

Budget 2012-13: Need for agriculture sensitivity

MAHFUZ KABIR

THE budget for fiscal year 2012-13 will increase by 17%, making it gigantic at nearly Tk.2 trillion. The government has expressed firm commitment to achieve food security by 2013. Therefore, the next budget will have to play a vital role in attaining this goal. Even though agriculture contributes tremendously to the economy by feeding the nation, engaging the highest proportion of labour force, providing raw materials for industry and driving the service sector, it has long been ill-fated. Farmers who work hard from dawn to dusk to feed the nation remain unfed. The present government has taken many positive initiatives, but much still remains for development and transformation of this sector, some of which can be covered in the next budget.

The budget is the most significant fiscal document that bears profound implications in economic life. However, preparation of the national budget lacks direct involvement of the people and active participation of lawmakers. Even though the finance minister organises pre-budget meetings and stocktaking with business chambers and the National Board of Revenue, the people's voice remains unheard by the budget makers. Since agriculture lacks farmers' association (not the political wing) and related professional group, their demand cannot be transmitted directly to those who make the budget.

We have the five-year Medium Term Budgetary Framework (MTBF) prepared mainly to implement the Sixth Five-Year Plan (2011-2015). It contains elaborative structure of the sectoral objectives, projects by different departments under the ministry of agriculture, impact on women and poverty, and outcome indicators. The projection of expenditure, no matter whether scientifically made and aligned with possible revenue, has very little scope for addressing emerging and new realities in agriculture sector. The solution is, therefore, trading off, i.e., cutting the ongoing expenditure to accommodate new projects. There is a need for revisiting this ad hoc mechanism for adjustment and re-adjustment.

Finance Division data reveal that 52% of ADP of the ministry of agriculture had been implemented up to February, which is a clear improvement over the last fiscal year. Significant variation of project implementation round the year is a regular phenomenon, which happens due to seasonal effect, project-specific constraints, and constraints of the implementing agencies due to bureaucratic hurdles. There are hurdles in tendering process, initial procurement, delayed submission of bills, rigid Public Procurement Rules, high transfer costs, etc. These hinder efficiency of project implementation and need to be properly addressed.

Agricultural performance hinges crucially on adequate and timely supply of inputs at reasonable price. In the last few years, the fertiliser crisis was mitigated but the problem of quality seeds and irrigation still remains. Bangladesh Agricultural Development Corporation (BADC) and its affiliates can supply only up to 26% of the

demand for seeds, the rest comes from domestic private sector and imported hybrid varieties. Even though the Seed Certification Agency is responsible for certifying and controlling the quality of all agricultural seeds of the recommended varieties, its capacity is quite feeble. Compensation mechanism is needed when farmers are affected due to bad seeds.

It is important to ensure that agricultural credit is reaching in time and adequately to the small and marginal farmers, who are critical in increasing food production. In the first seven months the overall agricultural credit disbursement shows a negative pattern (-0.56%), while disbursement was reduced significantly in the rural non-farm sector (-30.66%) compared to the last fiscal year. This could lead to underinvestment in agriculture and hamper the sectoral growth. However, credit from banks usually takes time due to paperwork and bureaucratic hurdles, which leads farmers to borrow money from informal money lenders and

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input suppliers. Policymakers must look into this matter carefully.

Agriculture has been receiving significant amount of subsidy for more than a decade. Whether subsidy is adequate, designed properly, and is reaching its intended beneficiaries, economic theory indicates that it gives rise to economic inefficiency by increasing the size of "Harberger's Triangle" and causing loss. Adverse selection of the beneficiaries is also an important outcome of subsidy. The government has introduced input assistance card for farmers, which is indeed commendable. But need assessment of the farmers has not yet been conducted, which leads to inefficient distribution of subsidy. Since the overall social outcome of agricultural subsidy is positive, it should be sustained for "Pareto Improvement" through proper targeting and transparency. The government has to formulate a subsidy plan on where, why and how to spend money, keeping in mind the alternative use of resources.

Fair price is a long-standing demand from the farmers but government intervention in price will distort the market and disrupt the supply chain. Agricultural performance is commonly influenced by "cobweb" effect when high price in the current period leads to overproduction in the next year, resulting in low price. It discourages farmers from producing a crop, which again trigger price-hike. This year, speculation about food

shortage encouraged rice millers to stock rice, but was proved incorrect due to government's timely import and bumper harvest. Now it will be difficult for farmers to recover production cost because of low price of rice caused by the millers releasing their stock. In order to partly avoid this adverse outcome, there is a strong need for developing adequate storage facilities along with credit during the harvesting period so that farmers can wait until prices go up and then sell their rice. Reviving Crop Storage Credit Programme can protect farmers from adverse price effects.

In addition to the above issues, the upcoming budget should consider the following aspects for improvement and transformation of agriculture in line with the Sixth Five-Year Plan and Perspective Plan:

Increase allocation for agricultural research for improved saline and drought tolerant varieties. Currently, the northwest is costly for rice production due to high irrigation need. Rice production should be shifted to the south through improved saline-tolerant varieties. Northwest should concentrate on high-value agriculture;

Government should encourage people to build general and multi-purpose cold storages through soft loans with tax exemption for five years;

Farmers are the investors in agriculture sector but they have no insurance. It should be introduced at least in poultry, fishery and high-value crops;

Railway can be used for marketing of crops and vegetables. It will help avoid rampant extortion in road transportation and reduce the price paid by the consumers;

Upazila agricultural office should get a covered van/vehicle to distribute inputs swiftly and to remote places including char, haor and hilly areas;

Solar power panels should be used for using surface water in agriculture. Public and private commercial banks should provide loans for this purpose;

Allocation in poultry sector, especially for avian influenza, has not been disbursed yet in the current fiscal year. Compensation must be provided immediately to the affected farmers to save the poultry industry. Biodiversity management is also essential to protect this sub-sector;

Proper flow of information on price, input and marketing can also help farmers in taking correct decisions. The Departments of Agricultural Extension and Marketing can play a strong role here.

Finally, effective parliamentary oversight of public budget is central to democratisation and improved management of agricultural budget. The Standing Committee on Ministry of Agriculture needs to be involved in the stocktaking with the relevant departments and agencies to assess the failures and successes. The potential role of Standing Committee has to be realised effectively in order to enhance the scope of parliamentary oversight of budget.

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Will nuclear power ever be too cheap to meter?

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IS there an easy method to identify whether the author of an article on nuclear power is antinuclear or not? Look for the well known catch phrase "too cheap to meter" in the article. If you find it, the writer is most likely anti-nuclear!

According to Wikipedia, "too cheap to meter" describes a concept in which a commodity is so inexpensive that it is more cost-effective and less bureaucratic to simply provide it for a flat fee, or even free, and make a profit from associated services."

Did any prominent pro-nuclear advocate ever promise that nuclear power will one day be too cheap to meter? If he did, the idea is too good not to be referred to! Since it is an impossible objective, anti-nuclear critics can convincingly argue that nuclear power has failed to deliver on its promise. This taunt is very effective in demoralising the pro-nukes.

Who gave this unattainable promise on nuclear power? Or was it an attribution made totally out of context?

Nuclear energy began with very high hopes. Walter Marshall, one of its pioneers in the United Kingdom, told Britons it would provide energy "too cheap to meter." It was going to usher in an era of abundant, clean power, and an end to the filth and smoke of coal-fired power plants, Alex Kirby, BBC environment correspondent, wrongly attributed the phrase to Walter Marshall, former Chairman, Central Electricity Generating Board, (*BBC News, June 15, 2000*).

There is convincing evidence that Lewis Strauss, Chairman of the US Atomic Energy Commission, while addressing the National Association of Science Writers, made the relevant statement on September 16, 1954

Anderson clarified that "too cheap to meter" didn't mean free -- it just meant too cheap to monitor closely. Anti nuclear activists mostly use "too cheap to meter" out of context. Nuclear power is unlikely to become too cheap to meter.

He stated thus: "Our children will enjoy in their homes electrical energy too cheap to meter," he declared. "It is not too much to expect that our children will know of great periodic regional famines in the world only as matters of history, will travel effortlessly over the seas and under them and through the air with a minimum of danger and at great speeds, and will experience a lifespan far longer than ours, as disease yields and man comes to understand what causes him to age" (*The New York Times*, September 17, 1954).

A Google search, with "Walter Marshall" and "too cheap to meter" as keywords, gave 681 references. When the search was repeated, with "Lewis Strauss" in place of "Walter Marshall," I got 81,100 references. These numbers change slightly, but their order is the same. Surely Strauss is the winner! The quote can be attributed to him

Ramachandra Guha, a well known Indian historian, cast his net far and wide when he wrote: "Back in the 1950s, when nuclear energy was all the rage and scientists the world over were claiming that it would soon be 'too cheap to meter'..." (*Anthropologists among the Marxists and other Essays*). In this instance, he was less than accurate!

"It has been repeatedly inflicted on the public, because it's cute, catchy and empty of substance," Morgan Brown, Atomic Energy Canada Limited, wrote about the catch phrase in RADSAFE news group. He compiled a number of quotes from the time period before and after Strauss' speech; none indicated anything but a rational technical approach to the economics of nuclear power. Morgan's review provided abundant evidence that few people in the industry at the end of 1950s really believed that nuclear power would be very cheap.

Strauss did not refer to nuclear energy in his speech. Some argued that he was talking about energy from fusion rather than fission. Strauss knew about Project Sherwood, the USA's secret programme on controlled nuclear fusion.

Chris Anderson of WIRED BLOG network did his own research on the origin of the "too cheap to meter" phrase. He also thought that Strauss was talking about "fusion" because Strauss knew that fission would probably be more expensive than coal.

Anderson clarified that "too cheap to meter" didn't mean free -- it just meant too cheap to monitor closely. He noted that some buildings built around that time, including the World Trade Center, were designed without light switches in each office; the building managers could just turn whole floors on and off, like a Christmas tree.

Is there anything too cheap to meter? "Today, we have three technologies -- processing power, digital storage capacity and bandwidth -- that touch nearly as much of the economy as electricity, and they really are becoming too cheap to meter," Anderson added.

Nicholas Carr of *rough type.com* says that Amazon's S3 storage waived monthly charges for backing-up the hard drive of a software engineer; the bill was for \$ 0.01. The credit card company refused to process the bill!

Google searches with the names of well known antinuclear critics, Praful Bidwai, M.V.Ramana, Rosalie Bertell, Arnie Gundersen and Arjun Makhijani, with the phrase "too cheap to meter" for each, registered 804, 2,240, 1,410, 3,630 and 44,700 references respectively. It indicates how prolifically they benefited from using this catch phrase in their articles!

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Comment on 'Are new banks economically justifiable?'

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A timely and thought provoking article titled "Are the new banks economically justifiable?" by Mr. Mahfuz Kabir of BIISS, published in *The Daily Star* on April 13, has attracted the attention of many readers. The write-up is based on economic theory, but some realities have been ignored in the paper, a few of which are given below:

- The author put emphasis on the market determined interest rate, particularly the lending rate, but did not say anything about the deposit rate. I think this comes first because banks first collect deposits and then make loans and advances. Bank deposits are related, among others, to inflation rate. If inflation rate is lower, deposit rate will also be lower and consequently lending rate will also be lower. So, the main concern of the authorities should be containing inflation (as the Bangladesh Bank has rightly mentioned in the Monetary Policy Statement, January 2012), which at present is running higher than the projected rate;
- The writer said that our banks are overly urban and peri-urban centric, which is not correct. In Bangladesh, in December 2011, there were 7,961 bank branches, out of which

4,551 branches (57.17%) were in the rural areas. The amount of deposits in the rural areas stood at Tk.59,725.17 crore (13.42% of total deposits) in December 2011. On the other hand, rural advances amounted to Tk.27,106.86 crore (7.73% of total advances). Credit-deposit ratio stood at 0.84 and 0.45 in urban and rural areas respectively in December 2011. This means that the existing banks are collecting more deposits (13.42%) from the rural areas and injecting less in the form of advances (7.73%) in those areas. This indicates diversion of financial resources from rural to urban areas through the banks, and the inequality in income between the urban and the rural areas is widening;

- The writer has cited the rule for opening new banks on 1:1 ratio in rural and urban areas, which he expects will increase "financial deepening." This is perhaps a correct proposition. But, if the new bank branches divert the financial resources (deposits) from rural to the urban areas like the existing banks, will it be good for the rural economy? The question, therefore, is not about opening more and more branches in the rural areas but about the deployment of resources in these areas. If the banks can retain the funds in the rural areas

then it will activate rural economy, and increase income, employment and demand there. For this, the authorities can think about calculating separate Credit-Deposit Ratio (CDR) for the rural branches and give directions to the banks accordingly. Side by side, new prospective areas of investment, like SMEs and off-farm activities, should be explored by the banks in line with Bangladesh Bank's directives;

- The writer did not say anything about the head offices of the prospective banks. I think it will be good if the government/central bank directs the sponsors of the new banks to establish their head offices outside Dhaka city. Only giving some benefits (we do not know in what form) to the sponsors for opening head office outside Dhaka will not help in achieving the objectives. In the age of internet and with the presence of digital communication system, it has become easier to communicate with anybody, anytime, anywhere. If head offices are located outside Dhaka, it will lessen pressure on housing, transportation and other utilities in the capital city. It will also be in line with the decentralisation policy of the government.

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