The Unnayan Onneshan, an independent multidisciplinary think-tank, in its rapid assessment of the national budget reveals that the government is likely to miss the growth target of 7.2 percent in FY 2013-14, following the second year of decline in economic growth.

"The achievement of the 7.2 percent growth target would require an increase of growth rate by 1.17 percentage points from that of the preceding year while the highest increase in investment has been observed in FY 2010-11 by 0.8 percentage points," said the leading thin-tank, adding that the government has failed to achieve the growth target in the preceding two fiscal years. The gap between the realized and the targeted growth rate has widened from 0.77 percentage points in FY 2011-12 to 1.17 percentage points in FY 2012-13.

"The signs of expedient policy measures in an election year are already evident, as block allocation has increased by 346.10 percent from Tk. 423 crore in FY 2012-13 to Tk. 1,877 crore in Fy 2013-14, observes the research organization.

Referring to the stagnant investment situation, the Unnayan Onneshan warns that the incremental capital output ratio (ICOR) that measures the requirement of investment to increase one unit of gross domestic product (GDP) has risen from 4.25 in FY 2011-12 to 4.44 in FY 2012-13, necessitating higher amount of investment and boost in productivity of investment.

The Unnayan Onneshan estimates that either total investment needs to rise to 32.05 percent of GDP if the ICOR remains constant at the level of previous year or the productivity of investment has to be enhanced to reduce ICOR to 3.73 for achieving the targeted rate of growth of 7.2 per cent. The highest increase in the investment occurred in FY 2010-11 since FY 2000-01, which was only by 0.80 percentage points. Besides, the severity of capital flight has increased, as the wide gap between savings and investment has persisted at 2.7 percent in FY 2012-13.

Observing that the growth in Bangladesh is mainly consumption-laden, the Unnayan Onneshan says that the rate of household final consumption expenditure as percent of GDP is one of the highest among the developing countries and stood at 78 percent in 2011, compared to 59 percent of India and 34 percent of China.

As regards the estimated revenue income of Tk. 167,459 crore in FY 2013-14, an increase to 14.1 percent of GDP, the Unnayan Onneshan expressed its skepticism since the revenue-GDP ratio in the last five years on an average rose by only 0.48 percentage points. The country is unlikely to accomplish the revenue target of 13.4 percent of GDP in the preceding fiscal year. The National Board of Revenue (NBR) has also not been able to attain the collection target in FY 2012-13 for the first time since FY 2009-10.

Among the different components of revenue expenditure, total subsidy in FY 2013-14 is projected at Tk. 15,443 crore, which has decreased by 7.52 percent from the previous fiscal year's revised budget of Tk. 16,808 crore.

Referring to the debt management, the Unnayan Onneshan finds that the interest payment has emerged as second highest recipient of government total revenue spending, with an upturn of 18.8

percent in FY 2013-14, leaving the squeezed capacity of the government to invest in physical and socio-economic infrastructure such as education and health.

Delving into rate of inflation, the Unnayan Onneshan predicts that the inflationary pressure is likely to persist in the upcoming fiscal year.

Despite falling rate of growth in the agriculture sector, the sector has witnessed an 11.9 percent decrease in allocation in FY 2013-14. In addition to insufficient budgetary allocation, the industry sector is burdened with one of the worst rate of ADP implementation, which stood at merely 41 percent in the first nine months of FY 2012-13.

Urging the reversal of the current policy regimes of contraction, the Unnayan Onneshan recommends for adjustment of monetary policy with fiscal policy since reductionist policies only cut down investment demand, creates unemployment and in turn hampers growth.

For improving the fiscal balance, the research organization suggests for embarking upon reforms in tax structure, comprising the principles of instituting progressive tax structure, avoidance of tax evasion and strengthening institutional capacity to increase the tax net. "For growth the economy requires increased public expenditure in physical and socio-economic infrastructure as they ensures greater multiplier effects," adds the Unnayan Onneshan.