The Daily Star

FOUNDER EDITOR
LATE S. M. ALI

DHAKA THURSDAY OCTOBER 7, 2010

ADP implementation on a quicker footing

The trend must be sustained with a focus on quality

IT is good to note that Prime Minister Sheikh Hasina's tenacious pursuit with the ministries and divisions at the regular meetings of the Executive Committee of National Economic Council (Ecnec) taking stock of utilisation of Annual Development Plan has speeded up its implementation. ADP spending in the first two months of preceding consecutive three fiscal years averaged 3.4 percent of the total plan allocations. In contrast, in the corresponding two months of the ongoing fiscal, it has nearly doubled at 6 percent of the current ADP.

Put in different words, it represents an implementation outcome speedier by an impressive 76 percent over the recorded level and therefore commendable, even though the time-frame was a limited two months. Usually, the first six months of a fiscal have been traditionally marked by deplorably low implementation rate; much of the time having been spent in paper work. Obviously, it is well-begun this time around. But only a fractional 6 percent has been achieved of the total ADP outlay which is a record Tk 35,500. It is disconcerting that a number of ministries have drawn a blank in spending.

From here on, the pace of implementation needs to be further stepped up, so that the last quarter of the fiscal is not subjected to pressure of meeting deadlines at breakneck speed risking quality. While the PM's persistent questioning of the under-performing ministries and divisions kept them on tenterhooks and has paid dividends. However, it is relevant to point out that relaxation of procurement rules was envisaged to speed things up and how far it is doing so without compromising quality is to be carefully monitored. In this context, we need to emphasise a concern over quality of implementation to be safeguarded through precautions taken against any corruption or malpractice tainting execution of projects. Here we believe an effective role of the Implementation Monitoring and Evaluation Division (IMED) of the planning commission, which needs to be reequipped, can make a difference.

The ADP consists of a number of carry-over projects; their physical targets will have to be met with qualitative utilization of funds, so that they do not spill over making for cost escalation.

As for the 800 new projects which await approval as late as in March, 2011, there is need for bringing forward the approval deadline to do justice to the projects which are expected to be a redeemer of the AL government's electoral pledges pertaining to national development.

Doctors' truancy costing dear

People expect them to do their duty

THE report that a vigilance team from the health ministry found some 170 doctors absent from their duty stations in the public hospitals and health complexes at upazila and union parishad levels is shocking, though not surprising. In fact, the surprise visits by the ministry and directorate level vigilance teams have only served to confirm the earlier reports in the media based on the complaints from the patients in remote areas of the country.

Shirking duties by professionals none other than doctors, who belong to the class of the brightest qualifying as medical students and who are bound by Hippocratic oath to serve ailing humanity, verges on the scandalous. It is really beyond comprehension how a doctor can leave behind hundreds of rural patients, who have no other place to go for treatment than the upazila and union parishad level public hospitals.

Unfortunately, most of them accounted for highly irregular attendance and yet signing the attendance register to get paid. Some of them did never appear after their appointment to these hospitals and health complexes in July this year.

The Directorate General of Health Services (DGHS)'s decision to take disciplinary action against the absentee doctors is nothing out of the ordinary, since any government servant if found dodging duty is liable to departmental action including harsher punishment depending on the gravity of the offence under law. Being public servants having the expertise in medical science to treat the ailing people, they are supposed to deliver service according to their job descriptions. What is more, as they are in such a noble profession, society's expectation from them is also very high.

The defaulting doctors, therefore, committed a grave offence on two counts. First as a public servant evading duties and second as doctors being irresponsible towards their patients.

Punishment is a measure taken after an offence has been committed. However, punishment alone is not enough. But doctors who compromise on their sacred duties need to correct themselves through an honest soul-searching in this respect. . What a huge cost the state or the general tax paying citizens for that matter had to bear to train them as doctors. So, after becoming doctors it is their turn to repay the debt. By thus evading their duties at the public clinics in the countryside, they are doing disservice to the people.

While the departmental action against the duty-dodging doctors will remain a routine measure, the main thrust of the government should be to provide the necessary orientations as well as incentives to the doctors stationed at the remotely placed hospitals and health clinics. The rural centres have to be developed with good schools, sports and other entertainment facilities, a process which will be aided by the continuing presence of the doctors.

Remove the sore thumb

The BGMEA building is a very good example how a "bad" can become a "good" with the relevant agencies choosing to do nothing and willfully turning a blind eye on the matter.

SHAHEDUL ANAM KHAN

THE High Court has served a suo moto notice asking the government to explain why the BGMEA building should not be pulled down. And several agencies of the government have been served the two-week notice to come up with an explanation. I am led to believe that for every suo moto case initiated by the court, there is failure of the government or its relevant agencies to fulfill its responsibilities and execute its tasks properly.

Going by the reports on the matter there is little doubt that the building has been constructed violating the law, and it was said in as many words by the advisor to the erstwhile CTG in 2007. And yet it continues to stand. When one recalls how quickly the same CTG moved to pull down another multistoried building, the selective application of law was only too evident for even the blind man to miss. Not surprisingly, the call to pull down the building has been widespread, cutting across political and party lines.

The BGMEA building is a very good example how a "bad" can become a "good" with the relevant agencies choosing to do nothing and willfully turning a blind eye on the matter. And the loud pronouncements of governments, past and present, to demolish illegal buildings and take the wrongdoers to task sound hollow when one sees illegal structures remaining unscathed.

No discerning person can miss the huge structure standing all by itself in a city where every single bit of space is cramped with buildings, where there is mad scramble for free space which is becoming rarer by the day. Its solitary existence, it has been standing there for almost four years, caught the public imagination once the area behind a five star hotel, in whose close proximity the BGMEA Bhaban is situated, was cleared off of all the shanty structures, and a plan to build a road connecting the Pantha Path and Tejgaon or the so-called Hateer Jheel Project, was taken up.

Its lonely existence indicates the shady manner of its birth. It stands right in the middle of a large catchments area straddling the Begunbari canal, and among other harms it is obstructing run-off of rainwater.

The building encapsulates all that is sordid in our country. It stands as a stark reminder that money can buy everything, and associating the executive head of the state, even with an illegal project, can sanctify it. When the BGMEA leaders claim that they do not need formal approval since two former prime ministers had laid the building's foundation stone and inaugurated it, do they take the people for fools? These people deserve to be committed. The Rajuk on its part has been less than transparent in this matter, giving different and contradictory statements regarding the approval of the building.

The Bhaban is doing more than just standing between the completion of the project and discarding of the idea of making movement in the city somewhat easier by way of a new road that would cut the distance by several kilometres. It is standing as an icon of arrogance and defiance, of mockery of the law and how people at the helm of affairs, in spite of the power of the state and the law of the land behind them, have proved completely sterile to stop an illegal project or take legal action against those responsible for the gross perfidy.

The land was allotted to the BGMEA in 1998 during the AL rule and the foundation stone was laid by the then PM and the building was completed in 2006 during the BNP rule and inaugurated by the then prime minister. All these are happenstances one might say, but a convenient coincidence nevertheless.

The government has no plans to demolish the building as for now, we were told by people in authority. Such a position demonstrates lack of will to move against wrong committed by the powerful segment of the society. By contrast see the way the state moves against the poor footpath hawkers or the roadside vendors occupying a bit of the roadside or making use of the footpath, and dispose of them with the greatest of promptness.

It is only for a few takas, for their livelihood, that these poor people break the law, but what about the rich doing the same thing albeit in a more sophisticated way? When it comes to moving against them there seems to be always a regressive force working on those who are supposed to enforce the law. However, one hopes the court's order will move them to action.

The comment of the state minister for housing that the government would for now not go for demolishing the building but wait for the change of mindset of the BGMEA leadership to pull down the building on their own, would be comical were not for the fact that it has come from a minister of the government. Changing a Bengali's mindset is like straightening a dog's tail. The government should do what is right by law -- pull down the building that is standing out like a sore thumb.

Brig Gen Shahedul Anam Khan ndc, psc (Retd) is Editor, Defence & Strategic Affairs, The Daily Star.

Monetary policy in an emerging economy

In emerging economies monetary policies are often constrained by underdeveloped financial markets, low per capita income and significant poverty. The central banks of the emerging world have to design prudent regulations and maintain exchange rates within a specific range while managing domestic activity and inflation.

MAMUN RASHID

THROUGH monetary policy the central bank controls supply, availability, and cost of money so as to achieve optimum economic growth while maintaining price stability. Monetary policy is relatively flexible, i.e. immediate changes can be made in response to shocks, as opposed to fiscal policy, which takes longer to manage and implement.

Monetary policy can be expansionary, i.e. it increases the total supply of money, as opposed to being concretionary, which decreases cumulative money supply. Expansionary policy is usually adopted when confronted with unemployment during recession by lowering interest rates. Conversely, contractionary policy is espoused to stabilise inflationary pressure through elevated interest rates.

Lately, we have been hearing about "accommodative monetary policy" -- warranting a balance between growth and inflation. In such policy, we see relatively quick shifts from expansionary to contractionary measures and vice-versa to fine-tune growth in an economy prone to inflationary pressures, maybe due to external reasons.

Advanced economies formulate monetary policies based on a wide range of factors, including short and long term interest rates, velocity of money, exchange rates, bonds and equities, government versus private sector spending/savings, international capital flows and financial derivatives. Developed nations often use advanced tools like quantitative easing -- an asset-repurchase program -- etc.

Conversely, in emerging economies monetary policies are often constrained by underdeveloped financial markets, low per capita income and significant poverty. The scenario is complicated additionally by existing political and economic pressure. The central banks of the emerging world have to design prudent regulations and maintain exchange rates within a specific range while managing domestic activity and inflation.

Monetary policies in Bangladesh adopt similar tools and techniques as in other emerging economies maintaining restrictions in external capital account. Monetary aggregates based policies and programmes retain relevance in economies with restricted capital accounts; policy tools influencing growth of money stock, viz, monetary programme targeting broad money growth path. Adjustments in cash reserve and statutory liquidity requirement (CRR, SLR) are used as appropriate, besides adjustments in key policy interest rates (repo, reverse repo interest rates in Bangladesh).

Since its inception, monetary policy in Bangladesh was conducted with full direct control on interest rates and exchange rates, as also on the volumes and directions of credit flows. However, as of today, directed lending has been abolished and gradual liberalisation of interest rates has taken place. Thus, interest rates have become market driven. Exchange rate has become floating, with Bangladesh Bank (BB) buying or selling currencies to keep liquidity at desired level, though we at times hear about "managed float" or "moral-suasion." As a result, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have become more stabilised.

Bangladesh's Monetary Policy Statement (MPS) for July-December 2010, released by Bangladesh Bank, is focusing on continuous watch towards locating and neutralising likely inflationary pressures from the growth supportive monetary and credit policies, to the extent feasible, targeted to selected priority productive sectors. Deepening of financial inclusion of agriculture, SMEs, renewable energy and ecological footprint will continue to a remain priority sector while at the same time BB continues to discourage expansion in lending for wasteful consumption and unproductive speculative investment. The discussion of the core strategies adopted by Bangladesh Bank in the MPS July-December 2010 is categorised into the following facets:

Inflation Outlook: Despite easing in domestic annual point-to-point CPI inflation trend from March 2010, the 12-month average domestic inflation crept to 6.51% in April 2010, marginally exceeding the ceiling targeted for FY2010. BB thinks that the average inflation will continue to creep up for some months before starting to decline in line with the trend in point-to-point CPI inflation.

Growth Outlook: Output growth performance in the agriculture sector was robust in FY 2010. The agriculture ministry estimates FY2010 agriculture sector growth at 4.39% against last year's 4.60%. the industry sector is expected to grow at 6.52% against last year's 6.46%. The government's provisional estimate for overall FY2010 GDP growth is 6.09% against last year's 5.88%. For FY 2011, BB thinks that GDP growth rate would be around 6.70%, subject to few conditions.

External Sector Outlook: BB thinks that both export and import in FY 2011 are projected to grow at double digit rates, with worker's remittance inflows setting down around lower double digit growth level. This will narrow down current account surpluses, with corresponding moderation in foreign exchange reserve growth. The needs for USD purchase (with attendant infusion of equivalent BDT liquidity) to limit BDT appreciation will decrease, easing inflationary pressure.

Capacity Utilisation: Domestic investment gets discouraged due to prevailing high cost of funds. BB has, therefore, prescribed lending rate ceilings in priority economic sectors to accelerate growth and employment. As treasury yields and deposit rates have declined BB has taken mandatory as opposed to advisory steps to diminish interest rates and service charges. BB programmes have placed greater directional emphasis on credit needs of agriculture and small and medium enterprises (SME), which are underserved by the market. However, BB should also be aware of the potential diversion of this targeted lending to non-priority sectors and the possible inflationary pressure, and prepared to adopt adequate measures to stop wasteful credit growth.

Exchange Rate Management: BB has kept BDT at an undervalued stable level with continuous foreign exchange purchases from the domestic market to protect export competitiveness and to maintain incentive for remittances. In the existing recessionary environment this is possibly a move towards export sustainability. However, as discussed earlier, with the growth of import this requirement will decrease and many a quarter feels that the taka should be allowed to find its own value. An undervalued exchange rate punishes consumers and rewards producers. Given China's recent surge in wage level and possible upward adjustment of its Yuan (since Bangladesh is a competitor to China on apparel exports), it is imperative for Bangladesh Bank to see if the taka is highly undervalued.

Monetary policy statements in developed countries are generally short and precise, primarily focusing on the state of the economy and the stance (e.g. expansionary, contractionary) the monetary authority might be taking to sustain growth and to keep inflation at a reasonable level. It is more of a framework or direction rather than detailed discussion of the policy measures.

Monetary policy in an emerging economy like Bangladesh should be able to draw a balance between inflationary pressure and investment growth, thereby creating jobs in a labour surplus economy. If we err, it is better to err with growth than inflation. An evolving economy needs growth acceleration, adequate inputs and wealth to support that growth.

Bangladesh's major challenge is to invest more than its current rates, i.e 24%. The country saves nearly 35% of its GDP. With the incremental capital output ratio (ICOR) value of 4 to 4.5 Bangladesh has enough savings to generate 8 to 8.5% growth. An optimal level of foreign exchange reserve is necessary, which is roughly \$5.5 billion if one considers the 3 month import payments as the yardstick.

With an undervalued currency Bangladesh is possibly hoarding foreign exchange reserves now. It is rather the utilisation of reserves which should matter most. Due to inefficiency in the economy (eg. poor infrastructure, energy shortage etc.) Bangladesh has not been able to invest enough to elevate the country into the next trajectory of growth.

Mamun Rashid is a banker and economic analyst. This article is the excerpt of a recent discussion paper presented to the parliamentary standing committee on the ministry of finance.