THREE QUESTIONS
A Rapid Assessment of National Budget 2009-10

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A Rapid Assessment of National Budget 2009-10

Acknowledgement

The rapid assessment of the National Budget (2008-2009) is an output of the **Economic Policy Unit** of the Unnayan Onneshan, a multidisciplinary research centre based in Dhaka, Bangladesh. The report is prepared by a team, comprising of **M. Iqbal Ahmed**, **Mehruna Chowdhury**, **Quazi Fidia Farah**, and **Jabin Tahmina Haque**, with general guidance from **Rashed Al Mahmud Titumir**.

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I. INTRODUCTION

"…We envision a democratic system where people choose their government freely and get services from it without hassle, enjoy freedom from fear and intolerance, live with dignity; where every citizen is assured of social justice, environmental protection, human rights and equal opportunities; and where the rule of law and good governance flourish. We envision a liberal, progressive and democratic welfare state. Simultaneously we envision a Bangladesh which by 2020/2021, will be a middle income country where poverty will be drastically reduced; where our citizens will be able to meet every basic need and where development will be on fast track, with ever-increasing rates of growth."

A Charter of Change, Election Manifesto of Bangladesh Awami League-2008

The budget for 2009-2010 warrants scrutiny on the efficacy of the proposed measures in translating polls manifesto, revitalisation of economy, and expansion of productive capacity to generate wealth and reduce poverty, beyond the general discussion of size and delivery. The budget was placed by an elected government that came in power in January 7, 2009 with lots of promises that rendered an astounding people's mandate to run the country for five years, after a two-year of topsy-turvy situation both in economic and political fronts. The budget is also penned down against the backdrop of global economic crisis, requiring to boost up domestic demand at situation when external demand for Bangladeshi goods likely to get snagged. Therefore, the budget should be able to propose instruments to address three pressing questions:

(i) How to translate the political agenda of the government through budgetary measures?
(ii) What could be done to boost domestic demand and what could be the macroeconomic consequences? and
(iii) How to ensure creation of wealth, reduction in poverty by addressing the existing development challenges?

The Unnayan Onneshan has endeavoured to conduct a rapid assessment of the proposed budget to establish a possible link of the above three, which could help in achieving the long run objective of accelerating economic development with reducing poverty. It also examines how the proposed fiscal stances could help absorb the on-going global economic crisis and accelerate the murky investment scenario that has been prevailing for last few years. In doing so, the present paper would analyze the possible macroeconomic consequences while implementing the proposed budget in the next fiscal.

As a matter of fact, the proposed budget seemed to be caught in a fashion of the day, which revealed an expenditure outlay making many to assume that financing would be met by 'invisible-hand'. Apparently, on economic front, it tries to catch up with the bandwagon of Keynesian propositions, which are now in wider currency and public spending are getting heightened across the world in order to stimulate demand. But at what extent these counter cyclical fiscal measures would be effective as far as Bangladesh economy is concerned that entails an analysis. Arguably, Bangladesh needs increased public investment due to the huge development gaps that exist, yet how this is to be channelled through on what terms is the crux of the matter. The key question before us is whether the present budget makes any departure from the traditional line of development thinking to cater to the huge mandate it received from the people to initiate the politics of change, and the vision it showed to the public to vote them to be elected.

II. TRANSLATION OF ELECTION MANIFESTO

The present political alliance was voted to power for plenty of pledges made including the massive uplift in economic and social development. It has also set up different milestones to achieve the targets. The following highlights some of the targets set in the election manifesto prior to the national election 2008. The table

Table: The Current Status of Major Targets

Targets	Year of achievement	Current status
✦ Attain 8 percent annual growth rate	2013	Projected for FY09: 5.88%
✦ Elimination of poverty and inequality		
i) poverty level will come down to 25%	2013	40% or 65 million
ii) ultra-poverty level will come down to 15%	2013	25%
iii) no specific target for inequality		Gini coefficient 0.45 (2004)
✦ Number of unemployed person to be reduced to 24 million	2013	28 million (the BBS figure is questionable)
✦ Self-sufficiency in food and meet the nutrition needs of 85% of the population.	2012	On an average total import of food was 2.5-3.0 mn mt in last five years). About 75 % gets minimum calorie intake
✦ Bangladesh generates 7000 megawatt of electricity	2013	4162mw (max capacity; but production often falls short below the target)
✦ 100 percent net student enrolment at primary level	2010	
✦ Bangladesh attains full literacy.	2014	56.1% (2008)
✦ Free tuition up to degree level	2013	Free tuition up to Primary level
✦ Supply of pure drinking water for the entire population	2011	Rural: 85% Urban:60% (2008)

Note: for our analytical purpose we have taken the targets set up to 2015

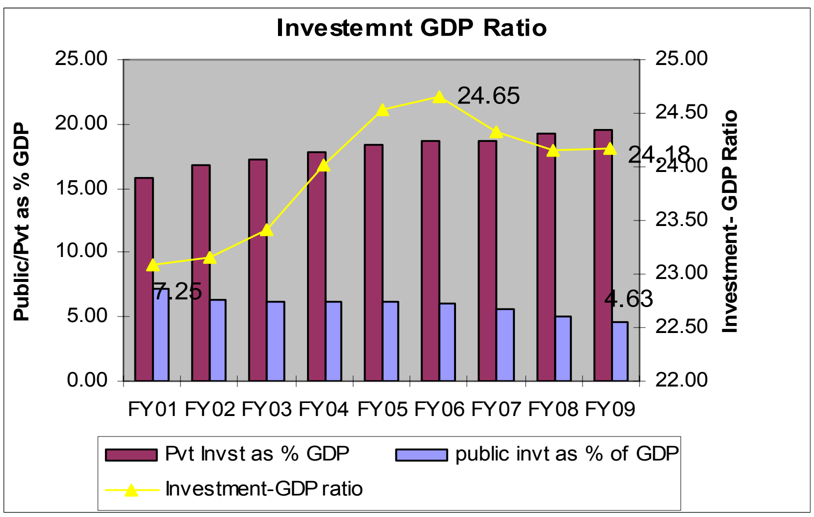
Besides, promises were made to control commodity price hike, tackle global financial crisis, effective action against corruption, an employment guarantee scheme to provide 100 days employment to one youth per family, and a project will be undertaken for young men and women with HSC degrees for appointment in the "national service" for two years.

The above pledges and targets indeed give a medium term and long term vision of the government that could only be achievable by no other means but by government fiscal policies and budgetary support. Therefore, it is expected that the proposed budget would be the first step to the gateway of the government's vision for 2021. We examine the budgetary measures in relation to some of these targets.

2.1 Achievement of growth rate eight per cent by 2013

In the election manifesto, the government pledged to achieve growth rate of 8% by 2013, required to decrease poverty level as well as accelerate overall economic development. The GDP growth rate is projected at 5.88% for the FY09, which, as speculated by the finance minister, may decelerate further to **5.5%** in FY10 in the wake of current global economic crisis. Because he assumed that there would be some impacts of global recession on the domestic economy in FY10, though the economy was more or less resilient in the current years. In addition to that, murky investment scenario, prevailing since last few years, likely to dampen the future growth prospect unless the private investment picks up. Though the government has widened the development spending substantially for the next fiscal, it may not actually translated into direct investment as significant portion of the money would be spending on various social safety net programmes. Besides, except Public Private Partnership (PPP) programme, the finance minister failed to show what could be the prospect of private investment, including foreign direct investment in the next fiscal. Against this backdrop it is unlikely that the country would be able to achieve a growth rate of 8% by 2013.

It can be seen that over the last five years, on an average, the country has achieved 6% growth rate. Over the same period, the investment-GDP ratio stagnated between 24% and 25%, which in fact is on a declining trend in last couple of years. **Therefore a growth rate between 7% and 8% requires a quick jump start of overall investment position. A projection conducted by Unnayan Onneshan in 2006 shows that 28%-32% investment is required to achieve a growth rate at 8%.**



Box - Investment Deceleration

- *Overall investment scenario is bleak. Over the last three years investment-GDP ratio declined about 0.5 percentage point.*
- *Public investment declined steadily over the last 10 years, particularly due to poor ADP implementation;*
- *Lowering public investment is one of the main reasons for slow growth of private investment.*
- *Budget for the FY10 has increased the ADP substantially; an effective implementation could results in increase in public investment.*
- *However, the budget does not give any compressive direction of the overall investment strategy except some specific measures like PPP.*

The proposed budget has proposed measures for increased public investment. In general, increase in public investment also stimulates private investment. Besides, in order to encourage private investment, it has also extended few supports to the private sector. ADP or public investment has been earmarked at Tk30,500 crore for FY10, which is about 4.4% of GDP. Public-Private Partnership (PPP) is one of the distinctive features of the proposed budget. In this regard Tk 2500 crore has been allocated in three major heads, namely, technical assistance (Tk100 cr), Viability Gap Funding (Tk300 crore) and Infrastructure Investment Fund. The proposed import tax structure is assumed inward looking, with the imposition of supplementary duties, though there is no substantive change in the customs duty. It has continued with controversial encouragement of use of black money for investment in 50 identified sectors as well as stock market with a penalty of 10% tax.

The uncertainty on future investment still looms large as the proposed measures do not follow any comprehensive investment strategy nor it has strategic link between growth and poverty reduction, though prima facie it looks that the size of public investment as well as incentives to the private sector would expect to help increase in future investment. So the proposed investment plan misses the long run vision. The proposed initiatives like allowing black money in selected industrial unit, direct and indirect incentives to the exporters, and so on are the populist measures and are very specific to short term objectives. **These measures in no way would meet the long term target. Therefore the proposed investment plan may not be sufficient enough to accelerate GDP.**

Moreover, few major concerns popped up, which cast doubt on the implementation of government's investment plan in the upcoming fiscal:

Will the government have enough financial supports implement its extravagance investment plan laid out in the budget? Any lack of resources would impede government investment plan, which would also results in decline in private investment. So, the available of financial resources would be a challenge for the government.

ADP implementation rate in first ten months in last three fiscal:

- *FY 09: 46.3%*
- *FY 08: 46.7%*
- *FY 07: 44.0%*

Secondly, will the government be able to implement its ADP in full capacity as well as at faster rate? Since the development expenditure is a predetermined path of the long run economic growth it is imperative that public investment should expedite in tandem while ensuring the effectiveness of the implementation capacity. Apprehension arises because of recurrent failure of ADP implementation, cut down of development programme at the end of fiscal, little attention of increasing efficiency of ADP implementation, lack of transparency and accountability of budgeting process as well as implementing agencies is a regular phenomena in Bangladesh. So the next challenge would be the government's capacity and effectiveness of ADP implementation rate. Though the finance minister have made some proposals like use of CPM method, close monitoring of few ministries of 10 ministries etc for special monitoring and evaluation of proper ADP implementation, apprehension to low ADP implementation remains because the problem would unlikely to remove without decentralising the administrative authorities.

Thirdly, will the government will be able to provide enough energy and power to the industrial sector? Though the election manifesto has a target to generate power up to 7000 megawatt by 2013, after assuming power the government reportedly said that it could do little to improve power generation in the next three years. Unless power and gas generation are not improved, the investment rate would not pick up as fast as required to achieve a growth of 8%. So the most important challenge for the next few years would be to generate adequate amount of power and energy.

2.2 Reduction of poverty and inequality

Prior to the election, the government has pledged to cut down poverty level to 25% from the exiting 40.9% and ultra-poor to 15% from the existing 25%. If this is so, it means that **in the next four years, at least 4% or 65 lakh of the total population would have to be graduated out of poverty per annum whereas 2.5% or about 40 lakh of the total population would have to be graduated out from the situation of ultra-poverty**. The current state shows that over the last one decade the poverty rate has declined at a rate of 1.06 percentage point per year between 1999 and 2004.

The target is indeed an ambitious one given the rate of development Bangladesh has achieved so far. Perhaps a growth rate more than 8-9% is required to achieve that target; meaning a massive level of investment as discussed in the previous section.

The government has taken some efforts in the proposed budget to tackle poverty. The following highlights some of the government initiatives as reflected in the budgetary measures:

- Widen social safety-net progarmme by 25% to Tk 17,300 crore over the previous year:
- Rural employment schemes: targeted areas are those that have poverty rate above 40%
- Enhance old age allowance by 35% to Tk300 from Tk250 per per person through increasing allocation to Tk810crore from Tk600croe. Widen the beneficiaries from 120 lakh to 22.50 lakh.
- Allowances for the destitute women will be Tk300 per person with increasing allocation to Tk 331.20 from the exiting Tk61.20crore Senior citizens schemes. (Coverage??)
- Allowance for insolvent disabled would be given Tk300 per person that would cover number of beneficiaries from 2 lakh to 2.60 lakh with total allocation of Tk96.6crore.
- Allowance for Poor Lactating Mothers by Tk. 50 to Tk. 350. per person . This will require an allocation Tk. 33.60 crore, up by Tk. 11.1 crore from the last year with an allocation of Tk25crore.
- Allocation for orphans and street children increased to Tk40.32croe and Tk5.67crore respectively.
- Employment generation for hard core poor

- New programme proposed to launch namely 'Allowance for Lactating Low Income Working Mothers in Urban Areas'.
- Support to micro-credit programme
- The deprived freedom fighters will be getting monthly allowance of Tk. 1500 instead of the previously paid amount of Tk.900. The allocation would increase to Tk225crore from Tk117crore that would cover 1.25 lakh from the current 1 lakh beneficiaries.

The question arises that **are these measures will be enough to bring down poverty at 25% by 2013**? Perhaps not; one of the reasons is that **the number of additional poor that will incorporate into the government social safety-net programme for the next one year is far less than the number of people that required to be graduated out of poverty each year to achieve the target**.

Box - Poverty Conundrum

- *About 40% of the total population lives below the poverty line;*
- *About 25% of the total population is ultra-poor*
- *About 4% or 65 lakhs population required to be graduated out of poverty in each of the next four years in order to bring down the poverty level 25% by 2013.*
- *Question is: budgetary measures are sufficient enough?*
- *A massive redistribution of income is required to reduce inequality through restructuring the tax system; measures through government borrowing to fight against poverty will only increase per capita debt burden for future generation with little impact on poverty and inequality.*

Secondly, the proposed social-safety net programme is mere extension of the past initiatives. It lacks innovative ideas and/or strategies to target the areas where poverty situation is vulnerable and to convert the social safety-net programmes in to various productive schemes.

Thirdly, the social safety-net programme is a *temporary arrangement*, which can not eliminate poverty on a permanent basis. Moreover, pittance that is provided through many of the social safety-net programmes e.g. Tk300 from Tk250 per per person per month for old age people, allowances for the destitute women at Tk300 per person etc is not enough to even live at subsistence level.

In addition, the government in its manifesto has also promised to reduce the income inequality, though it neither spells out at *neither the extent the income inequality will be decreased nor it specify the period*. The government does not have any specific data on income inequality scenario for recent years. The past trend shows that the income inequality has widened as Gini coefficient increased to 0.45 in March 2004 from 0.42 in May 1999 while the concentration of income of 90% of the population decreased while top 10% marked a rise in income. The trend was also similar during the decade of 1990.

It is anticipated that **the income inequality is likely to be widened in the further in the coming year unless there is massive redistribution of wealth through**

restructuring the tax structure. Otherwise, the state of poverty and inequality will not see any drastic improvement whatever measures the government takes; because the government has to depend heavily on borrowings for taking programmes/action against poverty. This only would lead to increase in per-capita public indebtedness for future generation with little impact on poverty and inequality.

2.3 Self-sufficiency in food and meet the nutrition needs of 85% of the population by 2012.

The government pledged to make self-sufficiency in food and meet the nutrition requirement of 85% of total population by 2012. The current state of food grain availability and requirement is:

- Food grains (rice & wheat) production is estimated at around 29mn metric ton in 2008
- Food grains import and aid account for about 3.2mn metric ton in 2008

As population grows at 1.4 % (population census), **a rough estimates of the Unnayan Onneshan based on projected population in 2012 and daily per capita food grain requirements shows that on an average more than 2mn metric ton of food grains would be required for the additional population**. Also, in order to attain self-sufficiency in food grains additional production would be required to stop food grain import, which requires additional production roughly equivalent to 3mn metric ton (as Bangladesh turns into net food importing countries from self-sufficiency in food, on an average Bangladesh imports 2.5-3.0mn metric ton food grains since 2002). This together with additional food requirement for additional population by 2012 means that **more than 5mn metric ton food grains has to be produced additionally by 2012 to achieve self-sufficiency in food grains** (the calculation is based on a rough estimates assuming daily per capita food grain requirement as about 500 gram/ per capita/ per day).

Subsidy to agriculture saw a modest increase during the last couple of years as government paid due attention in the wake of global food crisis. The proposed budget for FY10 earmarked Tk3600 crore as against Tk4285crore plus additional 1500 crore on fertiliser subsidy in the previous fiscal. Apart from this there is no other kind of special incentives for the farmers other that the continuation of agriculture credit programme. Mere subsidy may not be sufficient to increase farm productivity. The subsidy could only make the farmers' production cost effective and make them stay in the production. Other policy support is required to increase farms' productivity in order to make Bangladesh self-sufficiency in food.

Decrease in agriculture subsidy is unexpected when the government pledged to ensure self sufficiency in food. When farmers are struggling with increasing cost of production and deprived fair rice of their prices it is unexpected to decrease subsidy. Low cost of production with higher subsidy would have benefited both farmers and consumers.

Therefore, the challenges for the government for the subsequent years would be to provide policy support in addition to the subsidy. These may include:

- Technological support;
- Extension of agriculture credit at the minimal interest rate and waive of past agriculture loan on need basis,
- Formation of agriculture price commission,
- Set up warehouses for food grains at Upzilla level,
- Set up agriculture information centre at the village level and so on.

While achieving self-sufficiency in food grains would remain a challenge, it would also be difficult for the government to meet the nutrition requirements for 85% of the population. The government has made such estimate, as explained above, aiming to reduce the percentage of ultra poor, who do not have the minimum nutrition requirement, at 15% of the by 2013. As said in the previous section, this target is ambitious.

2.4 Number of unemployed person to be reduced to 24 million

One of the distinguished features of the election manifesto is that it emphasises due attention to solve unemployment problem through creating employment opportunities, especially, in rural areas. In this regard the government has unveiled targets as well as programmes to address the problem of unemployment, few of which are highlighted as below:

- The number of unemployed people in the country, estimated at 28 million, will be reduced to 24 million by 2013 and will be further reduced to 15 million by 2021.
- An employment guarantee scheme will gradually be made effective to provide 100 days employment to one youth per family.
- A project will be undertaken for young men and women with HSC degrees for appointment in the "national service" for two years.
- Discrepancy in wages between male and female workers will be removed.
- National minimum wage will be re-fixed and a permanent wage board will be formed.
- Rationing system will be introduced for all labourers including garment worker, ultra poor and rural landless farm labourer, as special consideration.

According to the manifesto estimates, **the government has to create employment opportunities for about 4 million unemployed people in the next four year or so with 1 million per year both in public and private sector**.

The current state shows that the number of employed people increased to 47.4 million in 2006 from 44.3 million in 2003, implying that an annual average employment growth rate at 2.23% or 1 million per year. This was mainly possible due to employment opportunity created in financial intermediaries (31.5%), followed by transport and communication (9.66%), hotel and restaurant (8.14%), real estate (7.2%) and manufacturing (6.35%). Though the statistics is not available for the period between 2007 and 2009, **the employment growth rate might see a slowdown during the period because of slow down in both public and private investment**.

2.5 Generation of 5000mw and 7000mw of electricity by 2011 and 2013

Over the last few years, the country in general and investment in particular has been severely affected by the crippled power sector. Therefore one of the top priorities in the election manifesto was power sector as the government bet to generate electricity up to 5000 megawatt by 2011, and increase it further to 7000 megawatt by 2013. *The question arises: will meeting that target be enough to address the other social and economic development agenda of the government?*

According to the official statistics, at present the country has the capacity to generate 4162 megawatt electricity as against the current demand for electricity of at least 5000mw. The Rural Electrification Board (REB) needs 2500mw, of which it is provided with only half of the demand. But more often the actual production fall below the capacity with shortfall widened to about 1200-1500mw in the peak season. This is mainly due to shortage of gas supply, and many of the power plants have become obsolete as they cross their maximum functioning life-span of 30 years.

The official estimate is that demand for power will increase to 5720mw by 2010; the demand (peak hour) will reach to 7,732mw by 2012 and 9,21mw by 2015. Against the demand, the government pledged to set up new power plants with a view to producing up to 5000mw and 7000mw by 2013. It can be envisaged that the country's power situation unlikely to improve. Clearly, if the government fulfils its commitment, **there will be shortage of power supply at least between 1700-2200mw by 2013**. Even the government, after assuming power, in several instances reportedly admitted that it does not have any immediate remedial measures to solve the problem of power crisis.

III.MACROECONOMIC BALANCE

The government has placed the budget for the FY10 in a relatively favourable macroeconomic situation compared to the last couple of years.

- Inflation is coming down to 5.03% (point-to-point) in April 2009 compared to 7.66% of the same period of the last year while 12-month average stands at 7.49% in April 2009 compared to 9.94% of the same period of the last year.
- Despite global economic recession GDP is expected to grow 5.88% in FY09 compared 6.19% in FY08.
- The recession is yet to hit hard export sector that saw a growth of 12.7% during the first 10 months (Jul-Apr, FY09) over the same period of the previous year.
- The import, however, grew at slower rate of 12.39% during the first nine months of FY09, relatively lower than the previous fiscal due to decrease in oil and food price in international market.
- Though trade balance has deteriorated, the overall balance of payment remains favourable as currant account surplus stands at more than US$ one billion – thanks to the steady remittance growth, which increased by 22.4% during Jul-May of FY-09.
- The exchange rate remains steady at about Tk69.03 per US dollar.

Apart from the government's agenda in the election manifesto that prompted the government to undertake a big budget, the economic rationale for undertaking a big budget is to stimulate the domestic economy on the wake of global economic recession with sliding domestic and foreign investment. Therefore, it can also be argued that the proposed budget is prepared on basis of Keynesian proposition, which primarily stresses on accelerating government spending when economic recession engulfs across the world.

Such anti-cyclical fiscal policy is permissble when economy is exposed to sway by the international economic crisis. The basic assumption is to step up domestic demand particularly in a situation when the private agents (whether they are investors or consumers) prefer to be cautious and unwilling to take risks either by investing or consuming more meaning that they tend to cut down their own spending and prefer to save. Since everyone spends less, economic activity slows down and reductions in output and employment follow. So the depressed expectations become self-fulfilling, and create a downward spiral or at the least, an unemployment equilibrium. In such situation, monetary policy typically has little effect in reviving economy since reductions in interest rate or easing borrowing conditions for banks cannot be indulged in a certain point that eventually leads to liquidity trap. Therefore the alternative option for the government is fiscal policy with maintaining an expansionary fiscal stance that as it is expected would pull the economy out of the downswing with increasing investment and aggregate demand.

Now the question arises if the proposed budgetary measures would have enough efficacies to stimulate domestic demand. The answer lies on how the public money is utilised. The next question arises **what would be the macroeconomic consequences to implement such a budget? The question arises because the government has to rely heavily on borrowings –external and domestic – to meet**

the budget deficit that is set to Tk34,358 crore or 5% of GDP, which is the highest in Bangladesh. This huge deficit financing would certainly have macroeconomic impacts. Besides **the proposed budget estimated a revenue generation of Tk79461crore, which will be a difficult task to achieve**. The following gives some critical aspects of the above concerns and challenges.

3.1 What extent domestic demand could be stimulated and what could be the macroeconomic consequences?

The finance minister in his budget speech downcasts the GDP growth prospect assuming that Bangladesh economy, which is more or less resilient so far, may face difficulties in the coming months due to global economic recession. Apprehension is that the domestic growth rate may not be sustainable if the recession continues for long. This is because of possible slowdown of external demand for our goods and services. Therefore, in order to prop up the economic activities it is imperative to stimulate the domestic demand. Fiscal deficits in such a context are not only acceptable but even necessary and essential to ensure economic recovery.

In this circumstance, one can thus justify the increasing public spending as proposed for the upcoming fiscal. Now the question is whether the proposed public spending would be efficient enough to create domestic demand and how?

Given the size of the economy the proposed expenditure outlay should have an impact on aggregate demand. But the public spending has to be "inclusive". **The point that is being made here is that "inclusive" growth could not be achievable unless the government expenditure is not "inclusive". Such inclusive public spending is not only desirable from a social welfare perspective; it also provides very direct economic benefits because it is much more effective in dealing with economic situations of downward aggregate demand.**

But the question is how the public money will be utilised. If the money is spent through productive sector then it would raise aggregate demand while ensuring economic growth with keeping inflation at tolerable level. On the other hand, any spending in unproductive sector and/or inefficient utilisation of fund within the productive sector would only increase consumption that would increase inflation without increasing GDP.

The challenges to increase productive aggregate demand:

- The government has to be very prudent in project selection. In this regard, the government has to give priority to select more small projects in relatively disadvantaged areas where poverty level is high and employment opportunity is limited. For example, Monga prone Northern region and Sidr and Aila affected Southern region should get priority is such project selections because marginal propensity to consumption would be high if the government spend money in this region.
- Both public and private investment has to be accelerated,
- Export sector requires adequate attention to maintain the upward growth,

3.3 Fiscal vs. Monetary Policy

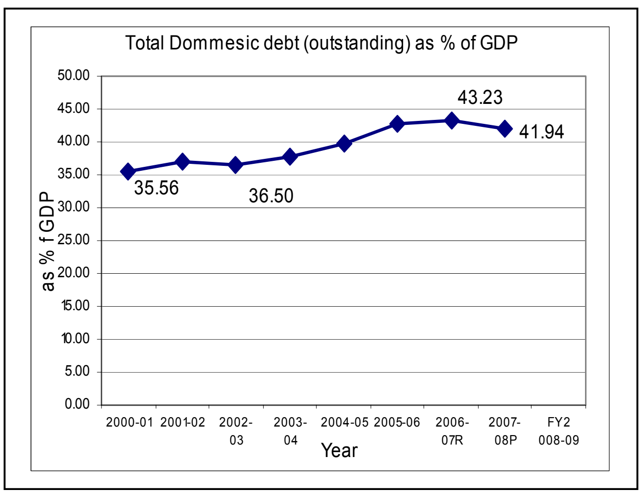
The government fiscal stances have been revealed amidst a large expenditure outlay for the next one year relying on heavy budget deficit. As revealed, the bulk of the deficit financing would be financed through domestic borrowing – banking and non-banking sources – accounting to about About Tk20,555 crore or 61.6% of the total deficit financing would be sought from the domestic sources. Of them Tk16,755 crore or 81.5% would be through banking sources and the rest from the non-banking sources.

Table - Deficit Financing

Description	Budget2009-2010	Revised budget 2008-2009	Percentage from the revised budget 2008-2009
Foreign Borrowing	13215	10215	29.37
Domestic Borrowing	78283	65632	19.28
Borrowing from Banking source	78283	65632	19.28
Non-banking Borrowing	23241	20491	13.42

There are two implications of the huge government borrowing:

- **If the government borrow from the commercial sources, this would definitely crowd out private investment**. As a result, in one hand the government's objective to increased investment might be impeded. On the other hand, money market faces disturbances due to increase in credit demand.



- On the other hand if the government depends on central bank through printing money. Almost always, this form of money creation led to high inflation; in some cases hyperinflation occurred, with currencies' values being decimated gradually. Creating money for use by the government, therefore, is not without risk. **Excess money supply would reduce the value of money relative that of goods and services as there would be too much money to chase few goods and services. In other words: prices would rise, and create inflation**.

Total domestic debt as a percentage of GDP stands at 42% in FY09, implying future fiscal management is unsustainable

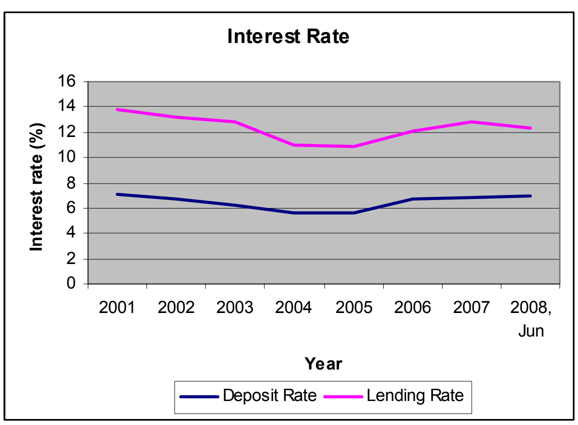
3.3.1 Challenges for the monetary authority

Indeed the huge domestic borrowing would put constraints on monetary authority. To implement the proposed expansionary fiscal policy it is imperative that the monetary authority to maintain an accommodative monetary policy. It means that there has to be continuous flow of money supply in the economy, which is possible through reducing interest rate. Although **the central bank has started pursuing the commercial banks to lower the interest rate it has not revealed yet that what would be the monetary policy stance for the central bank for the next fiscal**.

It is indeed understandable that the central bank would follow an expansionary monetary policy as a result of expansionary fiscal policy. It is so because if the monetary policy is not accommodative, **there would be a tendency to rise in market interest rate that would increase cost of borrowing**. This couple with additional aggregate demand resulting from government spending would tend to price level upward. As a result, **the expansionary fiscal policy would be counter productive with low output and higher price level**.

3.3.2 Non-bank borrowing: a trade of lowering interest rate

Another important aspect of the proposed budget is that it would also rely on borrowing from the non-banking sources like selling bonds and treasury bills. It means that in order to attract investors, interest rates of these assets have to be kept high, which has other negative consequences. For example, **the objective of the monetary authority to keep the market interest rate lower would not be achieved because it would be very difficult for the commercial banks to attract depositors to keep money in the banks if the interest rates on government securities are high**. Under such circumstances, one could speculate that there would be unrest in the money market like shortage of liquidity within the banking system for example, which may **increase call money rate**. This also has a snowball effects like shortage of fund for investment, capital market meltdown and so on. **This situation could likely to occur at the later quarter of the fiscal because government borrowing usually goes up at the end of the fiscal**.



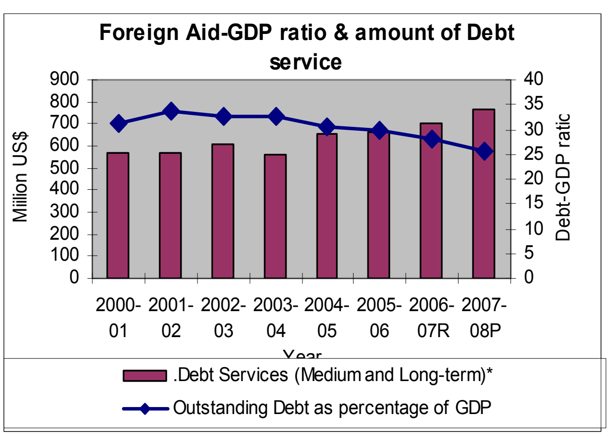
The **most important challenge for the monetary authority would be to keep the overall macroeconomic situation in balance with keeping inflation rate at lower level**. Inflation rate tends to be higher with increasing public spending because of possible increase in aggregate demand. Decreasing market interest rate would also tend to increase private consumption. So there would be further tendency to increase aggregate demand and price level. In this scenario, **the central bank would be having very few instruments to fight back inflation.** What it could do is to raise interest rate and reduce money supply, which, however, is not very welcoming on an occasion of expansionary fiscal policy and has other negative consequences as well as seen between the period of 2003 and 2006. If one recalls, during 2003 and 2004, there was a pressure from monetary authority and finance minister to bring down the interest rates of the commercial banks lower. The central bank also undertook and expansionary monetary policy with lowering down the SLR and CRR including all kind of saving certificates. But in mid-2005 when the inflation rate started increasing the central bank took a U-turn urging –directly and indirectly – the commercial banks to raise their interest rate following the instructions from the IMF as shown in the following figure.

Interest rate starts falling between 2003 and 2005 when the Central Bank put pressure on commercial banks; but following an instruction by IMF to pursue a contractionary monetary policy the interest rate started rise since 2003

Such policy-shift is very much suicidal and gives a wrong signal to the economy. For example, when the central bank announces an expansionary monetary policy, investors start forming expectations that interest rate tends to be lower and therefore making their investment decision accordingly. In this scenario, **if the policy gets reversed in the middle then it would have terrible consequences on investors making their investment uncompetitive.** One of the main reasons of bleak investment scenario within the country is frequent policy shifts, especially, with that of interest rate policy that is very much depended on investment. Therefore the monetary authority has to be very careful about how it is going to accommodate expansionary fiscal policy with giving a right signal to the people about future course of actions.

3.4 Foreign borrowing: caught in debt trap and threat to autonomy

Despite a bleak prospect, the government has set to borrow about 38.4% or Tk13,215 crore the total deficit financing from the foreign sources in FY10. **Of the total foreign borrowing, 34.4% would be utilised for loan repayment.**



Despite the resource constraints, it would be prudent for the government to reduce its dependency on foreign borrowing mainly for two reasons: firstly, **the foreign borrowing has an impact on autonomy, especially, in policy making process**. For example, as mentioned above, the central bank was forced to pursue a contractionary monetary policy followed by an IMF instruction in order to get the PRGF loan.

Secondly, **increasing public debt is a growing concern for the economy as far as its macroeconomic consequences are concerned**. The current fiscal has already run down with high public borrowing, especially, that from the domestic sources. In this backdrop an even higher budget deficit would clearly worsen the public debt situation. In fact, the country is effectively caught in a 'debt trap' whereby a high existing level of outstanding debt implies a high level of interest payments which lead to a large budget deficit in the subsequent years that has to be financed correspondingly by large borrowings which add to the debt and so on. The result is increasing growth in debt and budget deficits which creates fundamental macro economic imbalances and has a number of unfavourable consequences including the 'crowding out' of the private sector and a decline in private investment through rise in interest rates and/or a rise in the current account deficit in the balance of payments.

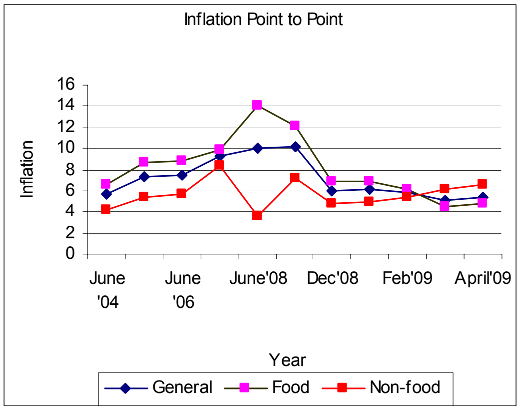
Though the recent year dependency on foreign aid has decreased, the ratio of outstanding debt to GDP is still high at 25.5% whereas debt service is on the rise. This is mainly because of interest payment of foreign loan.

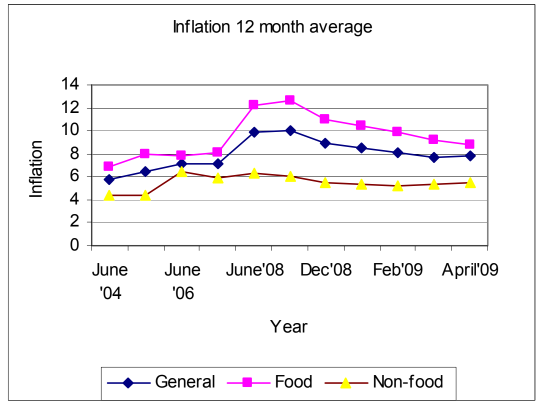
3.5 High budget deficit would step up inflation

The government has placed the budget for the upcoming fiscal at a time when the inflation rate came down substantial to 5.1% in April 2009 from a double digit figure about a year back. During the last fiscal as well as in the current fiscal exogenous factors like oil and food price hike in the international market attributed to high inflation where food inflation is the main driving force to push up the overall inflation rate. **Unlike the past year, upcoming fiscal likely to witness an upward inflationary trend as a result of endogenous factors**:

- Increasing fiscal deficit would lead to increase government borrowing,
- Unproductive public investment that may cause to demand pull inflation,
- Since the expansionary monetary policy requires interest rate to fall, this in turn may cause increase in consumption spending
- Disturbances in money market and volatility in foreign exchange market are some of the **endogenous factors that could lead to higher inflation between third and fourth quarter of the next fiscal, which may prolong to the subsequent year**.

Unlike past year that witnessed a double-digit inflation mainly due to oil and food price hike in the international market, the next fiscal would likely to see an inflationary trend due to endogenous macroeconomic variables. Apprehension is that the monetary authority would have hardly any tools to control the possible inflation while it requires in helping the fiscal authority to implement the budgetary measures.



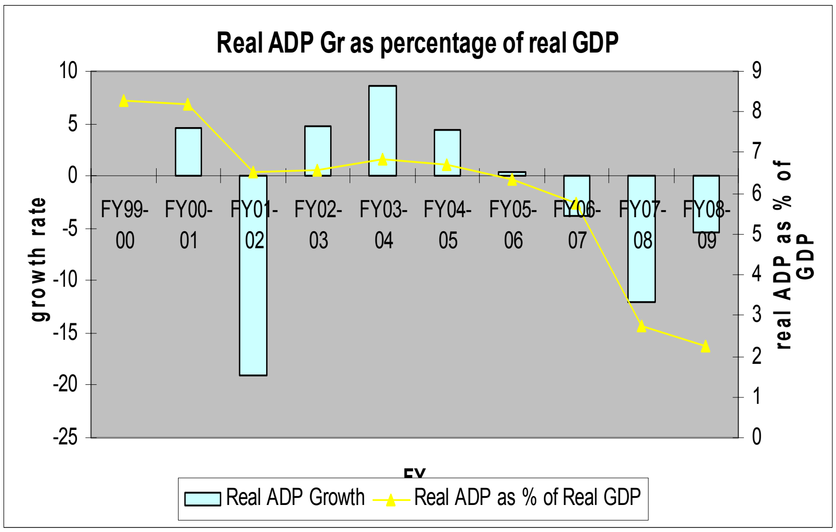


Unlike exogenous factors that have immediate impact on inflation, the endogenous factors have lag-effect i.e. any disturbances in fiscal and/or monetary policy now would have a later impact. **These disturbances could occur if the ambitious expenditure planning is not coordinated by the suitable monetary policy. The concern is that there is no immediate remedial measure for inflation that arises from macroeconomic disturbances.**

Besides the slow but steady rising price of oil in the international market could have a negative impact on domestic inflation.

IV. PUBLIC INVESTMENT AND DEVELOPMENT GAPS

Poor public investment including recurrent failure of ADP implementation and inefficient use of public fund has widened the development gap over the years. This explains why country remains far away from reaching overall objective of eradicating poverty. The country has a growth rate of over 5% to 6% over the last decades, yet development level did not get paced up along with the GDP growth rate. This means that amount of investment that is required for different social and infrastructure sector did not take place. The following figure shows that **the growth of public investment is negative in many occasions whereas ADP (after inflation adjustment) as a percentage of GDP declined steadily**.

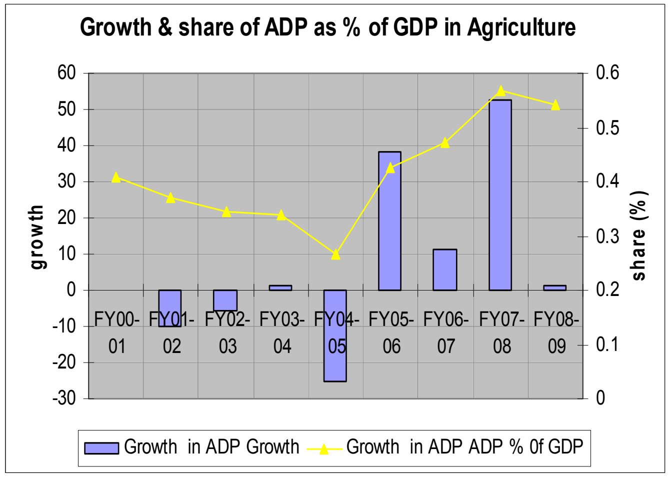


The following analysis illustrates some of the main sectors where the investment did not pace in line with the GDP. Further we look at what extent the proposed measures would fill this development gap.

4.1 Agriculture and Rural Development

After 2005, real agricultural growth rate shows a positive trend, even though the investment in this sector did not grow during the period from 2001 to 2005. The government spending in agriculture in proportion to GDP has increased to 0.57% in FY07 from 0.27% in FY05, (the growth and share are measured in real terms with base 1995-96=100). After FY07, again the rate declined to 0.21% in FY08. The poor performance in agriculture is the outcome of poor investment in the sector. During the fiscal year 2002, the sector plunged to a negative growth rate of 0.62%.

Despite that agriculture subsidy has declined substantially for the next fiscal compared to the previous one, the government said that it has given the agriculture sector highest priority. Given the numerous constraints faced by the agriculture sector, three questions still come in the way: Firstly, is the allocated budget sufficient for agriculture? Secondly, how much of the proposed outlay is really going to be implemented? Thirdly, would the benefit go to the marginal farmers?



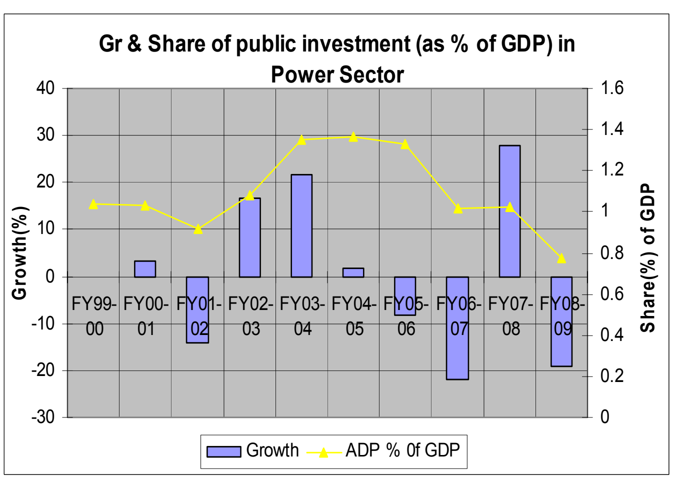
Decrease in agriculture subsidy is unexpected when the government pledged to ensure self sufficiency in food. When farmers are struggling with increasing cost of production and deprived fair prices decrease subsidy is shocking blow.

Moreover, the concern of agricultural investment and subsidy do not depend only on the amount that has been allocated but also the effective utilisation of the fund and proper distribution of subsidy. It is often claimed that subsidy does not benefit the real beneficiaries. Because, the benefit of subsidy is going to the large farmer those are cultivating HYV and/or Hybrid as well as to traders' pocket e. g. fertilizer traders. Those who are marginal farmers or landless they have not got the real benefit of the subsidies.

Though the government stressed for rural development, except for 'one house one farm' programme' the budget offers no other specific measures for rural development. Besides, the budget for rural development and LGED is proposed combining development and non-development components, which may not capture actual development programme in rural area. While political interference has dominated in project selection in the past, corruption and ineffective local government remain major hurdles.

4.2 Power Sector

Inadequate public investment and mismanagement over the years made the power sector virtually crippled. **The growth of public investment and its share to GDP (after inflation adjusted) has been declining over the years. Growth rate of the public investment in power sector has been alarmingly low and experienced negative growth in several years as shown in the figure.** Share of public investment as a percentage of GDP declined steadily since FY2005 and posted little below 0.8% in FY09, implying that as GDP grew

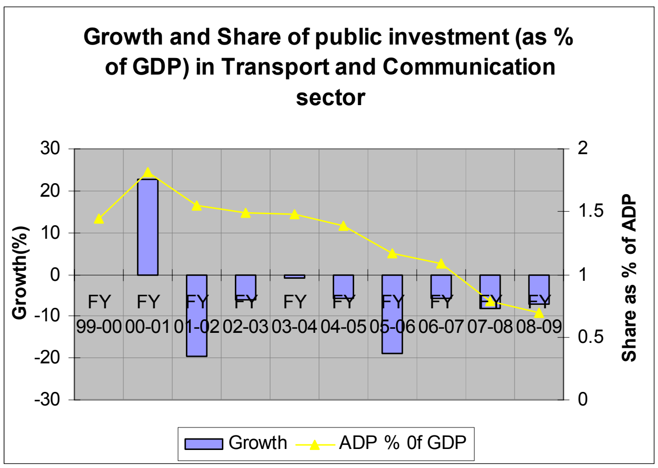


the investment in power sector did not grew accordingly.

Allocation for the power sector is quite high compared to the previous year. There are many programmes to be implemented according to the proposed budget. But question will arise regarding the proper implementation of the programmes. Adequate generation, transmission and distribution of power will major challenge for the government. The government needs to allocate more than it has committed in the budget, if it has to honour the pledges made in election manifesto.

4.3 Communication and Transport Sector

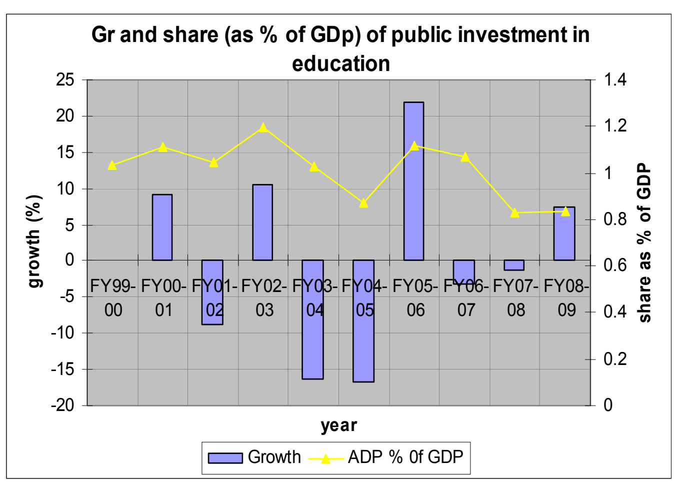
The growth of government spending in transport sector has witnessed a continuous negative growth since fiscal 2002 (20.70 in 2001, -16.85% in 2002, -1.57% in 2003, -0.058% in 2004, -0.058% in 2004, -4.93 in 2005, –16.56 in 2006, -6.65% in 2008 and o.6% in 2009). As a result, its share in proportion to total GDP slid downward to 0.79 % in 1.1% 2008 from 1.5% in 2001.



In a growing economy, it is inevitable that government should continue to expand its spending on communication and transport sector. However, during the last few years, growth and share of public investment have been sliding. The slowdown of public investment and opening up of the transport sector to the private companies in an unsystematic fashion coupled with the widespread corruption are the main reasons for the prevailing deterioration of the quality of the public transport system.. Therefore government has to arrest the declining share of public investment in transport and communication sector.

4.4 Education

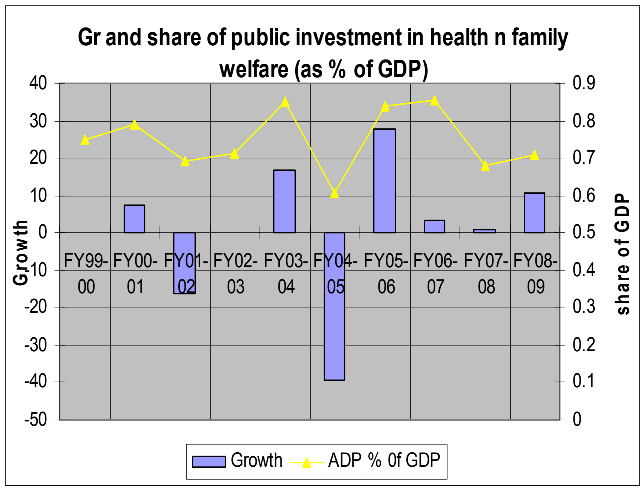
As the GDP grew over 5% to 6% during the last few years, **the proportionate public investment in education has not increased in real terms** till 2005.In 2006; it grows 1.1%, followed by a negative growth -3.2% in 2007 and a positive growth of 7.33% in 2009. The share of investment as percentage of GDP (after inflation adjustment) is 0.83% in 2008, which is lowest in the last few years.



It is not clear why the government continue to show the budget for education and science and information and communication technology together despite having two separate ministries The budgetary allocation under the present head only exaggerates government spending in education. The real allocation in Education sector – the vital for national building – remains under question.

4.5 Health

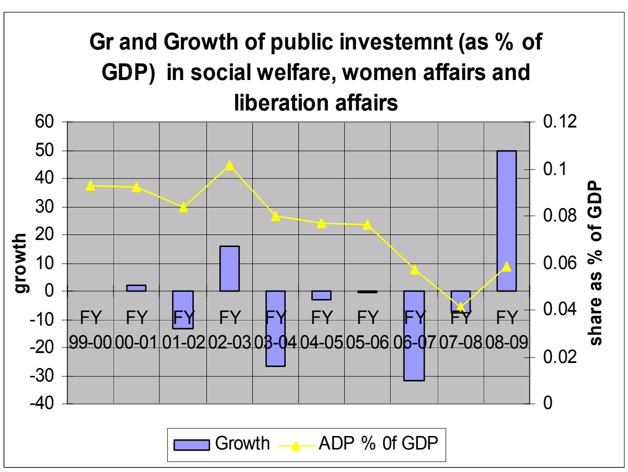
Public investment in health and population and family Welfare sector has also marked negative growth (in real terms) during most of the period between fiscal 2000 and fiscal 2005 as shown in the figure. But investment growth increased since fiscal 2006 and posted 10.66% in 2009. Its share in proportion to GDP declined from 0.71% in fiscal 2000 to 0.60% in fiscal 2005, before raising it to 0.85% in 2006. However afterwards we see a downward trend to 0.70% in 2009.



The negligence of the public investment reflects the poor quality of the public health system across the country, both in urban and rural areas. The campaign for family planning seems to come under pause due to government's concurrent recurring negligence in health and population sector. Given the prevailing poor quality of the public health system the budgetary allocation is insignificant.

4.6 Social Welfare and women Affairs

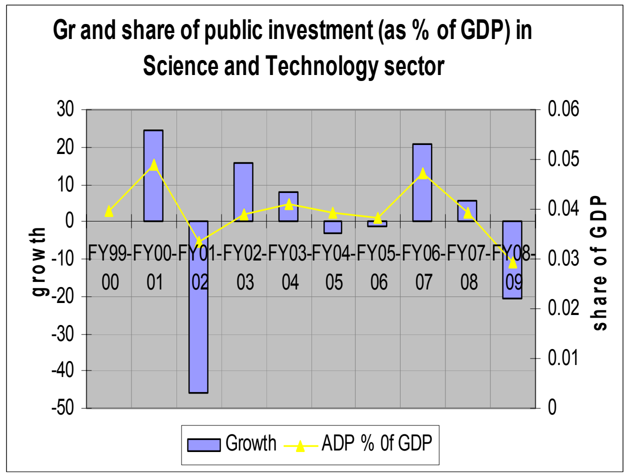
Growth of public investment Social Welfare and Women Affairs remain dismal. The government spending in real terms was negative which is, -28.68 in 2004 , –3.29% in 2005,-0.63% in 2006 ,and -31.95% in 2007 .This year it has been increased to 50% The investment in proportion to GDP remains at negligible level, has slid to 0.058% in 2009 from 0.073% in fiscal 2000.



The finance minister has announced a budget of Tk394 crore, which is a significant rise in allocation, compared to past trend as gender equity, social welfare affairs is concerned.

4.7 Science and Information & Communication Technology

Though the ICT is regarded as thrust sector for years the public investment remains poor till 2006 and the newly elected government has vowed to make digital Bangladesh by 2021. The public investment, however, does not reflect the due attention it needed. The growth of public investment in real term was 9% in 2001 and marked a sharp declined by-42% in 2002, and the investment on ICT kept on fluctuating since then and marked a negative growth in fiscal 2009..The proportionate public spending to GDP (after inflation adjustment) increased from 0.033% in 2001 to 0.039% in 2007.However, it has declined to 0.029% in FY 2009.



Remember that there is only one important time and is Now. The present moment is the only time over which we have dominion. The most important person is always the person with whom you are, who is right before you, for who knows if you will have dealings with any other person in the future. The most important pursuit is making that person, the one standing at you side, happy, for that alone is the pursuit of life.

APPENDIX – I: TAX STRUCTURE IN BUDGET FOR FY10

Revenue Arithmetic

The proposed budget set the revenue target at Tk79461crore for the FY109, up by 14.86% of the revised budget of the FY09. Tax revenue accounts for 80.5% and the non-tax revenue accounts for 19.5%.

Like past, the revenue buoyancy projected in FY10 relies heavily, as usual, on indirect tax especially on the performance of VAT. Share of VAT in total tax revenue accounts for 35.64%, followed by direct tax income and corporate tax accounting for 25.89%, the rest would come from customs duty, supplementary duty and other taxes.

Table : Growth and Share (%)of Government Revenue

Tax heads	% share 2009-20010	2008-2009 (revised)	2008-2009 (original)	% Growth 2009-2010/ 2008-2009
Gross revenue	100.00	100.00	100.00	
Total tax revenue	80.49	80.26	81.85	0.28
Non-tax revenue	19.51	19.74	18.15	-1.13
Total Tax revenue	100.00	100.00	100.00	0.00
VAT	35.64	36.23	35.66	-1.62
Import Duty	16.31	17.24	19.13	-5.38
Taxes on income and corporate profit	25.89	24.38	22.99	6.20
Supplementary Duty	16.39	16.43	16.78	-0.20
Other taxes	0.73	0.75	0.98	-2.59

One of the distinctive features of the resource mobilisation programme is that government's proportionate dependency on direct tax. In the revised budget of FY09 revenue from revised budget increased to 24.4% of the tax revenue against the original target of 22.99%. Given the scenario the finance minister has increased its proportionate dependency on direct tax in revenue generation while dependency on the sources have proportionately declined though the share of VAT in total revenue is still higher, accounting for 35.64%. One of the main reasons that helped in proportionate increase in direct tax revenue in FY2009 is anti-corruption drive that was launched by the caretaker govertnment. It is unlikely that the government would be able to generate expected revenue from the direct tax sources.

Tax and Duty measures

The tax system of Bangladesh includes several tax expenditure measures under the two broad headings of **direct taxes** and **indirect taxes**. The major policy objectives behind the tax expenditure measures in Bangladesh are to accelerate the process of industrialization, to attract foreign currency through increasing export and foreign direct investment (FDI) and to ensure social security and welfare of low-income groups. Tax expenditure measures exist in sectors such as public services, agriculture, labour and employment affairs, transport and communication, social security and welfare, etc.

Direct Tax:

- Personal Income Tax remained unchanged; however in order to achieve the ambitious target of direct tax revenue the finance minister has announced to conduct special drives in a good number of places in search of new tax payers within specific regions. In this regard the Finance Minister announced to increase the number of tax payers from existing 8 lakh to 10 lakh in the upcoming fiscal

- Corporate Income Tax for financial sector remains unchanged at 45%, however, tax for mobile phone companies if listed in the stock market would be reduced at 35%.
- Tax on capital gain from the sale of land within specific urban areas to be deducted at source, will be reduced from 5 % to 2%, and for other area the rate will be slashed from 5% to 1%.
- The existing tax holidays has been proposed to replace at reduced rate with provisions for payment of taxes. *It would help keep transparent* ***of*** *those businesses that have been enjoying tax holiday facilities.*

Indirect Tax

Import Duty

The finance minister has followed an inward looking policy in the budget of FY 2009-10 in order to protect local industries and make an effort to make the domestic industry competitive by reducing the customs duties on raw materials in order to retain export market in the on-going financial crisis. The proposed imposed duty also would discourage luxury and finished goods strongly. In general the present structure of import duty follows direction of the previous Awami league regime of 1996-2001.

Few measures have been proposed in the budget to change import tariff in certain areas.

- In FY09, there exist four import duty slabs- 3%, 7%, 12%, and 25% which is for capital machinery and parts, basic industrial raw materials, intermediate raw materials and finished products respectively. However in the proposed budget, it has not been lowered except for the 7 percent slab under which most raw materials are imported
- Proposed budget to continue zero tariffs on imports of fertilizer and major food grains.
- Regulatory duty will be imposed by 5 percent to discourage imports of luxurious items falling under 25 percent slab of duty and products detrimental to public health. This will be helpful for local industry’s expansion.

Supplementary duty

The proposed budget restructured the supplementary duties from the exiting five tiers to seven tiers. This is done mainly due to discourage luxury and finished goods.

In addition to the existing supplementary duty of 20%, 60%,100%,250%,350%, two new slabs 30% and 45% introduced in the proposed budget.

Commodities which will benefit the tax reduction and tax waiver and those that see a price rise due to newly imposed duties are shown in the following table:

Table : Reduction-Increase and waiver of Duties in Budget 2009-10

Items	SD/RD	CD	Implication
1. luxury vehicles	Up		-to augment revenue collection -to discourage imports of luxurious goods
2. Import of hybrid motorcars	Exemption		-for being fuel efficient
3. Taxi Cab (in excess of 20%)*	Waive	Waive	- to enable importation of durable and standard vehicles to be used as taxicab
4.Mobile phone Sets		Impose 25%	-this will entail higher duty on high priced sets and vice versa.
5. solar panel		3% to 0%	-to redress the prevailing power crisis
6.energy saving lamp		7% to 0%	- to facilitate the producing industries to be competitive
7.occean going vessels		withdrawn	-to overcome the slump in the registration
8.Import of Newsprint		Impose 5%	-to protect the interest of local manufacturing industries.
9.Books(fiction, novel)		12% to 5%	-to help to develop creativity and imagination
10.Milk powder imported	Impose5% RD	Existing12%	-to protect the local dairy industry
11.footware,ceramic,tiles,tableware,sanitary ware etc	20% to 45%		-to protect the domestic producing industry
12. Imports of particle board, hard board. Leather goods, MDF board, plywood, imitation jwellary, coil etc	Impose 20%		-to protect local industry not to be affected due to significant prices in the international market
13.Imported tooth brush	Impose 45%		- Do
14. Biscuit	60% to 100%		- to protect local biscuit factory
15. Imported glucose, dextrose	Impose 20%		-to protect locally produced plants
16.imported Air conditioner	20% to 60%		-to discourage the use as it entails huge electricity consumption
17.Refrigerator	20% to 30%		-
18.Luxury light fittings and fixtures	20% to 60%		-
19.phosphoric Acid		withdrawn	-to facilitate the producers of DAP to sell their products to farmers at a cheaper rate
20.Imported milk based food preparations	withdrawn		-to free the local industries to be affected by outside packed products
21.DOP(industrial raw material)	withdrawn	25% to 15%	-
22.Unfinished raw materials		25% to 12%	-
23.sulpher,titanium based pigments, plasticizer		12% to 5%	-to protect local industries for being basic raw materials
24.taps,cocks,valves		3% to 25%	-to expand the use in the industries exclusively
25.Lid cap and zylenes		7% to 12%	-to protect domestic lid cap industries
26.Zarda and Gul			-

Source: Budget speech 2009-10, subject to condition*

Value Added Tax (VAT):

VAT has been seen quite instrumental in gradually mobilizing more domestic resources in line with the growth trend in economic development, as reflected in the government source of revenue mobilization. Share of VAT is highest in total revenue of the governments. In the announced budget the tax base of VAT is broadened further for the upcoming fiscal.

- Considering the demand from various anti-smoking campaigners the price slab for cigarette and tariff value for domestic production of bidi has been increased.
- Proposed budget to withdraw VAT on domestic generation of power along with domestically produced generators to mitigate the electricity crisis.

Major Area of Concentration in Value Added Tax in the proposed budget.

- Exemption of VAT from physician's fees and from pharmaceutical productions
- VAT exemption for rural small industries, agriculture and dairy industries
- Withdrawal of VAT from internet use in educational institutions
- Simplifications of VAT system and reduction of cost of compliances
- Special privilege for small and cottage industries.
- Institutional reform of VAT office and creation divisional office and circle office
- VAT of powder milk has been reduced to tk 15/kg from tk 50/kg to make VAT more bearable.
- As an incentive to small savers, the entry level for imposing excise duty on bank deposits has been raised from Tk 10,000 to Tk 20,000.
- Vat exemptionis offered for the next one year for complete manufacturing unit as refrigerators and motorcycles. It will help to create more value addition and generate more employment opportunities. VAT is also withdrawn from locally produced hardboard.
- To bring the service of internet within the reach of students and also to signify their commitments towards digital Bangladesh ,the government has been proposed to withdraw VAT on the internet service in the educational institute
- VAT withdrawal on imports of raw materials to produce pesticides easily available for farmers has been announced in the budget 2009-10.proposal for imposition of duty of 5%
- VAT has been withdrawn for importation of pulp that is a virtual raw material for this industry. it will protect the interest of local paper manufacturing industries.

APPENDIX – 2: BUDGET FY10: REVENUE AND EXPENDITURE:

- The proposed budget set the revenue target at Tk79461crore for the FY109, up by 14.86% of the revised budget of the FY09. Tax revenue accounts for 80.5% and the non-tax revenue accounts for 19.5%
- The government has proposed a budget amounting Tk 1,13,819 crore for the FY10, which is 21 % higher than the revised budget of last year and 14 % higher than the actual budget of for FY09
- Proposed revenue estimated at TK79,461crore, up by 14.9% of the revised budget of FY09. The revenue of the revised budget set at TK 60180crore as against Tk 69382 crore.
- The proposed budget deficit set at 5% of the GDP.
- The deficit financing would be financed through domestic borrowing – banking and non-banking sources: about Tk20,555 crore or 61.6% of the total deficit financing would be sought from the domestic sources. Of them Tk16,755 crore or 81.5% would be through banking sources and the rest from the non-banking sources.
- About 38.4% or Tk13,215 crore the total deficit financing will be sought through foreign sources in FY10. Of the total foreign borrowing, 34.4% would be utilised for loan repayment.

Table: Budget of FY10 and Revised Budget FY09 at a Glance *(In Crore Taka)*

Description	Budget 2009-2010	Revised Budget 2008-2009	Budget 2008-2009	Percentage change from revised budget 2008-2009
Revenue and Foreign grants				
Revenue	79461	69180	69382	14.86
Tax Revenue	61000	53000	54500	15.09
Non Tax Revenue	15506	13654	12593	13.56
Foreign Grants	5130	4929	6346	4.08
				Expenditure
Non-Development Expenditure	77243	67125	99756	15.07
Development Expenditure	33059	24712	28531	33.78
ADP	30500	23000	25600	32.61
Total Expenditure	113819	94140	99962	20.90
Overall deficit (including grants)	29228	20031	24234	45.91
As % of GDP	4.2	3.2	3.9	31.25
Overall deficit (excluding grants)	34358	24960	30580	37.65
As % of GDP	5	4	5	
Deficit Financing				
Net Foreign borrowing	8673	5833	7236	48.69
Foreign borrowing	13215	10215	11457	29.37
Loan repayment	-4542	-4382	-4221	3.65
Domestic borrowing	20555	14198	16998	44.77
Borrowing from the banking system	16755	10698	1398	56.62
Non-Bank borrowing	3800	3500	3500	8.57