

Sudden, bloody death in India

We condemn the heinous act

THE suspected involvement of Maoists in the train crash which left at least a hundred dead in West Bengal on Friday renews fears of the threats India faces from these extremist elements. The very fact that since February this year the Maoist guerrillas have been making violent raids on targets in West Bengal and Chhattisgarh, in the process causing the deaths of scores of people, says a whole lot about the horrific and mindless lengths to which extremism can go in staging such orgies of destruction. It also points to the desperate measures they appear to be adopting in their war against the establishment. This desperation becomes clear from the fact that the Maoists are now beginning to target civilians, a clear change in strategy considering that earlier the focus was on soldiers and policemen. Obviously, with the Indian government going in for a direct, no-holds-barred assault on Maoist strongholds, the rebels find themselves in a beleaguered position. It is a back-to-the-wall approach that they now have decided on. The consequences have been horrendous.

One does not have to emphasise the severe challenge that India faces today from the Maoists. This reality is borne out by the number of those killed by the rebels this year alone. Such acts of cowardice can only alienate the rebels from the very people they say they would like to help vis-à-vis socio-economic uplift. The problem is compounded by the fact that the Maoists do not only operate in West Bengal and Chhattisgarh but also have camps in other Indian states. The networking established by the Maoists in different regions of the country demonstrates the level of coordination which has come into their operations. And unless the Indian authorities prove equal to the task of quelling the rebels, there is a real chance that the chaos the Maoists have so far caused will only ripple out in a wider dimension. It is quite clear that even as they face the full force of Indian security forces, the rebels seem to think that the more they strike out against policemen and civilians, the closer the authorities will come to negotiations with them.

We in Bangladesh sympathise with the families of the dead and with those who have survived this newest tragedy as we have ourselves been victims of terrorism in some form or the other. Terrorism is never a solution to a problem but a beginning to a problem. We have always upheld the principle that violence to achieve political aims can only leave a society in huge disorder. For that reason, we condemn the murder and mayhem that the Maoist elements in India have lately resorted to. Those who kill and pillage can only distance themselves from the people. They can only destroy and leave societies in various states of paralysis.

A glaring instance of malpractice

The players are all identifiable, action should follow

HERE is a specific, tell-tale instance of corruption and malpractice glaring through any smock-screen of generalisation and deserving to be dealt with in public interest. It centres around a Tk 70 crore reconstruction project involving 50 city roads damaged in 2004 floods and undertaken by the Dhaka City Corporation under a Japanese assistance programme. So sloppy was the work done by 25 contractors handpicked by DCC that most of these had to redone in three years.

There are a number of specific infractions here the seminal being the publication of advertisement for tenders in poorly circulated newspapers in gross violation of the rules demanding these to be published in widely circulated national dailies. This deliberate ploy to award the contracts to favoured parties spun into greasing the palms of DCC officials at various stages -- before the work orders were issued, during the execution of the work through cuts from purchase and use of poor quality materials and underhand deals in the submission of fictitious bills. Scandalous revelations of billing for road stretches not paved or done in shoddy manner have often made news lines but no corrective or punitive action was ever taken. Similar was the fate with a large variety of public works like unfinished bridges popping out in shocking news photos in recent times.

Why nobody is held to account for this sheer waste of national resources, denial in terms of delivering basic public services and above all undermining our image before the development partners. One basic reason for this may be the corrupt working in cahoots like mutually shielding elements giving a damn to national or public interest.

Imagine the spokespeople of the DCC making light of the infraction about publishing the tender ad in a poorly circulated dailies by claiming to appear in the role of a saviour of such newspapers. Moreover, instead of being introspective, he adopted a diversionary tactic of saying that the allegations against the DCC resulted because of not having bribed a certain CAG official. The Controller General has asked for documentary evidence that a bribe was at all asked for.

Actually, there is no mechanism whereby the CAG's audit findings and allegations of corruption are followed up on and action processed and taken against those found responsible for lapses. In the specific case of execution of road contract projects DCC even didn't care to respond to the CAG objections. The organisation reported on, must be required by rules, to be answerable for the charges. That is the first step to take along with ordering investigation into the allegations.

It's all about jobs



Creating labour intensive industries is key to improving economic growth.

Not only GDP has to grow at something like 6.5% to 7% per annum, but manufacturing has to grow at nearly 12% per annum. In Bangladesh, growth of this sector exceeded double digit figure only in one or two years.

RIZWANUL ISLAM

ACCORDING to a recent *Daily Star* newspaper report, both unemployment and under-employment have increased in Bangladesh during 2006-09. The economy of Bangladesh needs to generate employment at sufficiently high rates, not only to absorb the new additions that take place in the labour force, but also to take care of the backlog of unemployment and under-employment.

For employment to be productive it needs to be linked to the process of production. Thus a higher output growth is a necessary condition for creating jobs that are productive and remunerative. However some countries with high rates of economic growth, like China and India, are still grappling with the problems of unemployment and underemployment. So, what is the problem?

For Bangladesh, low output growth is definitely part of the problem. In order to estimate the growth rate of output that is needed to absorb all the new entrants into the labour force, one needs an estimate of the growth of labour force.

If one uses a labour force growth of 3.3% per annum (as is reported in the government's revised PRSP II document) and assumes that 1% GDP growth creates about 0.5% increase in employment (the latter figure obtained from an ADB report of 2005), GDP growth of at least 6.6% would be required just to absorb the new additions to

the labour force.

The economy of Bangladesh achieved that growth rate only in 2005-06. And since then the economy has witnessed a slow decline in growth rate. So, inadequate growth is clearly a part of the problem.

Inadequate growth of manufacturing is another problem. In order to achieve a high growth rate of productive employment, the manufacturing sector has to act as the engine of growth. Countries like South Korea and Malaysia show that manufacturing has grown at nearly double the rate of growth of overall GDP. This implies that not only GDP has to grow at something like 6.5% to 7% per annum, but manufacturing has to grow at nearly 12% per annum. In Bangladesh, growth of this sector exceeded double-digit figures only in one or two years.

In order to get a clearer understanding of the problem of inadequate employment, it is necessary to look at the growth of employment in relation to the growth of output. This relationship can vary from country to country and over time in the same country.

An ADB report of 2005 showed that the proportion of employment growth in relation to output growth declined in several Asian countries, like Bangladesh, China, India, Indonesia. In Bangladesh, the proportion was 0.550 during the 1980s, which declined to 0.495 during the 1990s. What has happened during the 2000s is not

known. But if unemployment and under-employment really increased in recent years, it would be important to examine whether the trend continued.

It may be mentioned in the above context that the countries, which were able to combine high economic growth rate with high employment growth rate, were the ones where unemployment and under-employment declined quickly. They include South Korea, Malaysia, and Taiwan. In Korea, for example, during the 1960s and 1970s when there was a high degree of unemployment, the proportion of employment growth to output growth in manufacturing was in the range of 0.6 to 0.7. Malaysia also had similar experience during the 1980s and 1990s.

Why is the rate of employment growth in relation to output growth different in different countries? One factor is the type of technology used. Of course, this may not be an attractive option to entrepreneurs, especially when competitiveness is key and it is important to use the advanced technology in order to be competitive.

A factor that can really make an impact on employment growth is the composition of industries. There are certain industries like garments, electronics, leather products, shoes, toys, and furniture, which are labour intensive by their very nature. Even if the state-of-the-art technology were used in such industries, they would still employ large numbers.

And if more such industries grow in a country, the employment to output growth will be higher compared to a country where the industrial sector is dominated by more capital-intensive industries. This is how countries like Korea and Malaysia were able to achieve high employment to output growth rate.

Bangladesh also has the potential to

promote labour-intensive industries following the pattern of growth observed in Korea and Malaysia. However, the process remained limited to just the ready-made garments industry.

It is only in recent months that we read newspaper reports of forthcoming investments in the shoe industry. We need much more of such investments and in several more such industries in order to be able to reverse the trend of worsening unemployment and underemployment situation.

In other words, we need to formulate and implement policies that would help achieve diversification of the industrial sector and growth of more labour-intensive industries.

Another sector that can make a difference to the employment growth is the construction sector. This sector can be important in light of creating necessary infrastructure that could facilitate further investment. This is also the sector, which is amenable to the use of labour intensive technology without compromising on productivity and competitiveness.

It is no coincidence that the period when the employment situation worsened (2006-09) is during the period where there was a decline in growth of the construction sector in Bangladesh. It would be important to reverse this trend; and from that point of view, public investment in infrastructure would be important. This also is a sector where public-private partnership may have some potential.

A word may be said about the usefulness of the government's employment creation and safety net programs, which are often regarded as "dole" and undesirable. Two remarks on this are in order. First, social safety nets and social protection are important for a variety of reasons, and must not be dismissed as undesirable. Second, employment-based safety net programs can be linked to production if they are linked carefully to the construction of much needed infrastructure.

I have not yet said anything about another means of closing the gap between labour force and employment generated within the economy -- international migration of workers. This is extremely important for the economy of Bangladesh -- as a source of both employment and foreign exchange.

However, this is an uncertain and volatile source of employment. For example, during 2007-08, the number of Bangladeshi workers going abroad exceeded 800,000 per year, but it came down to less than 500,000 in 2009. Second, a look at the personal aspects of migration would show that while there are stories of success and upward mobility, there are also stories of abuses, frustration, and disasters.

I would, therefore, be in favour of strategies to gradually reduce the dependence of our economy on international migration of workers and immediate steps to reduce the pains and abuses associated with the process.

Rizwanul Islam is an economist and is former Special Adviser, Employment Sector, International Labour Office, Geneva.

Painfully funny

Most government offices do not to pay their electricity bills for years. If the outstanding government bills are fully realised and loss due to pilferage is properly addressed, revenue will increase, generation cost will be reduced, and regular electricity supply will be ensured.

A.N.M NURUL HAQUE

IT is painfully funny that the Power Development Board (PDB) has proposed another raise in power tariff even in the midst of agonising suffering of the people in the face of price spiral of all essentials and disturbing power supply.

The PDB raised power prices by 5% to 6% only a few weeks back, and the proposed increase will make power 10-12% costlier for common consumers.

The generation cost of electricity is higher than the selling price, and the government has been paying subsidy for it. The present rate of power generation is Tk. 2.80 for a unit while a consumer pays Tk. 2.45 for it. The subsidy of Tk. 0.35 for a unit of electricity is a very sensible proportion.

Apart from power rates, the PDB has also proposed raising of the minimum bill amount to Tk.125 from Tk.100, and demand note charge and service charge are also being revised. The new tariff will come into effect after the Bangladesh Energy Regulatory Commission completes public hearing of the proposal.

It is quite likely that PDB will propose further increase of power price soon to overcome the gap between the generation cost and the existing selling price when electricity from the rental power plants is added to the national grid. Such repeated increases of power price are not only unjustified but also oppressive.

Common people know little about system loss, which is simply pilferage. Most government offices do not to pay their electricity bills for years. If the outstanding

government bills are fully realised and loss due to pilferage is properly addressed, revenue will increase, generation cost will be reduced, and regular electricity supply will be ensured.

Use of energy saving bulbs can save a big amount of electricity. But it is really unfortunate that no government wants to undertake difficult but necessary tasks, but goes outright for price hike without considering the people's sufferings.

The power ministry has signed deals to buy electricity from nine rental power plants with a combined generation capacity of 840 MW without floating any international tender, taking advantage of the prime minister's nod for unsolicited contracts to ensure quickest possible remedy for load-shedding.

These deals are considered detrimental to the national interest, as the present price charged is double, i.e. Tk.14 per unit, while it was Tk.7 previously.

There is now a risk of providing subsidy of Tk.150 billion by 2013 to the power sector as it has turned to high-cost oil-run power generation instead of conventional gas or coal-run plants. Presently, the government is giving Tk.10 billion as subsidy to the power sector annually, which is worth paying.

But it will have to shoulder a big financial burden, much higher than the present level, to implement the addition of 9,500 MW to the national grid by 2015. The government will have to pay an additional subsidy of Tk.15.60 billion in 2010, Tk.35.54 billion in 2011, Tk.65.78 billion in 2012 and Tk.39 billion in 2013 for operating the oil-

run power plants.

The subsidy amount has been calculated considering power tariff hike by 12% every year. If the government fails to raise the tariff every year the financial burden will be bigger.

Several rental power plants are already being set up, and are expected to generate electricity soon. Some 4,270 MW, around half of the total generation, will be produced by high-cost diesel and furnace oil-run power plants.

According to the PDB chairman, the price per kilowatt hour (kWh) of electricity generated by diesel-fired plants will be Tk.13.66. The rate will be Tk.7.66 per kWh for furnace oil-fired plants and Tk.7.34 for public sector plants that will operate during peak hours.

PDB's average power supply cost will soar to over Tk.4.0 per unit by 2010, Tk.4.92 by 2011-12 and Tk.5.0 by 2013 with the start of electricity generation from the high-cost fuel-run plants. Average power supply cost, however, will fall to Tk.4.5 per unit after 2013, when several gas and coal-fired power plants start operation and some high-cost oil-fired power plants reach the end of their service life.

Political efforts to keep power prices low are common even in energy-rich countries. In Yemen and Azerbaijan, for example, fuel subsidies were 9.2% and 12.7% of the GDP respectively during 2005.

According to the data of the International Energy Agency, subsidies in non-OECD countries were running at an annual rate of roughly \$250 billion based on 2005 data. The largest subsidies existed in Russia (\$40 billion); Iran (\$37 billion); and China, Saudi Arabia, India, Indonesia, Ukraine, and Egypt (all in excess of \$10 billion).

Surely, the power sector of the country is in bad shape. Rental power plant deals with inexperienced companies through scrapping of the tender process in late 2009 is likely to add to people's hardship.

The rental power bids in 2008 and 2009 largely failed to meet the goal inflicting

heavy losses on the nation. As for short-term measures, the government should go for maximum utilisation of the existing power plants, enhancing their capacities where it is feasible.

It is encouraging that the government has taken the initiative to set up a separate institution, Sustainable Energy Development Authority, to promote renewable energy. It has already directed the methodology department to conduct comprehensive wind-mapping in offshore regions for generation of wind power.

The government should formulate a renewable energy policy to attract private investment and FDI. It should seriously consider generation of wind power and other alternative sources of power generation, including nuclear energy, to increase power supply.

India has one of the highest potentials for effective use of renewable energy. India is the world's fifth largest producer of wind power after Denmark, Germany, Spain, and the US. There is significant potential in Bangladesh also for generation of power from renewable energy sources.

Frequent price hike of electricity will not affect the rich, who misuse this precious commodity, but the millions of poor who use one or two bulbs for studies of their children will be hit hard. The power tariff should be different for those who use air coolers at home and those who use only a few bulbs.

Bangladesh never witnessed such a nagging power crisis at any time in the past, for which the incumbent government cannot also escape blame. The power ministry seems to be playing a painfully funny game with the people over pricing and supplying electricity.

The government should find ways to increase revenue from other sources without raising power tariff, if it really means business about what it has promised to the people.