

ADP shouldn't be oversized

Implementation capacity, oversight key

It is learnt that the government is thinking of larger ADP allocation for the next fiscal year, which is likely to be 22 per cent bigger in volume than the current one. Ideally, one should rather take delight in the report than worry about it, because it is only expected that the budget and the corresponding ADP will progressively increase with the overall expansion of the economy every year.

But we are not living in an ideal world. So, can we ask what economic rationale has driven the government to go for this contemplated raise in the ADP's size next year?

It is worthwhile to note at this point that in the current fiscal too the government has effected a 19 per cent increase in ADP size over that of the previous fiscal year. But what is to be concerned about is that only 38 per cent of the ADP could be implemented in the first eight months of this year. As usual, there will be a race against time in the last quarter to complete the half-finished projects in haste. And the net result will be poor quality of the implemented projects and carry-overs for the next fiscal.

This uninspiring picture of ADP implementation is nothing new. Even so, with the advent of every new fiscal, one sees the same passion among some ministers and lawmakers to have a bigger ADP giving little consideration for proper utilisation of the allocated funds.

It is hoped that the government this time will be more circumspect about ensuring that projects with economic merit get the better of the politically-biased ones. And not to repeat old mistakes, it should strengthen the capacity of the project implementing agencies under the different ministries. To ensure better oversight on project implementation, the Implementation, Monitoring and Evaluation Division (IMED) needs to be activated.

Gold smuggling on the rise

Should be dealt with seriously

THE 107 kg gold haul seized at Chittagong airport on March 25 points to the marked rise of illegal gold flowing into the country. Officials say that the increase in gold duty in India that went up to 10 per cent this year has to do with Bangladesh being used by smugglers as a transit point for the precious golden metal. With a price difference of Tk. 2,000 per 10 gram of gold between Dubai and India, it leaves little to imagination why so much gold is flowing in under the radar. Given lax controls at land and air ports, it is little wonder that the illicit trade is increasing every year. Steps need to be taken to stop Bangladesh becoming a major conduit for gold smugglers. However, we note that some hauls are being made much to law enforcers' credit.

Today, we have other smuggling syndicates like cross-border cattle traders allegedly making payment in gold bars. With India being the second largest gold consumer after China, smuggling in the precious item in the absence of proper monitoring authorities can only encourage the trade. Therefore, the countries concerned must cooperate to contain the wheeling and dealing in black market gold. Though the international airports make busts every now and then, larger shipments slip might be slipping through undetected. But it's not only the lack of equipment or personnel that is to blame. Most smugglers who get caught in the act are seldom prosecuted due to an apparent lack of

Ending our 'Historical revisionism'

SHAHRIAR FEROZE

THE BNP chairperson's declaration on writing the true history of 1971 makes me wonder what really happened some 44 years ago. At times such statements are puzzling, even misleading. The instant reaction after having read that her party will write the true history of liberation war left me repeatedly asking myself "then was the history that we were taught at school and college all wrong?"

It's a pity that even after 44 years of our independence we are still divided over the truth. In fact, the true history is so bitterly divided between the two major political parties that neither of the two even cares about the facts of 1971. They have their own versions and they expect the public to believe in their respective versions. Not many will be surprised if BNP puts late General Zia in Sheikh Mujub's shoes and vice versa, if given the task to write the true history of 1971. Why not? Because it will be re-written once AL assumes office. Unhesitating

So let's face the issue squarely. Why can't our two political parties come to common terms at least in the case of contributions of individuals in the Liberation War? Or on who was the first president of independent Bangladesh? Or any fact of our history for that matter.

It's happening due to our politicians' practice of 'historical revisionism,' which is normally explained as either the legitimate scholastic re-examination of existing knowledge about a historical event, or the illegitimate distortion of the historical record such that certain events appear in a more or less favourable light. In our case it's the latter that's happening. So the consequence of this historical revisionism is likely to create conflicting and biased understanding, which has been already created, of the Liberation War.

So what's the way out for knowing the true history of 1971?

Simple: let there be three versions of the history of our Liberation War and also given the option to choose from any one freely -- the BNP version, the AL version and the neutral version. Similar to a religion having many schools of thought with a free choice to follow any one you like.

To conclude, what's wrong with believing in something the way you deliberately want to on the condition that the others are given the same freedom of choice to believe.

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Reaping demographic dividend

BARKAT-E-KHUDA and M.G. QUIBRIA

POLICYMAKERS and social scientists optimistically discuss the demographic dividend as if the benefits are imminent and within grasp. However, many developing countries, including Bangladesh, will not be able to achieve this economic benefit without appropriate policies and substantial investments in a number of areas. Indeed, as recent development history suggests, the demographic dividend is wasted if such policies and investments are not in place.

Demographic dividend is the surge in economic growth that may result from a decline in a country's mortality and fertility and the subsequent change in the age structure of the population. This decline is often accompanied by an increase in average life expectancy, which increases the size of the working-age population.

Economists have identified four distinct ways the benefits of demographic dividend can be achieved. The first is the increased labour supply; however, the magnitude of this benefit will depend on the ability of the economy to absorb and productively employ the additional workers. The second is through increase in savings (resulting from reduced dependency ratio) which, if and when invested, leads to higher productivity. The third is human capital. Fertility declines result in reduced economic pressures at home, thereby enabling parents to invest more in children's health and education, leading to healthy and educated labour force. The fourth is the increase in domestic demand resulting from the rise in per capita income and the reduced dependency ratio.

Some of the most compelling evidence of the demographic dividend comes from East Asian countries. Those countries benefitted from the knowledge, experience, and technology of other countries which had already passed through the demographic transition. The Asian Tigers were able to take advantage of the demographic dividend because of their appropriate social and economic policies -- including openness to trade and foreign investments, and flexible labour markets -- and substantial and continued investments in human capital, including education and public health. About one-third of economic growth between 1965 and 1990 in the East Asian countries is attributed to demographic dividends.

The critical questions facing Bangladesh are: where will productive jobs, vital for economic growth, come from? What have been the sources of growth in Bangladesh, and how do they compare with other fast growing Asian economies? Also, will Bangladesh be able to make adequate investments in education and health to ensure a healthy, skilled and productive workforce? Currently, Bangladesh spends around \$16 per capita (two-thirds of this comes from out-of-pocket spending), which is less than one-third based on the latest WHO estimate.

In Bangladesh, between 2000 and 2010, the total working age population and the total labour force each increased by about 2 million annually. However, total employment increased by only 1.5 million annually. Most of the increase is in the informal sector due to relatively limited number of jobs created in the formal sector. The employment structure of Bangladesh is characterised by



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the predominance of the low-productivity, low-wage, informal sector (absorbing around 80% of the total labour force), which cannot contribute much to poverty reduction. Like in many developing countries, the official statistics on the unemployment rate is quite low (4.5%); however, it conceals the considerable under-employment (17-34%), which is of greater concern. The situation is even more precarious when it comes to the case of employment of college and university graduates. If the economy cannot significantly enhance its employment generating capacity, the ranks of unemployed and underemployed will soon reach alarming levels.

Recent empirical growth studies suggest that, in general, for fast-growing Asian countries, capital deepening and improvements in production efficiency were the two main sources of growth. Indonesia and Korea relied much more on capital deepening. Bangladesh did not have as much growth in capital per worker as these countries. Also, the low skill level and the associated low labour productivity of Bangladeshi workers act as impediments in the process of economic growth of the country.

A sizeable increase in production efficiency has been achieved in several middle-income countries on account of workers migrating from low-productivity sectors like agriculture to high-productivity sectors like manufacturing. However, the situation is not similar in Bangladesh, a low-income country. Agriculture continues to operate at low productivity, though employing around one-half of the country's labour force, while contributing only around one-fifth to the GDP. In contrast, high productivity financial, information and communication, and engineering services employ only a tiny share of the labour force.

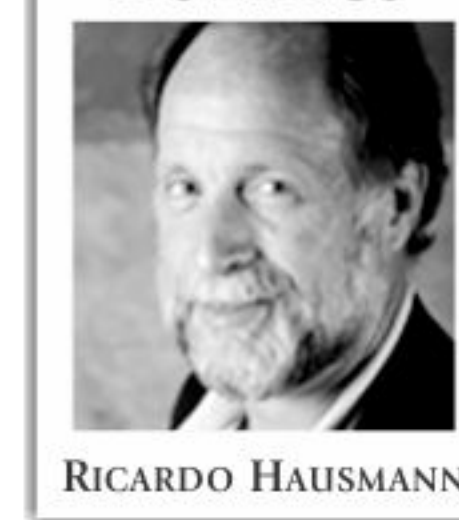
Turning next to industry, we see greater differences. Bangladesh's share of employment in industry is below that of most other Asian developing economies. Also, its share of value added in industry has not kept pace with its share of employment. In contrast, in Indonesia the share of value added has kept increasing as the share of employment has increased. Of great concern is that while workers are being added to industry in Bangladesh, albeit relatively small numbers, the productivity of the jobs continues to be low. While the share of employment in services has been growing, the share of value added is lower than in most other Asian developing economies.

However, the crux of the problem is that while industry and services are creating jobs, these have been relatively low-productivity jobs. As a result, per capita income in Bangladesh has not benefited as much from inter-sectoral migration of workers out of agriculture as other Asian countries have. This begs the question: How many workers will industry and services sectors in Bangladesh have to absorb in the next decade? Bangladesh's challenge is to create the conditions for faster growth of productive jobs in manufacturing and in services in the formal sector. Otherwise, the demographic dividend could turn into a huge demographic burden.

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Why are rich countries democratic?

ECONOMICS
+
POLITICS



RICARDO HAUSMANN

WHEN Adam Smith was 22, he famously proclaimed that, "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things." Today, almost 260 years later, we know that nothing could be further from the truth.

The disappearance of Malaysia Airlines Flight 370 shows how wrong Smith was, for it highlights the intricate interaction between modern production and the state. To make air travel feasible and safe, states ensure that pilots know how to fly and that aircraft pass stringent tests. They build airports and provide radar and satellites that can track planes, air traffic controllers to keep them apart, and security services to keep terrorists on the ground. And, when something goes wrong, it is not peace, easy taxes, and justice that are called in to assist; it is professional, well-resourced government agencies.

All advanced economies today seem to need much more than the young Smith assumed. And their governments are not only large and complex, comprising thousands of agencies that administer millions of pages of rules and regulations; they are also democratic -- and not just because they hold elections every so often. Why?

By the time he published *The Wealth of Nations*, at age 43, Smith had become the first complexity scientist. He understood that the economy was a complex system that needed to coordinate the work of thousands of people just to make things as simple as a meal or a suit.

But Smith also understood that while the economy was too intricate to be organised by anybody, it has the capacity to self-organise. It possesses an "invisible hand," which operates through market prices to provide an information system that can be used to calculate whether using resources for a given purpose is worthwhile -- that is, profitable.

Profit is an incentive system that leads firms and individuals to respond to the information provided by prices. And capital markets are a resource-mobilisation system that provides money to those companies and projects that are expected to be profitable -- that is, the ones that respond adequately to market prices.

But modern production requires many inputs that markets do not provide. And, as in the case of airlines, these inputs -- rules, standards, certifications, infrastructure, schools and training centres, scientific labs, security services, among others -- are deeply complementary to the ones that can be procured in markets. They interact in the most intricate ways with the activities that markets organise.

So here's the question: Who controls the provision of the publicly provided inputs? The prime minister? The legislature? Which country's top judges have read the millions of pages of legislation or considered how they complement or contradict each other, much less applied them to the myriad different activities that comprise the economy? Even a presidential executive cannot be fully aware of the things that are done or not done by the thousands of government agencies and how they affect each part of society.

This is an information-rich problem, and, like the social-coordination challenge that the market addresses, it does not allow for centralised control. What is needed is something like the invisible hand of the market: a mechanism for self-organisation. Elections clearly are not enough, because they typically occur at two- or four-year intervals and collect very little information per voter.

Instead, successful political systems have had to create an alternative invisible hand -- a system that decentralises the power to identify problems, propose solutions, and monitor performance, such that decisions are made with much more information.

To take just one example, the United States' federal government accounts for just 537 of the country's roughly 500,000 elected positions. Clearly, there is much more going on elsewhere.

The US Congress has 100 senators with 40 aides each, and 435 representatives with 25 aides each. They are organised into 42 committees and 182 subcommittees, meaning that there are 224 parallel conversations going on. And this group of more than 15,000 people is not alone. Facing them are some 22,000 registered lobbyists, whose mission is (among other goals) to sit down with legislators and draft legislation.

This, together with a free press, is part of the structure that reads the millions of pages of legislation and monitors what government agencies do and do not do. It generates the information and the incentives to respond to it. It affects the allocation of budgetary resources. It is an open system in which anybody can create news or find a lobbyist to make his case, whether it is to save the whales or to eat them.

Without such a mechanism, the political system cannot provide the kind of environment that modern economies need. That is why all rich countries are democracies, and it is why some countries, like my own (Venezuela), are becoming poorer. Although some of these countries do hold elections, they tend to stumble at even the simplest of coordination problems. Lining up to vote is no guarantee that citizens will not also have to line up for toilet paper.

The writer, a former minister of planning of Venezuela and former chief economist of the Inter-American Development Bank, is a professor of economics at Harvard University, where he is also Director of the Center for International Development.

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LETTERS TO THE EDITOR

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American teacher pick-pocketed

A few days ago, an American university professor of agri. economics (currently teaching at a private institution in Bangladesh as a volunteer) was pick-pocketed on a street of our metropolis. All his possessions including passport and credit card were taken away. Meanwhile, he filed an FIR and reported the incident to the American Embassy, Dhaka. The embassy reportedly is processing his passport and other documents as he had photocopies of his travel papers. As he came to Bangladesh as a volunteer, his Bangladeshi visa was only for stay prohibiting any paid or unpaid employment. Finding no financial help within his vicinity, he entered our campus as ours is an agricultural university. Some of our students brought him to my office, but unfortunately, I was on leave that day. Anyway, he again came to my office the next day and I tried to help him out. Indeed, it was a very sad and shameful incident, and obviously, has ruined our image.

Professor M Zahidul Haque
Dean, Faculty of Agriculture
SAU, Dhaka

Time to perform for BD team

Okay, so we lost again. What happens after that? Will there be any catastrophic change in our lives? Will people just mourn and not do anything and the whole country shuts down? No, nothing of that sort will happen. Life will move on as usual. Time is the best healer. So we will forget this loss and hope to win the next one. We will again flock to the stadium and shout "Bangladesh, Bangladesh." And that is how we request our players to feel.

We don't want to put pressure on our players. We are passionate and supporting our team no matter what. Our crown jewel Shakib has asked us not to burden the team with expectations. Believe us, Shakib, Mushfiq and the rest of the team, we do not expect you to be champions. We just want to see you do well, play to your potential, play as a team.

We won't mind losing, we lost many matches. But time has come to see at least our team performing at a level where we won't feel let down.

Nadeem
On e-mail

Comments on news report, "No more interest in politics," published on March 28, 2014

Shahin Huq
Maybe Hasina has discarded her after use.

Mortuza Huq
She must have had enough from Hasina.

"Zia first president" (March 28, 2014)

S. M. Iftekhar Ahmed
Is this some sort of competition between the two ladies as to who can make the most preposterous claims and stubbornly stick to it? Why do people still vote for them when it's clear that none of them are fit to be deemed as leaders?

"It's BNP, not AL behind polls rigging" (March 28, 2014)

S.M. Iftekhar Ahmed
I am at a loss for words to describe how ludicrous and arrogant these comments sound, coming from someone like the country's PM. If this is how she thinks or feels, that people are foolish enough to believe this, then she has no right to rule!

Mofi
Looks like there is no way out for this unfortunate nation. If this is what our PM believes (or pretends to believe), then how will we come out of the problem? What will an electronic voting system do if ruling party is so adamant to win? That electronic voting will rather lead to an electronic rigging, a speedy way of stuffing ballots.

Akhtar Shah
Yep, it had to come!

Karimullah
What a blatant example of twisting facts!

Aasfisarwar
Either she is wrong or we are all blind. The vote rigging, intimidation, threat and ballot box stuffing happened in broad daylight and at midnight in front of law enforcing agencies and in presence of presiding and returning officers. Most importantly, the media reports showed who the culprit is. The denial of truth only lowers her own esteem.

SM
How do you know she did not approve of the rigging? Maybe that is why she is so confident and bulldozing truth with utter arrogance.

Mortuza Huq
She and her party people are living on lies.

Barkat
TDS and the news media presented details of AL rigging. Yet what the PM says is completely opposite.