

## Challenges facing the budget

*Gearing up implementation machinery is the key*

It cannot be said that the national budget for the next fiscal year (FY 2010-2011) at around Tk132.17 billion, which is 16.9 per cent of the proposed Gross Domestic Product (GDP) worth Tk 780.29 billion, is too ambitious given the overall size of the economy and the population. And compared to the revised budget for the outgoing fiscal (2009-10), it is only 35 per cent higher. From considerations of novelty, there is, however, not much to write home about except that it is a continuation of the earlier budget in terms of the emphasis given on human resources development, agriculture, power and energy and rural development. However, with extra thrust on infrastructures like power and energy on which the proposed allocation has been increased by 61.5 per cent, the new budget promises to facilitate investment better than before.

Looking at the upbeat performance of import and export in the last fiscal and an optimistic prediction on global economic recovery next year, the growth target has been fixed at 6.7 per cent. But challenges still remain since the envisaged power generation will take a long time to materialise and the external demand may hit some snags (as the scenario of instability and sluggish growth persists in the Eurozone countries which are the major importers of our RMG and other major exportable goods from Bangladesh).

Considering these factors the economic think tank Centre for Policy Dialogue expressed the view that the target of 6.7 per cent growth for FY 11 will be challenging. On the other hand, a growth rate between 6.0 and 6.5 per cent may be more realistic, it suggested in its analysis of the national budget for FY 2010-11.

The National Board of Revenue (NBR)'s success in achieving a 16.5 per cent revenue growth target in the outgoing fiscal has increased the expectation that the 18.5 per cent revenue growth target set for the next year might be an achievable one, especially considering the record of last financial year's best performers like income tax, Value Added Tax (VAT) and supplementary duty. However, the current trend of revenue collection by non-NBR and non-tax components demonstrate that they may lead to a shortfall. That calls for achieving a growth rate of around 20.4 per cent, which is higher than that projected at 16.8 per cent in the budget for FY11.

The biggest challenge will be to implement the projects (910 in total) taken up under the Annual Development Programme (ADP) for FY11. The emphasis should be laid on the sectors that have high proportion of the carried over projects and those to be completed by FY11. To accelerate the rate of implementation, the finance minister in the past (in FY10) promised to take some reform measures and use the Critical Path Method for monitoring project implementation. But nothing more of it could be heard since.

However, what is vital to look for in the ADP implementation is the quality of the projects implemented more than their number so that the whole exercise serves the economy better.

In view of the taxation measures, particularly VAT spread, it may exert a pressure on prices in general. The government may have to be watchful over pressure building up on prices.

About involving the private sector more intensely in the economy along with the public sector, it is commendable that in the proposed budget the share of the Public-Private Partnership has been set at 2.2 per cent of the budget. However, to make it attractive to the private sector, the government will need to clarify further their stakes and the profit they may draw from the ventures.

However, the success in reaching the targets as envisioned in the proposed national budget requires that the administration is transparent and accountable while development administration can deliver efficiently.

## Big void in national healthcare

*Fill it in for the sake of a productive manpower*

FOR a long time we have been fed on an impression that structurally our district, upazila and rural health complexes have been among the best in the region and we never tired of showcasing it to visiting dignitaries. It's time however we stop resting on the laurel unless we have made them into thriving, vibrant health complexes with all the OPD and in-patient facilities constantly under the watch of qualified doctors and nurses.

This may sound like a wish-list at the moment; for, many of these complexes going through wear and tear over time now look virtually abandoned and deserted where empty beds and barest of furniture make a mockery of absentee 'medicare'.

So Dhaka-centred has been the choice of doctors' postings that they visit rural health centres to which they were posted for a mandatory period just to collect their monthly salary, so goes the story. How are then the district, upazila and rural health complexes to operate without their minimum complement of physicians, nurses, let alone consultants? Equipment are left to rust for lack of technicians and operators and the dispensaries exist only in name. There are, may be, exceptions but only a handful.

In this overall context, it is inexplicable that despite the government's repeated pledges some 25,000 sanctioned posts in public sector health complexes largely remain vacant. We are surprised to note that doctors, nurses, health assistants and community health service providers should be in short supply given the turn-out rates of our medical and paramedical institutions.

Of course, of the total sanctioned strength, the government has been able to recruit 3,551 doctors, and 6,100 health assistants in one and a half years of its tenure. At that rate, it would need more than its full term to complete the process of recruitment. How do the hospitals run under such a heavy strain of manpower shortage? They should expedite.

Little wonder, private clinics of indifferent quality are mushrooming even in the district and semi-urban areas. They do fill a void, but need to be standardised badly.

It is the primary responsibility of the government to reach medicare to the entire population at affordable prices if we are to meet the MDG goal for health for all. With our success on child immunisation programmes, a void remaining in terms of adult healthcare can only be an impediment to the much-needed consolidation of the gains from other improved social indicators like child immunisation and school enrolment.



TANVIR AHMED DRIK NEWS



AMADOL HUQ DRIK NEWS

## Nimtoli tragedy: The worst nightmare

The reasons are all apparent. The persons or agencies responsible for these happenings are not also unknown. What is required now is direct action. The first step would be a thorough cleansing of the related agencies followed by establishment of accountability in every tier of administration.

HUSAIN IMAM

THE havoc caused by the devastating fire at Nabab Katra, Nimtoli in old Dhaka on the night of June 3 has sent shock waves across the country and beyond. Never before, as the burn unit chief of Dhaka Medical College and Hospital said, had the burn unit of DMC or for that matter any other hospital in the country seen so many burnt people coming for treatment at a time. Nor had Azimpur graveyard ever seen so many coffins at a time.

117 people were instantly burnt to death, and at least another 150 received critical burn injuries. 38 of them are still fighting for life in hospital. Among the dead are thirteen dear and near ones of a bride and bridegroom who got together in the bride's house at Nimtoli to attend an engagement party. All the 21 people residing in one of the seven houses caught in the blaze were burnt alive.

It was impossible for anyone who had been either eyewitness or watching television coverage or reading newspaper reports of the incident to hold back their tears. Ferdousi, a 28-year old woman, tried in vain to save the 2-year old baby of her sister by holding the baby tightly in her lap. Both were burnt alive. It was difficult for the *domes* at morgue to separate the dead bodies of the two held so tightly against each other.

Babu, a small trader of Nimtoli, sacrificed his life in a vain attempt to save a 10-year old girl from the inferno, leaving behind his young wife to mourn his death

and deliver their first baby at any moment.

It was good to see that the entire nation, profoundly shocked as it was, stood by the victims with all the support and sympathy. A national mourning day was observed throughout the country with due solemnity. Flags were kept at half-mast atop all official, semi-official buildings and establishments at home and Bangladeshi embassies abroad.

Special prayers were held at mosques, temples, churches and pagodas all over the country for salvation of the departed souls. The heads of governments of several foreign countries, including the USA and Great Britain, instantly sent their condolences.

The government did everything possible to help the victims of the inferno. The president, the prime minister and the leader of the opposition quickly came forward with all their sympathy and support. Prime Minister Sheikh Hasina quickly rushed to the spot, canceling all her official programs, and spent a whole sleepless night personally supervising the rescue operation and medical care of the wounded survivors.

The prime minister made certain that the fire victims got the best possible treatment in hospitals and clinics at state cost. She ensured that the related government agencies came forward whole-heartedly and helped the victims in every possible manner.

Under her leadership, everybody -- the Fire Brigade, the army, the law enforcing agencies, the hospital authorities, the doctors and the nurses, the *domes*, the sweepers -- worked hard day and night

with sincerity and devotion.

The prime minister and her entire rescue and rehabilitation team certainly deserve kudos for the excellent service they rendered to the ill-fated people of Nimtoli.

By now we all have seen or known what happened at Nabab Katra on that fateful night of June 3. We also have a fair idea of the possible causes of the incident. It is now time to reflect upon why it happened and who is responsible for this? As pointed out by *The Daily Star* through its editorial of June 6: "The time has come for us to not merely observe mourning day but also a 'national accountability day,' for it has been a huge absence of accountability that has brought the nation to such a pass." Who can disagree with this observation of *The Daily Star*?

There can be no argument that a chemical warehouse situated on the ground floor of a five-storied residential building was the main source, if not the origin, of the fire, which erupted like a volcano and spread like wildfire, engulfing the entire building and the neighbourhood in a flash.

It is estimated that 80% of residential houses in old Dhaka have some kind of factory or warehouse on the ground floors and residential flats on other floors. Most of these warehouses or factories are either of chemicals or plastic materials. Both are dangerously toxic and inflammable.

It is also reported that 50 thousand houses of old Dhaka are risky for living. Among them, 22 thousand are at high risk. Nearly 3 million people living in old Dhaka face the risk of death.

It is also reported that most of the houses in old Dhaka grew in clusters. The roads there are very narrow. So narrow that ambulances or fire brigade vehicles find it extremely difficult to approach the place of occurrence for any rescue operation. That is what happened in the Nimtoli incident.

Now the point is, every business concern, whether it is a warehouse or a factory, needs a trade license. The license is issued by Dhaka City Corporation. If it deals with toxic or inflammable materials, like chemi-

cals or plastic, it certainly needs clearance from at least two other departments -- environment and industry. In addition, probably all warehouses and factories need an inspection certificate from the Fire Brigade authority.

The question is, did the Nimtoli chemical warehouse have the required clearances? If they had, how did they get them? If they didn't have them, then what were all these agencies doing all these years?

The law is that there cannot be any commercial organisation, let alone a factory or chemical warehouse, in a residential building. How is it that there was a chemical warehouse in a residential building?

It is the job of the Rajdhani Unnayan Karttripakha (Rajuk) to see that the city grows in a planned way with due regard to the comfort and safety of the city dwellers. Did they do their jobs properly? If they did, how is it that the fire brigade could not easily approach the site because of narrow roads? Why do we talk about Nimtoli or old Dhaka? What about new Dhaka? Has it grown the way it should have? The answer is a big NO. Even some of the city experts who were at one time or other entrusted with the job of development of the capital now agree that Dhaka has grown in a most unplanned manner, so much so that it has now become an almost inhabitable city.

The main reason behind all these anomalies and lapses is the lack of accountability, the presence of all-pervading corruption to be blunt. The government has ordered an official investigation to find out the causes and persons responsible for the incident. There is nothing more to gain from these investigations.

The reasons are all apparent. The persons or agencies responsible for these happenings are not also unknown. What is required now is direct action. The first step would be a thorough cleansing of the related agencies followed by establishment of accountability in every tier of administration.

Capt. Husain Imam is a retired Merchant Navy officer. E-mail: himam55@yahoo.co.uk.

## Challenges in the next decade

The hegemony of the world regulators will pose a threat to the sovereignty of policymaking in countries where domestic expertise is not endowed with formidable credentials, and the government lacks fiscal responsibility. Unfortunately, Bangladesh falls in that category.

BIRU PAKSHA PAUL

BANGLADESH has been registering annual economic growth of more than 5% on average for the last two decades. This figure for a developing nation is commendable, if not impressive. The World Bank claims that growth acceleration since 1990 has been accompanied by faster progress on poverty reduction in Bangladesh. The poverty rate fell from 58% in 1992 to 49% in 2000, and further down to 40% by 2005; one of the fastest rates of poverty reduction in the region.

But a number of global and domestic challenges for the next decade are looming on the horizon. The changed global perspectives that pose challenges to Bangladesh mainly include financial crises, the economic downturn, rapid globalisation, phenomenal growth in India and China, and climate change.

The domestic challenges for Bangladesh mainly focus on food, energy, health, education, infrastructure, and legal environment. These challenges, along with the quality of local institutions, have cast a shadow on Bangladesh's growth prospects.

The coexistence of financial crises and economic maelstrom has sent the global economy into a recession. Despite some positive signs in output growth, the unemployment situation signals further deterioration, suggesting a jobless recovery for many months.

The unemployment rate in the US, for example, has crossed the 10% mark, which is the highest in a quarter century. Higher unemployment rates in the leading economies always lower their purchasing power.

A falling import scenario in the well-off nations, in turn, reduces employment in the export and manufacturing sectors of the LDCs. The unemployment rates, which are already high in most poor nations, will creep further up to worsen the socio-

economic stability, impeding economic growth.

Though the problem started with the developed nations, and the US in particular, its repercussions are indiscriminately continuing to impact the nations -- both rich and poor -- across the globe. Since the volume of international trade and capital flows is now larger than ever before, the downturn will be greatly transmitted into the LDCs through trade and monetary channels.

Economies like Bangladesh will suffer from reduced remittances that play a significant role in the country's foreign currency reserves and, thereby, imports of capital goods. Remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh, increasing at an average annual rate of 19% in the last 30 years (1979-2008). Some studies suggest that remittances are likely to grow by 10.2% this year, reaching \$10.55 billion.

In the wake of the financial crisis, when liquidity shortage in developed countries has become acute, an emerging economy like Bangladesh will experience a lower amount of Foreign Direct Investment (FDI) than it would have experienced otherwise. Foreign aid is likely to dwindle as well. All these gloomy prospects are poised to adversely affect Bangladesh's economic growth for a couple of years, if not more.

Apart from this direct threat to growth following the global downturn, Bangladesh may face another challenge to its sovereignty of policymaking in the future. Leading economies of the world that form the G-20 met in April 2009 in London and agreed to raise the power and supervision of international agencies such as the World Bank and the IMF. This change will be challenging for developing nations whose policymaking machinery is deficient in cutting-edge education and skills.

The hegemony of the world regulators

will pose a threat to the sovereignty of policymaking in countries where domestic expertise is not endowed with formidable credentials, and the government lacks fiscal responsibility. Unfortunately, Bangladesh falls in that category.

Globalisation is accelerating with relentless momentum. China adopted the liberalisation program in the late 1970s, as did India in the mid 1980s. Bangladesh joined the procession in the early 1980s, although with a lackadaisical approach. China and India embraced the challenges of globalisation on the very first day they adopted the program, and they reaped the benefits of globalisation. In contrast, Bangladeshi policymakers, including a number of economists, failed to accept this reality.

Some sectors are more liberalised than others. For example, though the reform program started in the early 1980s, the banking sector reform was much delayed and followed an irregular pattern. Some studies claim that banking reforms in Bangladesh effectively started only after 2000.

Public sector officials, with their anti-technological attitude and lack of foresight, are unaware of the outside world. Policymakers in Bangladesh must understand the reality that globalisation is irreversible. Responding to it in a timely fashion would be better than blindly opposing it.

Apart from globalisation, regional competition may pose a challenge to Bangladesh. Having two emerging giants of the world, China and India, as neighbours, Bangladesh is exposed to both opportunities and threats. By signing the World Trade Organization (WTO) agreement, all three countries agreed to gradually lower their tariffs.

While this may not be a problem for China and India, it is a growing concern for Bangladesh due to the probability that its market will soon be glutted with Chinese and Indian goods. Consequently, the manufacturing sector of Bangladesh, which is evidently less efficient than that of China and India, will have a hard time surviving. Bangladesh, thus, must explore markets for new commodities which provide a comparative advantage for the country.

Climate change and global warming will

challenge Bangladesh the most among other nations since a substantial part of the country is barely above sea level. Nobel Laureate Al Gore's documentary, *An Inconvenient Truth*, heralds an impending disaster for Bangladesh. Global warming and rising seas have for the first time washed an inhabited island off the face of Earth.

The obliteration of Lohachara island, in India's part of the Sundarbans, marked the moment when one of the most apocalyptic predictions of environmentalists started coming true. The increased number of natural calamities, among which are the floods of 2008 and cyclone Sidr, has raised copious environmental concerns for Bangladesh.

As a World Bank study predicts, Bangladesh can aspire to join the ranks of middle-income countries by 2016, or soon thereafter if the country grows at 7.5% or more. The middle-income bracket starts from \$936 and Bangladesh's per capita income is now above \$600.

Since the World Bank study did not see the current economic slowdown across the globe, and Bangladesh's growth rate is hovering over 6%, the target date for Bangladesh can reasonably be revised. Hence, a later target year of 2020 seems reasonable. A dynamic market economy must be pursued consistently to make growth sustainable.

In addition to these global threats, Bangladesh will encounter a number of domestic challenges in the areas of population, employment, food, poverty, education, health, housing, energy, infrastructure, and above all, law and order. Rampant corruption, rigid bureaucracy, policy dilemma, myopic leadership, and political vandalism -- all being outcomes of poor quality education and weak governance -- must be addressed adequately to prevent the economy from falling, and help the country move forward in the mid-income range by 2020.

This piece draws from the paper: *Challenges of the New Decade and Reforms for Growth in Bangladesh*, presented at the Bangladesh Conference on Oct 9, 2009 at Harvard University.

Dr. Biru Paksha Paul is Assistant Professor of Economics at the State University of New York at Cortland, USA.