

BUDGET 2015-2016

GDP GROWTH AND PRIVATE INVESTMENT

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THE estimates provided in the budget for FY2015-16 are bold, ambitious but perhaps commensurate with the vision of attaining the middle income goal. The budget is based on few ambitious prerequisites: (i) attaining GDP growth of around 7 percent; (ii) reversing the falling trend in private sector investment and (iii) achieving revenue growth over 30 percent.

According to the budget, the country has realised economic growth rate of 6.51 percent in the current fiscal year (i.e. FY2014-15). This is a remarkable achievement considering unprecedented disruption in economic activities for about 100 days between January and April of this year.

A closer look into the performances of the broad activities envisages some interesting growth patterns by the following categories: (i) Agriculture with a growth rate of 3 percent; (ii) Industry with 9.6 percent growth rate (i.e. within which manufacturing activity recorded 10.3 percent growth); and (iii) Services with 6.5 percent growth rate. Except for the construction/infrastructure and energy activities, all other main activities (e.g. agriculture, manufacturing and services together accounting for about 90 percent of our economy) rely mainly on private investment.

Although, overall investment remains stable at around 28-29 percent of the GDP, private investment has been stagnant during the last five years. Private investment as a percentage of the GDP has remained stagnant at around 22 percent between FY11 and FY14. Impressive growth of agriculture, manufacturing and services against this backdrop suggest some missing elements into the growth puzzle. Considering the gap between national savings and investment (i.e. ranging between 0.65 and 2.1 percentage-points over FY11 to FY14 period), some experts/economists

argue a hypothesis of underestimation of private investment in Bangladesh. *Is it realistic to paint a scenario that some parts of the national savings are being invested in economic activities circumventing the formal intermediation process as well as national account estimation process?*

Reversing the stagnant private investment trend will be a key challenge for realising not only the growth target of the FY16 budget but also that of the 7FYP. A combination of three factors may be needed to spur private investment. Ensuring low lending rate (preferably less than two digit levels) along with uninterrupted supply of electricity-gas and establishing specialised economic zones. Although,

it be realised? The revenue potential for Bangladesh has been estimated to be around 14 to 15 percent of the GDP. Given the realised revenue effort of 10 percent of the GDP, sceptics question the pragmatism of such high revenue growth target. Time series analysts argue that observed trends in the recent past are the best predictors for the future. *Realised average revenue growth rate of around 18 percent in recent years (i.e. between FY10 and FY15) perhaps suggest that revenue growth in the next fiscal may be stuck around 20 percent forcing downward revision of income and expenditure midway through the budget implementation.*

Along with capital deepening increased productivity - especially that

of total factor and labour factor - is likely to contribute to the growth of the economy. Growth accounting provides insight on what portion of GDP growth is derived from capital stock, labour, human capital per worker, and Total Factor Productivity (TFP). Results from a growth accounting framework have been provided for at least three decades ranging from 1980 to 2012 in a report titled "Inclusive Growth Diagnostic". According to the report, from 1980 to 1990, TFP contributions to GDP growth were negative every year. However, over the next two decades, TFP contributions to growth steadily increased, with TFP making up approximately 20 percent of total GDP growth between 2002 and

2012. However, between 2002 and 2012, labour contributions to growth declined. More specifically, labour's contributions to growth declined from 1.9 percentage points in 1980-1991 to 1.2 in 2002-2012. Are we allocating enough resources to the social sector (i.e. social infrastructure which includes health, education etc.) which has positive association with labour productivity? Budget allocation patterns tend to suggest a low but stable allocation to health and education sectors. More specifically, allocation to health sector as percent of the GDP has remained stable at around 0.8 between 2009 and 2015. Allocation to the education sector is higher than the health sector and has remained stable at around 2 percent of the GDP over the same period. These figures compare poorly with social sector allocations found in other countries. For instance, allocations to education and health sector in Malaysia as percent of GDP in 2011 were 5.9 and 4 respectively. The corresponding figures for Thailand were 5.8 and 4.6 respectively. In the case of India, the corresponding figures were 3.9 and 4 respectively. Bangladesh needs to find a way to raise social sector allocation as well as improve service delivery quality to pursue productivity led growth.

Finally, the introduction of 'child' budget is an innovative stride to the conventional budget framework. While welcoming such innovations, we believe separate budget frameworks are needed for three distinct groups in Bangladesh (and perhaps in every society) who are usually left out of the gains of economic expansion. These are children, people with disability and the elderly. We hope the Honourable Finance Minister will take these two other groups on board in the next budget presentation.

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Bold and aggressive measures are needed to establish specialised economic zones to attract private investment. Large scale public investments are required for special economic zones. Thus, the call for very ambitious growth target for revenue seems justifiable.

pragmatic monetary policy has helped push the lending rate down but rising non-performing loans especially by the state-owned banks (i.e. around 20-25 percent between December 2013 and December 2014) still act as a major impediment to realise the desired level.

Although there are problems with gas supply and connections, relatively stable electricity supply has been ensured. Bold and aggressive measures are needed to establish specialised economic zones to attract private investment. Large scale public investments are required for special economic zones. Thus, the call for very ambitious growth target for revenue seems justifiable. The question is - will

Justice served at last

Mojaheed faces the gallows

IN a legal process spanning nearly five years, Jamaat-e-Islami's secretary general and former minister Ali Ahsan Mohammad Mojaheed has been handed the death penalty. It is a confirmation of the death sentence that ICT-2 served on him in 2013. For the surviving family members of intellectuals and professionals who were brutally murdered as part of the well-orchestrated killing orgy carried out near the end of the Liberation War by the cohorts of the Pakistani army, the verdict comes as much welcome news. Mojaheed, as head of Al-Badr, the much-hated death squad, planned and carried out abduction, torture and execution of some of the best minds of the land.

We laud the ongoing process of trial of bringing to justice those who took part in the genocide of 1971. They not only went against our war of independence but also carried out the heinous crime of bleeding the nation of its intellectual wealth.

The 24-hour hartal called to protest the Supreme Court verdict merely goes to show that the party Mojaheed represented remains unabashed for its crimes against humanity and an affront to all freedom loving Bangladeshis. It is highly ironic that while Jamaat is taking part in the court proceedings, they should be reacting so aggressively against its verdict. The verdict given reflects the sentiment of the people and we expect remorse, not violence from the guilty party.

NHRC findings alarming

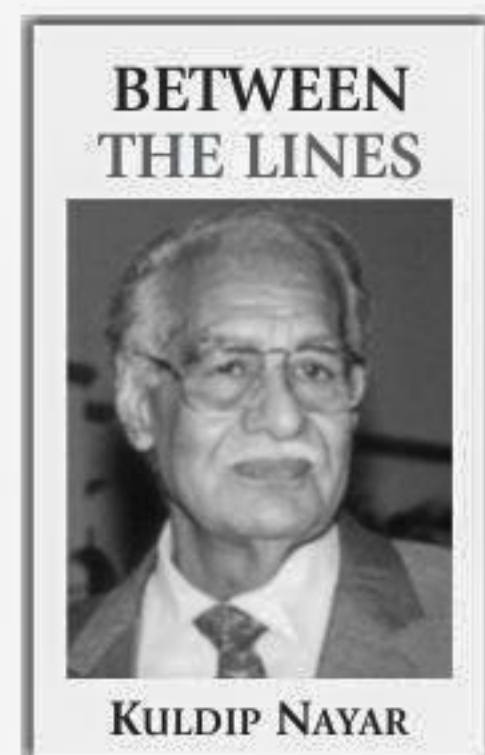
Reflect the dire state of rule of law

ACCORDING to the National Human Rights Commissioner, about 70 percent of all complaints of violation of human rights received by the National Human Rights Commission (NHRC) are against law enforcers, and half of all these complaints are allegations of torture by members of the law enforcing agencies. These statistics, though perhaps representing only a fraction of the human rights violations taking place all over the country, are no doubt alarming; they highlight that the state institutions responsible for protecting our rights are not only failing to do so, but, in fact, in an overwhelming number of cases, violating them. What is even more disquieting is that, despite the increasing number of allegations against law enforcers, in most cases, no action is taken against the perpetrator, thus facilitating a culture of impunity.

According to human rights body, Ain O Salish Kendra, in 2014, as many as 128 people died in "crossfire" and "gunfight" between law enforcers and alleged "criminals," 60 died from custodial torture, and another 88 were allegedly abducted by the security forces. But in how many instances, we ask, was a proper investigation conducted and justice served? The impunity enjoyed by our law enforcers makes a mockery of the rule of law, and creates a culture of fear and mistrust among the people about them.

As such, the onus falls upon the government to end this culture of impunity and take exemplary measures against those accused of such violations, if it is to restore people's faith in the rule of law

Mrs. Gandhi's misrule



KULDIP NAYAR

BETWEEN THE LINES

FORTY years may seem to be a long period. But it is not long enough to efface the memory of a jungle raj which followed the imposition of the emergency in 1975. Prime Minister Indira Gandhi, mother-in-law of Congress president Sonia Gandhi, should have stepped down after the Allahabad High Court disqualified her for using the official machinery during election. The Supreme Court's vacation judge gave her reprieve by pronouncing a stay order.

Still she was not certain about the final outcome. There was reportedly a time, after the judgment, when she thought of stepping down till her exoneration and making Jagjivan Ram or the then UP chief minister, Kamalapati Tripathi, the prime minister.

But her son, Sanjay Gandhi, who subsequently became an extra-constitutional authority and ran the government, knew his mother's weakness. He, with the help of Bansilal, then Haryana Chief Minister, hired the crowd and paraded her "supporters" outside the Prime Minister's residence. After that Mrs. Gandhi was really convinced that people wanted her and only a few disgruntled elements in politics were against her. Hereafter, her dependence on Sanjay Gandhi was absolute.

Sources from her residence revealed that she would talk about politics with Sanjay Gandhi alone and ignored Rajiv Gandhi who, she thought, was apolitical. It is equally true that he too took little interest in politics and excelled in flying. He was considered an ace pilot in the Indian Airlines which was then the only airline running the domestic traffic. It is

another matter that Mrs. Gandhi imposed politics on him and he, in turn, imposed his prime ministership on the nation.

Strange as it may sound, the resistance was put up by parochial forces - the Jana Sangh which is now the BJP, and the Akali Dal comprising the Sikhs. The secular forces including the Communist Party of India accepted Mrs. Gandhi's autocratic rule without a demur. The Marxists were unhappy but prepared to lie low.

Pathetic was the role of the press. (There was no electronic media then). It

imposition of censorship. One journalist mentioned that some editors had been detained. I told the journalists present there to sign the resolution. I said I would forward it to the president, the prime minister and the information minister under my signature.

Before leaving the Press Club, I took the copy of the resolution along with me, lest it should fall in the hands of the police. Hardly had I reached home when Information Minister V.C. Shukla, till then a friend, rang me and asked if I could drop in at his office. I was shocked to find a different Shukla, authoritative in



preached valour and values, but a few people and papers showed resistance. Mrs. Gandhi's remark that "not a dog had barked" was authoritative in tone and tenor. Nevertheless, it was a fact that the press had caved in.

Stung by her remark, I was able to collect as many as 103 journalists (I still have the list) at the Press Club by visiting personally the offices of some newspapers and the two news agencies. Among those present was Girilal Jain, then Resident Editor of *The Times of India*. I read out the resolution I had drafted to condemn the Emergency and the

tone and threatening in posture. He asked me to give him the paper on which the journalists had signed. When I said 'no', he warned me that I could be arrested. "You should understand it was a different government, run by Sanjay Gandhi, not Indira Gandhi," he said.

Still I followed up with a letter to Mrs. Gandhi which said: "...Madam, it is always difficult for a newspaperman to decide when he should reveal what... In a free society - and you have repeatedly said after the Emergency that you have faith in such a concept - the press has a duty to inform the public. This is

sometimes an unpleasant task, but it has to be performed because a free society is founded on free information. If the press were to publish only government handouts or official statements, to which it is reduced today, who will pinpoint lapses, deficiencies, or errors?"

However, when I tried to pick up the threads after I came out of jail following three month's detention, I found to my dismay that journalists were afraid to support me openly. Then Jan Sangh leader, L.K. Advani, was quite correct in his remark: "You (journalists) were asked to bend but you began to crawl!"

If I were to explain the Emergency to today's generation, I would repeat the adage that eternal vigilance is required to defend press freedom as is true today as it was when India won freedom some 70 years ago. Never did anyone expect that a PM after the High Court's indictment would suspend the Constitution when she should have stepped down voluntarily.

Former Prime Minister Lal Bahadur Shastri would often advise to his colleagues: "Sit light, not tight." That is the reason why he resigned as railway minister after a big accident at Ariyalur in Tamil Nadu. He took moral responsibility for what had happened.

It is difficult to imagine anybody following that precedent today. Yet, India is still looked upon by the world as a country where the value system exists. Parochialism or posh living is not the answer. The country has to go back to what Mahatma Gandhi told the nation: "Disparities drives people to desperation."

There is a point in harking back on the days of the independence struggle. All had joined hands to oust the British. I wish the same spirit could be revived to oust poverty. Otherwise, the independence comes to mean a better life only for the haves.

The writer is an eminent Indian columnist.

COMMENTS

"Female cop gang-raped" (June 14, 2015)

Efaz Reza Khan

At the end, this incident will fade away just like the rest of them. Everyone will protest for a day or two, a week or even more. But soon after everyone will get tired and the rapists will remain unpunished. Only implementation of strict laws can make a difference. Wake up before it's too late.

Nasif Abdur Razzaque

There is always some news of rape or gang rape everyday but hardly any news of execution of criminals which clearly gives an impression to them and potential perpetrators that committing rape will have no consequences for them. Now you know why police in Saudi Arabia and Iran executes criminals in front of the public. It strikes fear into the heart of people that committing such heinous crimes will result in punishment and humiliation.

Sakib Ahmed Sezan

The US gets a black president, yet black people are still victims of racism. In Bangladesh -- where the prime minister, former prime minister, leader of the opposition, former state minister, former foreign minister and current speaker of the parliament are all women -- women are getting raped everywhere. May Allah save us!

Shuvonn Rezaa Mansur

That woman was raped by his ex-husband and his accomplices. If one is unable to control himself in the presence of a woman (even if she is in "provocative" clothes), then he should just kill himself; he's a cancer to society.

Dipti Raj

We see the news but don't see any effective remedy.

Jawwad Adel

It seems like one rape incident inspires another. Ever since we heard about the indigenous woman being raped, 3 more rape cases followed suit in the news. This is becoming frequent but news of the culprits getting punished is almost unheard of.

LETTERS TO THE EDITOR

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Remembering Mahbul Alam

I fully endorse the view expressed by Sir Frank Peters in his letter published in your esteemed daily on June 11, 2015 about Mr. Mahbul Alam, the former Editor of *The Independent*. Being a police officer it was very difficult for me to come close to the editor of a national daily. Nobody introduced me to him but we became close and exchanged ideas and opinions on various issues. He was a perfect gentleman and found a place in my heart too. I pray to the Almighty for him.

ABM Bazlur Rahman
Utara, Dhaka

Want people-friendly taxation system

Recently many retired employees of the government and autonomous organisations (like universities) have received notices to pay Advance Income Tax (AIT) for the 2015-16 taxation year in four installments through chalan or postal order, failing which will result in a fine with interests. Some of these notices ask the tax-payers to pay unpaid taxes for the last few years too. Now the questions are: (a) What is the logic behind asking retired persons who depend on more or less fixed incomes and making them undergo trouble to meet the formalities with the bank and tax office? (b) What is wrong with paying tax as per earlier procedure, i.e. by

the stipulated date to pay yearly tax? And, (c) How fair is it to ask for unpaid tax without providing any clarification once they have obtained clearance/tax payment certificate for past taxation year/s after due scrutiny by tax officers appointed by the government?

As a senior citizen, I strongly feel the above situation created in the tax payment system is unfair to the elderly people. It also makes the efforts of the government to collect revenues very unpopular. I would request the authorities concerned at the NBR to do away with the above AIT practices for the senior citizens in order to make payment of taxes hassle-free and people-friendly as we feel it unnecessary and costly for both the tax-payers and the system itself.

ME
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