied on its earnings, e.g. in the form of VAT.

Medium Term Task

- In the backdrop of the significant increase in demand for both gas and electricity, a gradual increase in prices of these resources may be required. However, in view of economic slowdown it will be difficult to adjust any upward revision of price in immediate future.

3.1.2 *Unused Coal Reserves*

v. *Unused coal reserves*

Issues

- Bangladesh has significant reserves of coal that remain untapped (as estimated 3 billion tons).
- Of the five coal fields discovered so far, production is taking place only in one mine (*Boropukuria Coal Mine*).

Immediate Task

- Extraction of coal from *Boropukuria* needs to be increased and its efficient use needs to be ensured.

Medium Term Task

- Assuming in the medium term the government is able to increase extraction of coal establishment of coal based power plant should be encouraged.

vi. *Mining Coal*

Issues

- There are quite considerable differences in the recovery rate of coal from the coal mines depending on technologies used and method of mining.
- The National Coal Policy is still awaiting government's approval.

Immediate Tasks

- Government should take an immediate decision regarding the method of coal extraction (open or deep shaft mining), taking into account the issues and concerns raised by different stakeholders. Concrete incentives need to be designed to ensure that stakeholder concerns are met and also that optimum economic solutions can be put in place.
- There ought to be explicit decision of the government that coal resources will serve only domestic needs and will not be exported.

Medium Term Tasks

- Foreign investors, experienced and interested international mining companies should be invited to work in cooperation with the government authorities (in collaboration with the proposed *Khani Bangla*) for coal production.
- The government could consider taking measures with a view to developing technical and operational capacity of relevant public institutions relating to the coal sector, in cooperation with international mining companies.

3.1.3 Alternative Sources of Energy

vii. Energy Generation

Issues

- During 2007 and 2008 more than 180,000 new households and small businesses in rural areas (mostly in non-grid areas) were provided electricity by solar home system SHS.
- Peat coal can be considered as an indigenous alternative source of energy which is available in the *Khulna* and *Faridpur* Districts. Power plants of 20-50 MW can be established in the vicinity of peat extraction area.

Immediate Task

- Peat bearing areas should be demarcated by Geological Survey of Bangladesh (GSB)

Medium Term Tasks

- Peat bearing areas can be leased to the local miners who would extract coal and then supply it to entrepreneurs who then use it to generate electricity.
- Policies on bio-mass fuel and renewable energy need to be formalised. Steps need to be taken for their extensive use.
- To promote renewable energy and to provide momentum to the renewable energy program in Bangladesh, Sustainable Energy Development Authority (SEDA) under the Renewable Energy Policy may be activated.
- Use of solar energy should be encouraged, particularly in large apartment buildings for lighting of common areas and heating water. Those who put in place such technologies should be given incentives for this.
- Government could consider providing assistance and support for the generation of localized renewable energy and its distribution.

viii. *Energy Conservation*

Issue

- Most of the power plants in Bangladesh are very old. Nearly 40 power plants with an installed capacity of 1252 MW are more than 20 years old. These power plants usually operate at a low level of efficiency.

Immediate Term Task

- In order to improve the efficiency of power plants, complete overhauling of machines of these plants is immediately required.

Medium Term Tasks

- Large industries should encourage use of reactive capacity of captive power plants.
- Concept of *Negawatts* (i.e. investment to reduce electricity demand instead of investing to increase electricity generation capacity), can be introduced in metropolitan areas in order to reduce electricity consumption during peak hours.
- Energy Conservation Cell ought to be reactivated as early as possible.
- Recommendations for energy conservation have been proposed by the Energy Audit Cell. These ought to be considered with due priority.
- Government may consider providing incentives to support entrepreneurs who invest in the development of power system for conservation of energy.

3.2 Challenges Relating to Generation and Distribution of Electricity

3.2.1 *Limited Supply of Electricity*

i) Low Level of Growth of Electricity Supply

Issues

- Although the evening peak electricity generation has increased from 1994 to 2009, there is a yawning gap between derated capacity and evening peak electricity generation, particularly since 2005-06.
- Electricity generation in Bangladesh is overwhelmingly gas based. More than 85 per cent of evening peak electricity is generated by using natural gas.
- Implementation of some of the power plants has been delayed because of various internal and external reasons.

Immediate Tasks

- Government's decision to shift supply of gas from two fertilizer factories to power plants for generation of electricity is a prudent step in view of the emerging situation; this needs to be fully implemented on an urgent basis.
- Maintenance of power plants, equipments and machineries in specific time interval period is necessary for sustaining (and also enhancing) capacity of power plants.
- The three projects for which Petrobangla has committed gas supply may be implemented on a fast track basis – these are *Bibiyana* (450 MW Combined Cycle IPP), *Sylhet* (150 MW Combined Cycle Power Plant), *Bhola* (150MW Combined Cycle Power Plant).

Medium Term Tasks

- The BPDB needs to enhance its capacity to take-over badly delayed power plants and complete the remaining work by engaging third parties where necessary (if required, by deducting the expenses from the original contract value).
- The government may provide bridge financing for *Bhola's* 150 MW Combined Cycle Power Plant and negotiate with Islamic Development Bank for retroactive financing and proceed with the tendering process. This will require a change from the present planning discipline.
- A third unit of coal based power plant of 125 MW capacity may be set up at *Baropukuria* in order to increase coal usage.
- Local entrepreneurs should also be encouraged to set up power plants.
- Under the present situation, the setting up of smaller gas based plants may be feasible for supplying electricity in rural areas. These small power plants can be established by supplying gas converted from the bio-mass.
- Diversification of fuel-mix for power generation is a must and can be achieved in the medium term through coal based generation and setting up of nuclear power plant.
- Power sector officials need to be trained and acquainted with modern digital control system based power plants in order to have the ability to carry incomplete tasks left by delinquent contractors.
- Considering the low price of liquid fuel, the government may consider setting up a few liquid fuel based co-generation (e.g. HFO engine and steam turbine combined) power plants in the western region. These could be of about 200 MW which would be run only during peak hours and the irrigation season.

ii) Load Shedding

Issues

- Due to frequent power outage, it is difficult to maintain uninterrupted production in industries.
- To accommodate the load shedding problems many industries have set up their own captive power generation facilities. However, there is a renewal registration fee (Tk. 500,000 per year) for using generators in the captive power plants.

Immediate Tasks

- An efficient load management system during peak hours is a must in order to equate demand and supply.
- Fixed hours of working time should be maintained by offices.
- There must be an accurate forecast about electricity demand.
- In case of renewal of registration, generators used in captive power plants should be exempted from renewal fee.

Medium term Task

- It should be mandatory for high-rise buildings in metropolitan cities to have at least a certain proportion of their power requirements met through solar energy and IPS.

iii) *Procurement Issue*

Issue

- Large scale power projects are often delayed because of long timeline required for procurements to be made in relation to the project.

Medium Term Tasks

- Review of public procurement regulations is needed to strengthen government's public procurement rules.
- Improvements in procurement and project implementation capacities are essential for stimulating the implementation process of the power projects

iv) *Technical Interface between Gas and Electricity Generation*

Issues

- Technical interface between energy and power division is weak. There is high transaction cost involved in diverting gas from an area where it is not required to another where it is highly required.
- In case of electricity generation, there is no automatic generation controlling system to respond to sudden shortage of gas supply.
- During gas shortages, the system cannot identify and distribute the shortages proportionally among various consumer categories.

Medium Term Tasks

- Automatic generation control system needs to be devised in electricity generation to lower the generation in order to respond to gas supply shortages.
- A system needs to be devised to identify shortages among various consumer categories.

3.2.2 Disparity in Distribution and Consumption of Electricity

i. *Urban Vs Rural*

Issue

- There is a strong bias in the usage of energy between rural and urban consumers. Rural customers located mainly in REB and WZPDCL areas account for 75 per cent of the consumers whose share is 46 per cent of the total consumed energy. On the other hand, urban consumers of DESCO and DPDC who account for 10 per cent of the consumers, consume 31 per cent of electricity.

Medium Term Tasks

- Bangladesh Energy Regulatory Council (BERC) may introduce a contributory fund using a part of revenue of DESCO and other profitable urban utilities, which would be dedicated for cross-subsidization of less well-off consumers and productive industrial and agricultural activities in poor suburban and rural areas.
- Tariff in the DESCO areas should not be less than the tariff paid by less well off customers residing within the jurisdiction of loss-making utilities.

3.3 Reforms in the Energy Sector

3.3.1 Enactment and Revision of Energy Related Policies

i) National Energy Policy (NEP)

Medium Term Task

- Considering the significant changes in energy scenario in Bangladesh, the NEP adopted in 1996 needs to be revisited and subsequently revised.

ii) Energy Conservation Act

Immediate Task

- The draft “Energy Conservation Act” which has been finalized by the power division needs to be enacted immediately.

Medium Term Task

- To provide necessary impetus to energy conservation, energy audits should be initiated. All available options concerning energy efficiency and conservation needs to be pursued vigorously.

iii) Energy Sector Companies Act

Medium Term Task

- To ensure smooth functioning of the energy sector companies, the Companies Act 1994 needs to be accordingly amended in order to recognize the special nature of the government owned companies, specifying composition, qualification criteria, and tenure of the Board of Directors, appointment of chief executive and other key officials, remuneration of employees, and supervisory role of the ministries.

iv) Reconsider the Renewable Energy Policy

Immediate Task

- The caretaker government had approved a “Renewable Energy Policy” to accelerate the use of renewable energy. ‘Sustainable Energy Development Authority’ as mentioned under the Renewable Energy Policy, may be activated in order to promote renewable energy and to provide momentum to the renewable energy program in Bangladesh.

3.3.2 Governance in the Energy Sector

Issue

- It is alleged that the process of selection of private companies for projects related to the energy sector is not transparent. All contracts signed between government and private companies should be made publicly available to assuage such concerns.

Immediate Tasks

- Government needs to make a decision in determining the extent to which rental power companies should be encouraged. It is also necessary to monitor the operation of these plants.
- Until the full system of generation, transmission, and distribution entities can be automated, the BPDB may be assigned with the responsibility of coordination to ensure smooth operation.

Medium Term Tasks

- A measure of autonomy should be given to managers in order to incentivise them to perform. Technical coordination and necessary support for managers when deciding policies, setting targets, and strengthening the monitoring system, needs to be ensured.
- Although the energy and power sectors have been corporatized, in different degrees, BPDB still needs to complete its power purchase agreements and vendor agreements with the newly created companies, and it needs to transfer assets, liabilities, and human resources to such entities. Following completion of the process, the remaining sections of BPDB will also need to be corporatised.
- Absolute dependency on the private sector should be avoided as the private sector tends to supply only in the Megawatt system and not the MegaVAR system.

3.3.3 Corruption in the Energy Sector

Issue

- Regrettably, corrupt practices by people whose primary responsibility was to safeguard the country's interest has often been too common in Bangladesh.

Immediate Tasks

- Special committees should be formed immediately to look into foreign and domestic investments in production, generation, transmission, and distribution of natural resources.
- Politically inclined officials, staff, and businessmen should not be allowed to step into decision-making positions.
- Policies and actions related with the development of the country's energy sector needs to be taken without any external interference.

Medium Term Task

- Accountability mechanisms and a transparent system are required for better working of the Ministry.

3.3.4 Research and Development

Issue

- There was a complete disregard for research and development activities in the energy sector over the last few decades.

Medium Term Tasks

- Research should be encouraged by making grants available and also through financial and technical support from the government. Research in resource exploration and conversion of resources is required for longer-term sustainability.
- Since this sector requires technical expertise in exploration and generation, international expertise could also be sought where and when needed.

3.4 Challenges and Opportunities for Newly Elected Government

3.4.1 Challenges to Attain the Target of Generation of Electricity

Issue

- At present Petrobangla is not in a position to supply gas to all the new power plants. Out of the 16 projects, Petrobangla has confirmed gas supply for 3 base load plants and 2 peaking power plants with 240 MW capacities.

- Power generation target in the election manifesto of the Awami League remaining unclear. Whether the target is to generate an additional 5000MW of electricity by 2011 and 7000 MW of electricity by 2013 or to increase the present electricity generation to 5000 MW by 2011 and 7000 MW by 2013 remains ambiguous.
- To generate additional 5000 MW of electricity, even under the most efficient combination of base and peak load plants and best non-gas electricity production scenario, will require 750 MMSCFD of additional gas, which is unlikely to be available even under the most optimistic gas supply scenario.

3.4.2 Scope and Opportunities for Generation of New Energy

i) Energy Trade at Regional Level through Regional Grid

Issues

- In spite of formidable potential, none of the countries in the region have surplus electricity to offer at this time. All the countries, except Bhutan are at present experiencing power shortage of magnitudes that are greater than Bangladesh.
- At the prevailing tariff, Bangladesh may find it uneconomic to import electricity from neighboring countries (without receiving high subsidy from the government).
- Attempt to import gas from Myanmar was not successful, since the latter had already made commitments to supply to China and India.

Medium Term Tasks

- Parallel to the development of local coal mines, importation of coal needs to be taken into consideration. In order to do this, channels at Chittagong and *Mongla* ports needs to be improved so that high tonnage vessel could berth in these ports.
- To facilitate setting up of port-mouth power plants appropriate land needs to be identified. coal unloading facilities such as conveyer belts, development of rail-tracks for internal movement and other arrangements also need to be made.

ii) Establishment of Nuclear Power Plants

Issue

- The International Atomic Energy Agency (IAEA) has approved a Technical Assistance Project for *Rooppur Nuclear Power Plant* to be initiated between 2009 and 2011.

Medium Term Task

- Nuclear power plants may need to be considered on an urgent basis. Alongside setting up nuclear power plants, areas having prospects of uranium and thorium deposits need to be appraised and, studies may be conducted on the techno-economic viability of production at prospective sites.

IV. ICT FOR DEVELOPMENT: THE IMMEDIATE DOABLES

The session titled *ICT for Development: The Immediate Doables* was held in the afternoon on 29 March 2009. Dr. Ananya Raihan, Executive Director of D.Net and Secretary General of Bangladesh Telecentre Network (BTN) presented the keynote paper. The session, moderated by Mr. Fazle Hasan Abed, Member, CPD Board of Trustees and Founding Chairperson, BRAC, was attended by Architect Yeafesh Osman, MP, Hon'ble State Minister for Science and ICT as the Chief Guest.

Discussions during the session focused on 12 issue-specific areas within four components of the Digital Bangladesh concept, namely (i) Digital Citizen, (ii) Digital Business, (iii) Digital Government, and (iv) Digital Education. A brief summary of the discussion and related major policy recommendations are presented below.

4.1. Major Areas of Attention

4.1.1 A Comprehensive Master Plan for 12 years (FY2010-2021): The Master Plan can be developed on the basis of existing works carried out by the ICT stakeholders in the country. The revised ICT Policy of 2008 can be a sound basis for the development of the Master Plan. The Master Plan should be designed in a way that it is incorporated in the five-year planning and annual national budget preparation processes. The National ICT Task Force should be involved in the process of development of the Master Plan.

4.1.2 A Five Year Plan towards Digital Bangladesh: A Five year plan would enable the government to mobilise resources for implementation ahead of time. The time up to June, 2009 can be used for development of the plan for the next two fiscal years with adequate provisioning in the national budget.

4.1.3 Restructuring Institutional Mechanism:

- A **Digital Bangladesh Secretariat (DBS)** should be created under the purview of the Prime Minister's Office (PMO). The secretariat will have four distinctive wings in line with the conceptualisation of "Digital Bangladesh". The wings can be named as (i) e-Citizen Cell, (ii) e-Business Cell, (iii) e-Government Cell, and (iv) e-Education Cell. The government may consider merging the Bangladesh Computer Council (BCC) with the DBS.
- Setting up a **Ministry of ICT**, by merging MOSICT and MOPT, may be the first step towards institutional reform. The 'Science' part from MOSICT can be transferred to Ministry of Education and be renamed as the *Ministry of Education and Science*. BTRC should be brought under the Ministry of ICT.
- The existing e-governance cell may be renamed as **e-Government Cell** and will remain the focal point of all e-government related activities.
- The **e-Citizen Cell** will take care of access to ICTs by all citizens, particularly the poor and marginalised population both in urban and rural areas. The Cell will coordinate with "e-Citizen Focal Points" in all line Ministries, which will be created under this reform programme.
- The **e-Education Cell** can be created for coordinating and mainstreaming ICTs in education system to be at par with the global demand for quality human resources.
- The ICT Business Promotion Council can be converted into **e-Business Cell**. The ICT Incubator and High-tech Park should go to Ministry of Commerce from BCC.

4.2. Immediate Doables in Four Components of Digital Bangladesh

4.2.1. Component 1: Digital Citizen

Task 1: Developing an Integrated National ID Database

Using the existing National ID database, a project for building institutional mechanism for providing national ID card to all citizens, on a continuous basis, could be the most important ICT project to be taken by the new government. This integrated database can be used for birth registration, implementing subsidy and social safety-net programmes, immunisation programmes, tracing tax evaders and the dodgers, and identifying militants with the primary objective of ensuring national security.

Recommendation

- Although Bangladesh's local ICT industry is capable of implementing such a project, assistance could be sought from overseas experts, if required. Telecentres set up at the local government level (Zilla Parishad, City Corporation, Municipalities, Upazilla Parishad, Union Parishad) can be used for updating the database on a regular basis. The project should be completed within the next two years.

Task 2: Introducing Online Tax Filing System

Bangladesh has about 2.2 mln tax payers. However, citizens are reluctant to pay taxes for various reasons including harassment and rent seeking behaviour of tax authorities.

Recommendation

- Introduction of Online Tax Filing system will not only enable individual tax payers to file their tax return easily, but will also help NBR to investigate and take necessary actions in the event of tax evasion. The system should be introduced within the next six months to one year.

Task 3: Building a Network of Telecentres

A network of telecentres in all local government institutions and public libraries will allow government to gradually offer all government services through internet. It will also inform citizens about various government schemes so that common people can access those. This will also augment the process of ICT-based literacy and skill training which can facilitate the government to implement the "one family - one employment" programme. Besides, ICT training will play a positive role in creating skilled manpower for export from rural areas.

Recommendations

- Public-private partnership will ensure proper functioning of the telecentres. A minimum fee may be charged for certain services such as printing forms.
- The government can partner with Bangladesh Telecentre Network (BTN) to roll out the telecentres. Such partnership, within first two years of the current government, will create a visible impact about government's commitment towards Digital Bangladesh by 2021.

Task 4: Establishing Internet Connectivity across the Country

Access to e-information depends critically on easy availability of internet connection. In this regard, the government should take measures to ensure internet connection across the country at affordable prices.

Recommendations

- Introduction of different pricing by BTRC for the rural and urban areas will ensure access to internet by the resource poor people living in the rural areas.
- Government, through BTRC, should take measures to provide Internet Connectivity for Educational Institutions and Libraries for free of cost or at subsidised prices where applicable. ISPs should be given proper directives in this regard.
- BTRC should offer free Internet connections from all telcos for all telecentres. Government should create universal service obligation fund to support the ISPs, who will offer connections free of charge.
- BTRC should review the license fee, call for fresh bidding for wimax licensing, and go for class licensing.
- The ban on IP Telephony does not match with the concept of Digital Bangladesh. Government needs to take necessary action in this regard and revisit the existing policies.

Task 5: Content Development

Digital content has become a major issue in Bangladesh as PC penetration and internet access have substantially increased across the country. Without locally relevant content, ICTs are of little value to people.

Recommendations

- All government research institutions should put up research outputs on the web to cater to information needs of various target groups. This should be made mandatory for all institutions. This should be done immediately with quarterly review by the e-Citizen cell.
- Setting up telecentres at least in each Upazilla will expand the opportunity for common people, particularly those with no or very limited access to personal computers and internet connections, to download relevant government forms.

Task 6: Disseminating Market Price Information

Market price information is the single most important ICT initiative for agriculture producers and consumers. The existing website of the Department of Agricultural Marketing (DAM) of Ministry of Agriculture does not offer up-to-date data.

Recommendation

- Telecentres can be assigned for collection of data in a prescribed format, which can be monitored by the Union Parishad. The data will be updated directly from the telecentres and viewers can see it in *Bangla*. A system of reward and punishment may be put in place to ensure quality and timely data entry.

Task 7: Digitisation of land record and transaction

Status of maintenance of land record is poor in Bangladesh and retrieving data and information requires inordinately protracted time and effort. This also creates scope for bribery and speed money.

Recommendation

- The project can be initiated at Upazilla level, gradually expanding to Union level. In this connection, the experience of Demra project can be taken into consideration. The project can be undertaken within two years, starting from 2010.

4.2.2. Component 2: Digital Business

Task 1: Implementation of ICT Act 2006 and E-payment

The ICT Act 2006 took four years to be enacted. According to the law, digital signature will be acceptable for transaction and as evidence.

Recommendation

- For operationalisation of the ICT Act 2006, a public infrastructure authority needs to be formed. Furthermore, online payment system through internet should be implemented. It would take six months to one year to implement the ICT Act including introduction of e-payment.

4.2.3. Component 3: Digital Government

Task 1: Introducing Online Government Procurement System

ICTs cannot make a citizen ethical, but can build a system, which eliminates or reduces the scope of corrupt practices. Online government procurement is such a system.

Recommendations

- Government should immediately adopt online procurement system to reduce scope of malpractices relating to a number of stages including procurement, submission and evaluation of tenders, etc.
- Old records have to be digitally archived and new ones should be digitised.

4.2.4. Component 4: Digital Education

Task 1: Introducing E-learning as an Intermediate Solution to Quality Education

ICTs can be an intermediate solution to attend the core problems in our education system. ICT education in Bangladesh is generally concentrated at the tertiary level. Although there is an optional course on computers in the secondary schools, the course curriculum is outdated and there is little opportunity for hands-on practice. Only 10 percent of schools have computer facilities and few teachers are trained and/or willing to teach computer literacy classes.

Recommendations

- Government may provide PCs to schools on credit. The schools will repay the cost in monthly installments.
- There should be adequate discussion on Computer in school curriculum.
- ICT training for teachers has to be seriously promoted for advancing education to children with no or limited opportunity.

Task 2: E-Content for Education

Delay in distribution of textbooks to school going children is a major social concern.

Recommendation

- NCTB can publish all the text books on the web. This initiative would allow schools to start classes at the right time by taking print out of initial chapters of the relevant textbooks from the website. This would also create pressure on the book publishers to print and distribute the books within schedule. This can be done every year without any significant financial burden to the government exchequer.

Task 3: Model School in Each Upazilla

Schools, particularly in the rural areas, suffer from a lack of appropriate ICT infrastructure and equipment.

Recommendation

- During the first two years, the government can undertake a project to launch model schools with ICT facilities in all Upazillas. The schools will have a full-fledged Internet lab for students and multimedia projector and a PC in each classroom. Non-resident NRBs and development partners may be invited for contribution to help implement such programme.

V. 100-DAY EMPLOYMENT GENERATION PROGRAMME: CHALLENGES OF EFFECTIVE IMPLEMENTATION

The keynote paper for the session on “100-Day Employment Generation Programme: Challenges of Effective Implementation” was prepared by Dr Fahmida Khatun, Additional Director (Research), Kazi Mahmudur Rahman, Senior Research Associate and Ashiqun Nabi, Research Associate, CPD. Held on 29 March 2009, the session was chaired by Professor Rehman Sobhan, Chairman, CPD. Mr Hossain Toufique Imam, Advisor to the Hon’ble Prime Minister for Administration and Establishment Affairs, attended the meeting as the Chief Guest, and Dr Akbar Ali Khan, Chairman, Regulatory Reforms Commission and former Advisor to the Care Taker Government and Dr Quazi Kholiquzzaman Ahmed, Chairman, BUP, were present as Special Guests. Dr Fahmida Khatun, Additional Director (Research), CPD, presented the keynote paper, while Dr Atiur Rahman, Chairman, Unnayan Shamannay and Professor Syed M Hashemi, Executive Director, BRAC Development Institute, BRAC University, were the designated discussants. The paper and participants attending the session discussed a number of key issues related to design operationalisation and monitoring of the programme and put forward several policy recommendations in view of this.

Issue 5.1: Efficiency in Fund Utilisation Mechanism

Total allocation for Phase-I of the 100-DEGP was Tk. 1,200 crore of which Tk. 915.47 crore was disbursed and the rest (Tk. 284.53 crore) remains unutilised. Whether this leftover amount will be added to Tk. 800 crore allocated for the Phase-II or not is not yet clear. If the remaining amount is added to the allocation for the second phase, which will make it Tk. 1,084.53 crore, effective utilisation of this resource will be a challenge. During the first phase, utilisation of resources was 76.13 per cent of total allocation. If the utilisation rate is expected to be maintained, Tk. 827.13 crore will have to be used within the stipulated period.

Recommendations

- Training of the members of the implementing agencies such as the UP Chairmen and Members, and the UNO should be initiated.
- The second phase of the programme needs to make use of the unutilized money from the first phase. A joint task force could be constituted to advise on modalities for the proper utilisation and monitoring of the programme.

Issue 5.2: Planning and Preparation

During the first phase of the 100-DEGP, lack of planning and preparation resulted in the non-inclusion of targeted beneficiaries in many instances and the incomplete status of many of the projects.

Recommendations

- *A comprehensive guideline:* A guideline in a simple booklet format can be introduced including a 'Frequently Asked Questions' (FAQ) provision; this should be made available both in the print media and on the websites.
- *Awareness building:* Workshops may be organised at the field level to raise awareness among the people.
- *Extensive use of Management of Information System (MIS):* The government may consider listing other SSNPs using the national identity (ID) card. In addition, the government may take the help of NGOs to list targeted beneficiaries. A comprehensive MIS could facilitate the initiative and initiatives regarding village ICT infrastructure facilities, such as the "Palli Tothto Kendra", can facilitate this process.
- *Allocation of more time and training for designing and planning stages:* More time needs to be allocated for designing the programme and ensure that it bears the desired fruits.

Issue 5.3: Conceptualising the Programme

The current programme, on the one hand stands somewhere between employment generation and relief, and on the other hand it is not guaranteed in nature. The conceptual understanding of the SSNPs needs to be revisited since the current SSNPs programmes appeared to raise moral hazard related concerns for the government.

Recommendations

- Programme objectives should be centred on a right based approach, and the methodology of selection process needs to be both bottom-up and top-down. The beneficiaries need to know about the significance of the projects or development activities in their areas before availing of the employment opportunity.
- The programme should not be treated as a tool for overcoming temporary crisis. For long term benefit, a comprehensive approach is required so that the beneficiaries do not have to permanently depend on the government's SSNPs. rather, they can generate productive assets to secure their livelihoods.

Issue 5.4: Timing of the Programme

Some mismatch between timing of the programme and the working situation and prevailing demand of some regions were observed.

Recommendation

- The programme could be introduced for the whole year giving flexibility to address the needs of the local people. The UNO, through consultation with the local people, could identify the duration for work and inform the higher authorities about the best way to implement the programme.

Issue 5.5: Selection of Beneficiaries and Works

Adverse selection of beneficiaries was observed in many areas.

Recommendations

Selection of beneficiaries

- Update and expand lists: List of the beneficiaries need to be revisited, incorporating the excluded and the people who actually deserve it.
- Gender issue: Minimum quota (e.g. one third of the beneficiaries) for women's participation could be introduced. The selection of activities for women may be revisited, and provision of certain facilities such as drinking water and shades for their children should be provided where deemed necessary.
- New poverty mapping: A scientific and updated poverty mapping is necessary before targeting the regions under this programme.

- Revisit age range: Age limit should be increased to 65 years since the old age allowance programme is meant for those above 65 years.
- Self selection of beneficiaries: The government may revisit the beneficiary selection procedure, adopting a self-selection method. The government, using the MIS, would then be able to exclude those who are ineligible for the programme.

Selection of Area

- Selection of areas needs to be taken into consideration depending upon whether they are labour-surplus or labour deficit regions.
- Instead of all 64 districts, the programme may target areas comprising the most destitute people. Therefore, the programme can be initiated on a pilot basis in some areas.

Selection of works

- Integration with local development plans: Approval of projects ought to be integrated with local development plans.
- Addressing low productivity: The GoB could consider introducing piece-rate wage system in order to motivate the workers to earn more by working extra hours.

Issue 5.6: Corruption and Irregularities

Cases of corruption during the implementation of the programme have been observed. The process of data management appeared to be cumbersome.

Recommendations

- Record keeping and data management: A well established MIS can ensure transparency and reduce implementation time as in India's National Rural Employment Guarantee (NREG) scheme which is being implemented with full IT support.
- Mechanism for addressing complaints: A systematic method of grievance recording needs to be placed. A weekly meeting can be organised where stakeholders will gather to share thoughts, ideas, place their complaints and make an attempt to resolve their problems.
- To enhance the completion rate, an award remuneration system can be introduced to motivate the district/upazilla that have the highest (and quality) completion rate in terms of projects and experienced with minimum accusation.

Issue 5.7: Revisit Wage Rate

Setting appropriate wage rate under 100-DEGP is another major challenge.

Recommendations

- Determination of wage under this programme must consider the regional variations rather than a uniform rate throughout the country.
- To ensure that the programme reaches the poorest, wage should not be higher than the ruling market wage for unskilled labour.
- Financial aspects need to be ensured and wage payment structure could be remodeled in the next fiscal in order to disburse the wages on time as stated in the Guideline.

Issue 5.8: Financing, Capacity Building and Resource Requirements

Given the scale of the programme, the system of daily payment of wages may be reconsidered as it is difficult to manage. Tag officers are reluctant due to a serious lack of motivation and incentives.

Recommendations

- *Introduction of weekly payment:* Weekly or bi-weekly payment may be considered.

- *Payment through bank or post office:* Payment through banking channel or post office needs to be explored.
- *Provision of additional human and financial resources:* Resources may be allocated for the administration of the programme in order to co-equal the increase in work load.

Issue 5.9: Monitoring

There are scopes for improvement in the contents of the monitoring information collected by the government as well in the effectiveness of the monitoring process.

Recommendations

- *Ease monitoring system:* Frequency of the Daily Achievement Report may be brought down to a weekly basis.
- *Incorporation of new institutional mechanisms:* Apart from the current concerned ministry (MoFDM), monitoring could also be jointly carried out with the Ministry of Employment. A separate wing in the MoFDM could be set up for this purpose. Collaboration at the Ministry level should be enhanced.

Issue 5.10: Doables for the Second Phase of the 100-DEGP

Beneficiary targeting: List of the beneficiaries need to be revisited incorporating the excluded.

- *Introduction of a joint task force to implement the second phase:* A joint task force could be constituted in order to advise on proper utilisation and monitoring.
- *Completion of undertaken projects:* Revisiting ongoing projects could be done in order to verify whether those can be completed on time or not.
- *Completion of incomplete days from the first phase:* Unfinished work days (10 days on average) of the first phase need to be not only carried forward, but more crucially, completed in the second phase. This work could be completed using the weekends.
- *Monitoring:* A Visit Book needs to be maintained in each project area. Voter ID number needs to be incorporated on the list of the registered beneficiaries.
- *Financing:* Beneficiaries who have claimed for their unpaid money need to be made subjects of investigation, and if needed, the amount could be provided from the money received from the accused persons.
- *Provide additional resources:* Provision for additional human and financial resources may be made.
- *Completion of card distribution:* Cards which have not been distributed among the beneficiaries need to be handed out immediately.

Issue 5.11: Resource Requirement

- Tk 2000 crore allocation for the 100-DEGP accounted for 2 per cent of total budget of FY 2008-09. Allocation requirement to cover 58.65 lakh households (who are excluded from any kind of programme) at a rate of Tk 100 per day for 100 days, amounted to Tk. 5865.4 crore. Thus the total allocation stands at Tk. 7865.4 (Tk. 2000+ Tk. 5865.4) crore, which is 7.9 per cent of the budget allocation (FY 2008-09).
- However, the government may not be able to provide this sum of money alone since it needs to finance other fiscal burdens. Accordingly, probable sources of the required fund could be explored; these could be various global funds such as the *Aid for Trade* and *Climate Change*. The private sector could also act as a catalyst to provide employment for the mass through public-private partnership.

