

Govt projects: promises unkept

SAJJADUR RAHMAN

THE government underperformed in the implementation of most projects it undertook in the last two years. In some cases, it totally failed.

From the Padma bridge to four-lane Dhaka-Chittagong highway, development and modernisation of Mongla Port, feasibility study on the introduction of bus rapid transit and mass rapid transit systems, metro railway and elevated expressway -- all missed the deadline.

Even, smaller projects such as an active pharmaceutical ingredient (API) park, Kaliakoir hi-tech park, South Asia Sub-Regional Economic Cooperation (SASEC) Information Highway, and installation of a central effluent treatment plant at the leather industrial city, which were supposed to be finished this fiscal year, are far from complete.

"Despite our sincere efforts, we have not yet been able to fulfil some of our commitments or in some instances are lagging behind," Finance Minister AMA Muhiith said in his last year's budget speech.

The commitments he mentioned are: finalising the national energy and coal policy, bringing reforms in the railway sector, developing and modernising Mongla Port, upgrading the Dhaka-Chittagong highway to four lanes, integrating water management of the Ganges by constructing a barrage, and making the Buriganga free from pollution.

Muhiith also admitted his failure to implement the unification of economic codes and preparation of district budget, reforms in the Banking Company and Financial Institutions Act, make the framework of public private partnership more transparent and robust, and establish economic zones.

Perhaps, the finance minister will have to repeat most of these names this time also, when he will place budget for fiscal 2012-13 on June 7 before parliament.

Analysts raised questions on the government's seriousness as it has taken projects in an unplanned way.

"Each of these projects has different sorts of problems. The dearth of money is not the only issue. Seriousness of the government is very important," said Dr M Rahmatullah, a transport expert and campaigner of regional connectivity, for which Bangladesh needs to act much faster



to improve its physical infrastructures.

He said the government's position against the corruption allegations on the Padma bridge project and backtracking on the metro rail project after completing feasibility study have made donors upset, which might affect funding of future projects.

"Had the government responded seriously to the World Bank alert on the Padma bridge graft, the situation might not have arisen in today's shape," said Rahmatullah.

The metro rail project has also become uncertain due to the opposition of the Bangladesh Air Force, which the transport analyst said should have been sorted out before.

According to him, the construction of the Dhaka-Chittagong four-lane highway has been hanging in balance for years due to undue polit-

ical influence. The implementation of a two-track rail link between Dhaka and Chittagong is also going very slow and nobody knows when it would be complete, he said.

The finance minister in the budget speech, however, said due to a number of legal complications, expected momentum could not be gained in the upgradation of the Dhaka-Chittagong highway into four lanes.

Monzur Hossain, senior research fellow of Bangladesh Institute of Development Studies (BIDS), termed some of these projects ambitious and unplanned.

"A lack of money is not the only problem; inefficiency of bureaucracy and vested group interests also hindered the implementation of the projects," said Hossain.

On unplanned projects, he mentioned the

name of Kaliakoir hi-tech park where the industries are least interested to go. "It's a remote area and transportation is very unfriendly," he said.

The Centre for Policy Dialogue (CPD) in its budget proposals for fiscal 2012-13 also pointed out that the government lags behind in implementing a leather industry city, a garment palli (village), an API park, the SASEC information highway and a hi-tech park.

The CPD said speedier implementation of these projects is urgently required for the sake of the economy.

An official of the Economic Relations Division, however, said the implementation of the big projects has been hampered due to delays in getting funds pledged by donors.

sajjad@thedadlystar.net

EYE ON BUDGET

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India rupee woes highlight economic drift

AFP, Mumbai

INDIA'S rupee, which hit an unprecedented string of all-time lows last week, is set for more falls unless policymakers move quickly to put Asia's third-largest economy back on track, analysts say.

The rupee, which slumped to as low as 56.38 to the dollar last week, pulled back marginally to 55.29 on dollar profit-taking Monday but Indian brokerage Emkay forecast the currency could drop to 60 if weak economic growth persists.

"The Indian rupee's weakness is a symptom and not the underlying problem", which is "policy incoherence, shifting global risk appetite and a comatose government", said Rajeev Malik, senior economist at independent brokerage CLSA.

Ratings agency Standard and Poor's has cut India's credit outlook to negative, growth is slowing and the current account deficit -- the widest measure of a country's trade with the rest of the world -- is at a three-decade high.

Prime Minister Manmohan Singh has admitted his squabbling Congress-led coalition must do more to get the once red-hot economy moving again.

"I will be the first to say we need to do better," the 79-year-old said as he presented his coalition's annual report card at a function last week.

Singh is credited with opening India's economy when he was the finance minister in 1991 but his premiership has been tainted by a series of policy U-turns and corruption scandals.

His once ambitious reform agenda has stalled amid coalition infighting, and the economic climate has been further strained by the announcement of new tax



policies seen as hostile to foreign investment.

"India's weak national government remains the single biggest drag on activity," said Glenn Levine, senior economist at Moody's Analytics.

Now the free-fall by the rupee, Asia's worst-performing currency, appears to be bringing economic worries to a head.

Out of 58 economists and corporate chief executives polled, 53 said the economic situation had suddenly worsened, according to the Associated Chambers of Commerce and Industry of India (Assocham).

Many analysts are eyeing 60 rupees to the dollar as the next big mark for the currency as lack-lustre US data and a worsening European debt crisis prompt risk-averse investors to dump emerging-market assets.

A falling rupee stokes India's inflation -- already running at over seven percent -- by making imports costlier and makes it

The worst disaster is coming from a huge uncertainty on the rupee value and its freefall. Everybody out there in the business world is feeling shaky," said Assocham when it announced the survey at the weekend.

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harder for firms to service dollar-denominated debt.

It also deters capital inflows, making it much tougher to close the gaping current account deficit, which is already running at 4.3 percent of gross domestic product.

Analysts say India could take steps to temper dollar demand and support the rupee -- such as having the central bank sell dollars directly to Indian oil firms, which would lower demand for greenbacks in the foreign exchange market.

Fuel-scarce India purchases 80 percent of its crude from abroad, using dollars.

India could also issue bonds to non-resident Indians at attractive rates.

"Everything is on the table to encourage capital flows," including holding roadshows overseas in a bid to boost foreign investments, a senior finance ministry official said, according to Dow Jones Newswires.

But the central bank "at best, can only contain the pace of depreciation somewhat, while not being able to reverse it", said Deepali Bhargava, chief India economist at Espirito Santo Securities.

Analysts said the rest was up to the government -- which needs to press ahead with long-delayed economic reforms such as further opening up the retail and aviation sectors to foreign investment.

"The government will have to restore confidence in governance... and address investor nervousness on tax issues," said private bank IndusInd's head of trading Rajeev Mahrotri.

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Greece needs to go to the brink

HUGO DIXON

GREECE needs to go to the brink. Only then will the people back a government that can pursue the tough programme needed to turn the country around. To get to that point, bailout cash for both the government and the banks probably has to be turned off.

It might be thought that the country is already on the edge of the abyss. This month's election savaged the two traditional ruling parties which were backing the bailout plan that is keeping the country afloat. Extremists of both right and left gained strength -- voters liked their opposition to the plan. But nobody could form a government. Hence, there will be a second election on June 17.

Will this second election express the Greeks' desire clearly: stick with the programme and stay in the euro; or tear up the plan and bring back the drachma? That is how Greece's financial backers in the rest of the euro zone, such as Germany, are trying to frame the debate. But the electorate doesn't yet see the choice as that stark. Roughly three quarters want to stay with the euro but two thirds don't want the reform-plus-austerity programme.

The next election is unlikely to resolve this inconsistency -- or at least that is the conclusion I came to from a trip to Athens last week. The battle for first place is between Alexis Tsipras, the young leader of the radical left SYRIZA party, and the centre-right New Democracy party led by Antonis Samaras.

A victory for Samaras might seem to offer the hope that Greece will stick with the programme and the euro. He has, after all, campaigned for both. However, even if he comes first -- which he did in this month's election -- he will not have a parliamentary majority. He will either have to stitch together a majority coalition or govern a minority government. Neither is the recipe for a strong government.

A Samaras government could theoret-

ically deliver a positive shock by moving full-steam ahead on reforms and gaining so much credibility with Greece's euro zone partners that they give Athens real help in turning around the country. But it is far more likely that he will be timid and the rest of the euro zone will throw Greece only a few crumbs. The economy, which has gone from bad to worse in the last couple of months of electioneering paralysis, would continue its nosedive, and after a few months his government would collapse.

A victory by Tsipras in next month's election might seem even worse. After all, he will probably set Athens on a collision course with the rest of the euro zone. Last week Tsipras likened the relationship between Greece and the euro zone to that between Russia and America in the Cold War, when both had nuclear weapons that could destroy the other but refrained from firing them. Tsipras thinks the rest of the euro zone is scared that Greece's return to the drachma would cause the entire single currency to unravel and that the bail out of Athens will continue, even without substantial economic reform.

The impact on the euro zone of Greece's expulsion would undoubtedly be severe. But the other countries are finally preparing contingency plans to mitigate the damage. Germany, for one, will not be blackmailed by threats of mutually assured destruction.

It is conceivable that Tsipras will blink first, if he wins the election and finds he can't shift the Germans. But this is unlikely. The typical weasel words of a politician won't be enough to get him out of a tight spot; he would have to perform a complete somersault. It is doubtful the Marxists in his party would let him get away with this and, if they did, he would certainly lose all credibility in the country.

Hugo Dixon is the founder and editor of Reuters Breakingviews.