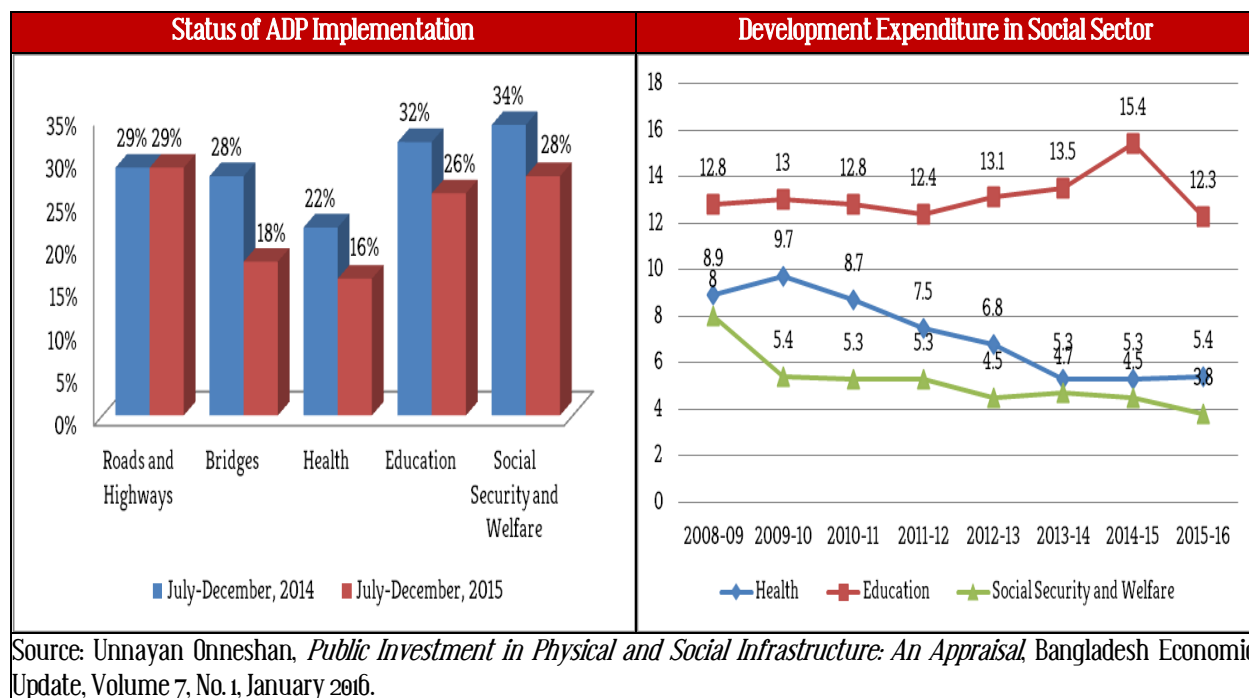


Bangladesh Economic Update
Public Investment in Physical and Social Infrastructure: An Appraisal
January, 2016



The Unnayan Onneshan (UO), an independent multidisciplinary think tank, in its January issue of Bangladesh Economic Update 2016 reveals that the low implementation status of public investment in physical and social infrastructure in the backdrop of continued sluggish private investment may hinder achievement of the targeted rate of growth in gross domestic product (GDP).

Taking account of five major sectors of public investment – roads and highways, bridges, health, education, and social security and welfare – the research organisation evinces that the annual development programme (ADP) implementation status in these sectors became lower during July-December period of FY 2015-16 than the corresponding period of the previous fiscal year.

The think tank in its first monthly issue of the seventh year points out that during the first half of the current fiscal year, 29 percent of total ADP allocation for roads and highways division has been implemented whereas the status was the same (29 percent) during the corresponding period of the previous fiscal year. However, only 18 percent of the total allocation of ADP for bridges division has been implemented during July-December'15 compared to 28 percent during July-December'14.

Referring to the lower status of ADP implementation in social sectors during the first half of the current fiscal year compared to the corresponding period of the previous fiscal year, the Unnayan Onneshan demonstrates that ADP implementation status has stood at 16 percent in health, 26 percent in education, and 28 percent in social security and welfare during July-December'15 whereas 22 percent, 32 percent, and 34 percent of allocations for health, education, and social security and welfare respectively were implemented during July-December'14.

Pointing out the poor quality of public investment in infrastructure development, the research organisation presumes that the construction of major infrastructure development projects is not likely to be completed by the planned timeline.

As regards the progress in construction of Padma Bridge, the UO finds that against the revised target of completing 12 percent of construction of the bridge in FY 2013-14, 10 percent of the work was completed. The target of completing 35 percent work was revised at 20 percent in FY 2014-15, which implies that the target of completing 90 percent of the construction by FY 2017-18 is likely to prove unfeasible.

Along the same line, against the target of completing 5 percent of construction of Dhaka elevated expressway in FY 2013-14 no progress was made, whereas the target of completing 40 percent of the construction in FY 2014-15 was revised at only 12 percent implying the unfeasibility of the target of finishing the construction by FY 2017-18.

Regarding the declining trend in development expenditure on health, education, and social security and welfare, the research organisation comments that if the declining trend in the allocations for social sectors continues, social developments, for which Bangladesh have been commended worldwide, will be unsustainable in the coming years.

Pointing to the fact that allocation of development expenditure for health assumes a declining trend in recent years increasing out-of-pocket expenditure in the sector, the think tanks shows that development expenditure in health stood at 9.7 percent of the total development expenditure in FY 2009-10 compared to 8.7 percent in FY 2010-11, 7.5 percent in FY 2011-12, 6.8 percent in FY 2012-13, 5.3 percent in FY 2013-14, 5.3 percent in FY 2014-15, and 5.4 percent in FY 2015-16.

As regards the allocation of development expenditure for education, the UO exhibits that development expenditure in education stood at 13 percent of the total development expenditure in FY 2009-10 compared to 12.8 percent in FY 2010-11, 12.4 percent in FY 2011-12, 13.1 percent in FY 2012-13, 13.5 percent in FY 2013-14, 15.4 percent in FY 2014-15, and 12.3 percent in FY 2015-16. Declining finance is likely to create skill shortages in addition to deteriorating quality of education, adds the research organisation.

Referring to the declining allocation of development expenditure for social security and welfare, the UO evinces that development expenditure on social security and welfare stood at 5.4 percent of the total development expenditure in FY 2009-10, whereas the allocation was 5.3 percent in FY 2010-11, 5.3 percent in FY 2011-12, 4.5 percent in FY 2012-13, 4.7 percent in FY 2013-14, 4.5 percent in FY 2014-15, and 3.8 percent in FY 2015-16.

Taking account of the unsatisfactory quality of public investment in physical and social infrastructure and current state of sluggish private investment due to infrastructure shortage and lack of business confidence, the research organisation emphasises that the government must focus on stimulating private investment and ensuring effective utilisation of public investment in addition to channeling adequate resources into social sectors that give particular impetus to the improvement in human development.