

## Setting the economic priorities right

KHORSHED ALAM

PEOPLE have given their verdict. The Government has now to act fast, and decisively. The law-enforcing agencies have to be directed in unambiguous terms to curb lawlessness and terrorism, and pursue cases of corruption. The Leader of the House in her first speech to her party's law-makers immediately after oath-taking as Members of the Parliament has rightly harped on this theme. It is expected that the law-makers will pay serious heed to the warning.

While law and order situation is and should be high on the government's agenda, the financial managers have to pay immediate attention to the country's economic situation. It is here that the priorities should be set right and necessary corrective measures taken very early.

### Review of the current year's budget

A review of the current year's budget should be the first priority. This would have been normally required because of the government's new commitments which will involve additional expenditure. It is now more pertinent in view of the global recession particularly in the U.S.A. which will have impact on our economy. The impact on export earnings especially from our garments exports to the U.S. and the European markets, the import bill of oil and oil-related products, flow of remittances and the level of foreign exchange reserves needs to be immediately assessed and continuously reviewed.

Secondly, the trend of the revenue income and expenditure of the current year should be evaluated. The first quarter of the fiscal year 2001-02 is already over. Revenue income was projected to increase by 12.7 per cent during the current year. This is already a low rate of growth. As against that the first two months' revenue earnings, according to the latest report of the Asian Development Bank, has increased by only 4.5 per cent which is a dismal rate indeed. So the sources of revenue income should be re-examined and realistic targets now re-set. The aim should be to increase revenue income by at least 15 per cent if not more. Once that is done, the revenue-realising agencies must be made to realise the new targets without fail by the end of the year.

**Greater reliance must be laid on investments by the private sector for overall growth of the economy. For that purpose, the government must not crowd out the private sector by borrowing from the banking system, and the banking sector must be permitted to select the areas of investments that promise higher growth and are relevant to our economy.**

Similarly, the expenditure package has to be re-ordered. There are some new commitments of the government. If those are to be met, some less urgent expenditures may have to be deferred till the next year. The government would like, on their own, to reform the expenditure package in its totality. In doing so, however, the increase of current expenditure should not be more than 10 per cent over last year's amount. The various government agencies must be made to realise that during the current, transitional year the revenue expenditure has to be strictly controlled and kept within the given revised levels.

The increase of revenue income by 15 per cent and that of current expenditure by 10 per cent over the previous year's final figures will still generate a revenue surplus. These goals are being prescribed for the current year.

### Medium term projection

So long we have discussed the re-ordering of the current year's budget. Simultaneously, an exercise should be undertaken to make projection of the budget sizes for the next four years. This may take two to three months, but some people should be assigned that task.

The revenue income of the government at the end of 2000-01 was Tk 24,173.00 crores. BNP achieved during their five years of administration a revenue growth rate of 19.6 per cent per year on a point-to-point basis. Based on that performance, I am taking the rough and ready figure for growth of revenue of 20 per cent per year. I am aware of the fact that it may be difficult to attain this rate during the current year, but hoping that in some later years a higher rate may be achieved, I am taking the linear figure of 20 per cent per year. On that basis, at the end of five years i.e. in 2005-06, the

revenue income of the government should hit the figure of Tk 60,000.00 crores. At least, such a figure should be aimed at. As against that the revenue expenditure should not increase by more than 12.5 per cent per year. The revenue expenditure at the end of 2000-01 was Tk 20,662 crores. At the projected rate, the end figure of revenue expenditure in 2005-06 should be Tk 37,000 crores approximately. What I am suggesting is that the government must develop the framework of the budget sizes for five years beginning from the current year to know from now where we would like the revenue income and expenditure to reach at the end of five years. We will then know the annual revenue surpluses available for the government's development expenditure.

### Development expenditure and investment

The Annual Development Programme (ADP) needs a close, scrutinising look. The development expenditure should be prioritised and emphasis laid on more growth-yielding projects during the current year.

I did not have a look at the ADP book. The concerned officials should be mandated to review the current year's ADP and then the National Economic Council should finally approve the revised ADP as early as possible. This year it should not be a year-end exercise as is normally done.

Like the medium-term exercise for the budgetary framework, the Planning Commission may be asked to make out a profile of the ADP's for the next four years. The projection of contribution of domestic resources to the ADP during the five year period including the current year may be indicated by the Resource Committee of the Ministry of Finance. This can be extrapolated from the exercise of the budgetary sizes for the said period as dis-

cussed earlier.

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### Tackling the external sector

Foreign exchange reserves are already very low and our exports particularly of the garments to the U.S. market are already on the decline. The impact on exports is likely to be heightened after the recent terrorist attacks on the U.S. establishments deepening their recession. On the other hand, import payments on account of oil and oil-related products may show an upward surge. Oil prices yet do not show any upward movement. Remittances were growing at a satisfactory rate during the current year. How the war against Afghanistan, if it gets extended to the Middle East in future, will affect remittances and oil prices is anybody's guess.

All these elements of the external sector must be continually monitored and assessed. Necessary policy measures such as price adjustments of oil and oil-related products, aggressive hunt for new markets for garments and drive for inward flow of remittances need be put in place. This is easier said than done. However, this will be the daunting challenge to be faced by the new government and has to be met through appropriate measures in the short and medium terms.

In the event of extreme difficulty, short-term borrowing from the IMF for loss of export earnings and remittances may have to be resorted to. For that a well-documented case along with a realistic, but optimal budgetary adjustments has to be made out and the authorities must set the concerned agencies of the government to undertake this task on an urgent basis. Any further decline in the foreign exchange reserves will be hard to bear.

From the above discussions it would be evident that there is no time to lose and the financial authorities of the government must rise up to the occasion to meet the challenges ahead in the short and medium terms.

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## Problems in health care delivery system and HPSP

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I ask my colleagues, working at the field level, why they do not perform equally despite the equal level of input is given to them. The reasons that they extend are:

1) The inputs that are given are not enough; 2) There is no incentive for good work and punishment for bad work (contrarily those who have muscle power get scot free and they are even rewarded and they can afford to be careless enough not to do any work). More people are interested to save even heinous offenders than throwing support behind one who would fight against wrong doings and the latter is even termed as the trouble maker! 3) Their employer (Government) does not care for, take interest in or understand their social and familial problems; 4) There is no strict rule or policy towards their hierarchy and career opportunity. The only virtue that one needs for promotion is who took birth before whom! 5) Their compatriots in other ministries are better off which is a reason of their frustration; 6) They do not get good direction from the top and the top structures do not listen to them when they require support and understanding from the top (if we are not heard we tend to become hard of hearing too if you do not listen to me why should you expect that I should listen to you and when I see that it does not really matter whether one listens to you or not and also you do not appreciate if I would listen to you); 7) Many important programmes and issues that are locally valid and necessary do not get attention of the national level decision makers which smacks of the apathy and ignorance of these decision makers towards the local conditions which affect the commitment of the latter negatively; 8) The activities and the programmes that are planned at the top cannot be owned by them since many of these are not relevant to them and they do not understand the necessity of some of them; 9) There is no flexibility in the system and they have no authority but only responsibility so they feel handicapped in matters of personnel administration, logistics management and maintenance. Also, in absence of authority it is not safe to exert too much of it for carrying out responsibility; 10) It is safer not to take decisions, which helps in not committing mistakes. It is dangerous to come to the lime light by working hard. There will be jealousy among the colleagues and they might be powerful; so one may be in harms way if one dedicates too much! Also, it does not pay off. So why take the risk; 11) National level policy makers, planners and managers talk about many things, they promise many things and big things but they soon forget those.

There are, however, stories behind the stories. It is true that with more logistics, impressed fund and fund for operation and maintenance things could be better quality and quantity-wise. With skill enhancement also further improvements could be possible. Our problems lie however, somewhere else in our attitude. If this is not taken care of then even with improvements in these areas there will be no commensurate success. Creation of a

congenial attitude hinges on many facets. One of them being how we are raised and educated and what environment we are raised and educated in and function in. These in turn depend on the societal and political norms and values. If apathy, indifference and negligence are pervasive it will be difficult to tell people to overlook those and carry out their duties steadfastly. In this kind of environment only those will function honestly who have been raised as such in their formative years and who were not allowed to be spoiled by the environment around them. It may not be sufficient however, for many, in fact for most of the people. Improvement of the environment and social environment, to be more specific, will depend on the social and political leaders the opinion makers. e.g., teachers, religious leaders and public figures including those who have been voted to public offices. In fact among all these, the last group of people is the most accountable

These apprehensions however, are more notional than actual. There had been plenty of piloting on this in this country. Our field managers love to and dare to take challenges and have shown their capability and grit to overcome them when they really have confronted them and have been challenged with them. In fact they do better in these trying circumstances than we would comprehend. Through decentralization we may in fact garner profit in two ways. First, we may free ourselves from functions that even a lower level official can accomplish and thereby have more time to do more tedious, more complex and more responsible jobs and obviously if more time is given to a job it is apt to be a better done job. Second, it is wiser to give up too many responsibilities that can hardly be done perfectly and thereby making oneself vulnerable to failures, than give up some of it and hold others accountable. By so doing one may in fact expand the power base and

focus of the Government to an intervention that may ultimately benefit only these economically and therefore politically powerful group at the cost of the paupers. Worse, there is every chance that these public goods may not remain viable after a particular need of the powerful ones is met up which thereby raises the production cost of these goods too high on per capita basis, affecting allocative efficiency.

In public system success may be ensured only when these providers are saints. Which they cannot be. Interestingly in a system like ours while the public sector is a provider of health service, at the same time it is the authority to measure the success and failure of the system. Obviously therefore no failure of any sort will be noticed by this same vested system. The best role of the public sector therefore would be to hand over the responsibility of service provision to the others and retain the responsibility of prioritizing and formulating programmes and interventions, setting quality and quantity targets, monitoring and evaluation. The public sector can do these jobs much better and above board in these changed settings since it does not have to compete then with any other organizations and by refraining from spreading its strength too thin it may better concentrate on these reformulated jobs.

'Every poor country in fact is a poorly managed country'. The reason of poverty in the health sector, like in others, is also ostensibly, due to poverty of skilled management. We manage by crisis and not by objective. Although a sweepingly reformed health sector management structure and strategy have been enunciated by the name of HPSP, the management technique itself remains the same.

bring others within that power fold. It is a bit risky however, if the one who wants to decentralize is weak with regard to knowledge and skill. Could this be one reason why we do not desire to decentralize?

As a principle and as a constitutional right Government of Bangladesh is obligated to ensure health service to the people. Question is, whether the constitution makes it mandatory to make this service available free of cost to every one, i.e., even for those who could afford to pay? That in fact may not be the case, because it is impossible. But Government, as the custodian of a welfare state, is morally bound to see that every one gets required, if not equal, treatment in the bounds of its state. This notion of equity is unique to the public sector and it is the area where a public sector differs from a private sector. This equity, however, cannot be guaranteed by the state operationally, e.g., any commodity that is made available at a price that is lucratively lower than the market price will invite rent seeking mentality among the producer, provider and/or the distributor of that service and the more these are combined in one hand the more, obviously, will be the scope to exploit the situation. So why hang on to an over-stretched and strained public sector system? Because while market failure is bad in equity considerations public sector is worse, in addition, because of inefficiency and ineffectiveness. The public sector is also vulnerable to the political whims and to the so called public demands, which in fact may be voiced by only a particular group of privileged people and which may divert the attention and

last factor in fact is not considered at all while allocating fund. So waste, sleaze and embezzlement creep up surreptitiously. Much attention is not given to this aspect of management specially in the light of a sagged monitoring system that prevails, in our system.

To end this discussion, we will remind the learned readers that

HPSP was formulated by the Government of Bangladesh because of the following reasons.

1) Efficiency, that will be ensured through avoiding duplications in the structure and programme by restructuring and reforming the existing system; 2) Effectiveness, that will be ensured through extension of services and service struc-

tures, to be given by a cadre of skilled providers and by involving community in the organization of the services; 3) Quality, to sustain the efforts (It has been envisioned that if improvements in effectiveness and quality could be ensured then this expectation will come true through sharing of the financial responsibility

partly by the beneficiaries. Because the latter will be encouraged and interested to pay for quality services; as they are already, in fact, paying for services, directly or indirectly, in the public sector or private sector facilities).

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