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FOUNDER EDITOR LATE S. M. ALI

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Govt. not borrowing from banks!

Hardly an unmixed blessing

T is certainly big news that the government did not borrow from the banking system last fiscal year. Not L only that, it also repaid a big portion of debts with the banks. This would have gone down as a major financial story in the past with the government cheered for avoiding indebtedness to banks leaving room for credit expansion in the private sector. But the parameters have changed--banks are sitting idle on excess liquidity, and with their high interest lending rates, private sector's demand for credit is constrained. And the government too opted not to borrow from the banks in the last fiscal year. Obviously, the fiscal implications of the changing equations between the banks and the private and public sectors need to be monitored closely to ensure macroeconomic balance.

Although the government had set the target of garnering Tk 31,714 in loans from the banks, it just didn't have to because of a convenient combination of factors. In the first place, sluggish implementation of development projects even under revised ADP curtailed the need for funds. Secondly, and perhaps more importantly, a rise in the sales of saving instruments despite a cut-back on interest by 2 percentage points induced the government to borrow from them. As a result, the government's borrowing through saving instruments stood at Tk 26,562 crore in the last fiscal year. This almost approximated the target the government had set for bank borrowing but abandoned for an expedient source. The point to note, however, is that higher repayment rate on saving certificates would place a fiscal burden on the government.

City traffic gone haywire

Are the authorities concerned?

O say that the traffic in the capital is in a total mess would be a gross understatement. Nothing can describe the chaos and the unmitigated pain that the commuters have been going through every day, particularly in the month of Ramadan, and it seems that all those that are responsible to eradicate the chaos have raised their hands up in surrender and given up on the issue. The police say the traffic problem needs a long term solution, while the two city corporations won't accept that they have a role in seeing an end to this problem.

It is difficult to accept the argument that there is no short term solution to the traffic chaos of Dhaka. But we do not see any palpable action for a long term solution either. There are many causative factors of the traffic chaos, during the month of Ramadan in particular, and the two city corporations must come forward and take stern but necessary steps to ease the problem. It is for them to free the roads and the pavements of illegal occupation. Whatever little is done to free the pavements, they are reoccupied no sooner than they are freed. If footpath markets are indispensable then the city corporations should have arranged long ago for alternative locations for the small traders, who occupy the roads and the pavements, to ply their trade on.

Apart from the physical distress that the city dwellers are going through, the chaos on the streets is exacting a huge cost on our economy. And to do nothing about it quickly amounts to inexcusable negligence.

COMMENTS

"Eid won't bring joy" (July 11, 2015)

Mohammad Lutfar Rahman Jewel

This type of zakat distribution system must be changed as it's nothing but advertisement.

"Education: Not a Commodity" (July 9, 2015)

Ishfaq Ilahi

People are selling their land to get their children educated. Private universities do not get any support from the government. They have to buy electricity, water, gas etc. at commercial rates and they have to pay VAT. All that is ultimately borne by the students and their parents. Now this 7.5 percent VAT on tuition fees is an additional burden. Not only is the government not monitoring private universities, some of them are also engaged in unethical practices. Catch the goons, but don't punish the innocents.

Zahidul Islam Tareq

It is the duty of the government to ensure education for every citizen.

Faysal Ahamed It's an absolute injustice.

Abu Saleh Siddique

Education is not for sale, it's our basic right.

Sadaf Amrita

Education is our right, not a privilege. Private universities aren't going to pay that 7.5 percent VAT themselves. They will take it from the students, most of who are studying on waivers and cannot afford to pay extra money.

> **Abu Elias Sarker** Extremely bad decision. But who cares?

Three Zeros for a Sustainable World

BRICS Bank may take the lead



MUHAMMAD Yunus

T their annual summit in Russia in July this year, BRICS (Brazil, Russia, India, China, South Africa) leaders will announce the world's newest multilateral development bank; New Development Bank (NDB), which will have US \$100 billion as initial capital to fund infrastructure and sustainable

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development projects both in their own countries as well as elsewhere.

Obviously, the NDB should not become another World Bank to finance the same type of projects in the same countries, using the same tools and the same mindset. Its purpose should not be seen as a symbol of emerging countries' desire to show off their financial and political power. The reason for its creation must be very substantive.

The NDB should be based on entirely new objectives, to be carried out with new strategies. It would be easy for the NDB to fall into the same track as the World Bank since it is in the same business. But the NDB must resist this from day one.

I am proposing some objectives for the NDB which I feel are important and globally relevant. The objectives of the NDB should be achieving three zeros by 2050: zero poverty, zero unemployment, and zero net carbon emission. Each year they may publish reports on the progress of each country on these three fronts.

The NDB could achieve these goals using four basic strategies. The first strategy would be to unleash the of youth. If the BRICS can mobilise the power of the youth, it will become easier to achieve the goals.

The second strategy would be to focus on technological innovations to solve human problems. Technology today is under the command of moneymakers and war-makers. Socially committed drivers must take charge of technology. They are invisible today. Combining the power of the youth with that of technology will create an unshakeable force.

This brings us to the third strategy, building social businesses to mobilise creative business power to solve long-standing complicated social, economic, and environmental problems. Social business is a new variety of business which delinks itself from any desire

to make personal profit out these businesses. They are mission driven businesses. They are non-dividend companies exclusively devoted to solving human problems. I have been creating and promoting this type of business around the world with great results.

This is a business which aims at philanthropic objectives but is implemented through a business methodology that skips personal profit. Additional profits are ploughed back into the business to expand and improve it. This business is very suitable for innovating new technology and redirecting old technology to solve problems which always looked impossible.

The NDB can promote social business globally. It can be the centre-piece of its institutional structure and policy package. Conventional business cannot solve

Once the NDB creates a new window for financing and promoting social businesses, it will attract the young, old, men, women, individuals and organisations, with social business ideas.

creative power and commitment of the new generation problems of poverty, unemployment, financial services to the poor, waste management, healthcare, old age, etc. State or private charity is not only unsustainable, it is also inefficient in achieving its goals. Social business is sustainable, efficient, replicable, and transferable.

> Once the NDB creates a new window for financing and promoting social businesses, it will attract the young, old, men, women, individuals and organisations, with social business ideas. It can encourage each conventional business to undertake social businesses alongside their main business activities.

The NDB could create country-level social business funds as joint ventures with local partners. It could create provincial-level social business funds in which it holds a minor equity with majority equity coming from local investors.

The problem solving environment will be dramatically changed if the NDB takes these initiatives. Universities and business schools will start teaching social business courses when the NDB takes an active role in promoting this particular category of business.

Unemployment can be brought to zero with social business initiatives. Unemployment is a product of flawed interpretation of human beings in the theoretical framework of economics. Human beings are not jobseekers, they are entrepreneurs by birth. Entrepreneurship is in the DNA of human beings. They are go-getters and problem solvers. But economic theory assumed that human beings are basically workers; as soon as they are born they should start preparing for jobs for survival and success. This idea is firmly rooted in our education system which is engaged in the production of workers. The unemployment problem is built into the present system, and the present system will never be able to eliminate it. Social business can turn the unemployed into entrepreneurs. We are doing that in Bangladesh.

Ensuring financial services and healthcare to the poor and hard to reach people can be done through creating social businesses.

While the NDB will undertake many types of infrastructure projects, it should give serious consideration to the ownership and maintenance of the same. We have now examples of major infrastructure being owned by money-makers. In the old days, this was the exclusive preserve of governments. Apart from government and commercial ownership, there is also ownership by social businesses. From the perspective of its users, ownership by social businesses will be much more satisfying than the other two alternatives.

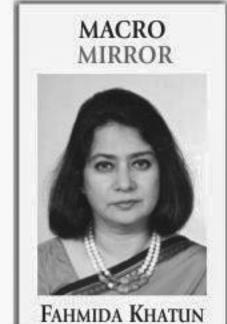
Finally, the fourth strategy should be to ensure human rights and good governance.

At the inception of the NDB, I find it important to draw its attention to the possibility of making an enormous breakthrough in creating a sustainable world by setting the right goals, creating the right structure, and laying down the appropriate strategies.

I wish the NDB a great success in redesigning the world to make it sustainable.

The writer is a Nobel Peace Prize-winning economist and banker.

COST OF CORRUPTION



acceptance finance minister regarding corruption's impact on Bangladesh's economic growth is noteworthy. A departure from the usual feelgood presentation

of the economy by a member of the government is also rare in our country. Recently, the finance minister said that 2 -3 percent of our GDP is lost due to corruption. However, TIB thinks that such loss constitute at least 5 percent of the GDP if we add large public procurement along with corruption in health, education, police and judiciary. The enormity of corruption has been reflected in indicators produced by TIB through its Corruption Perception Index which is published annually. To recapitulate, on a scale of 0-100, where 0 indicates a highly corrupt and 100 a clean country, Bangladesh scored 25 and was positioned 145th out of 175 countries in 2014. Our score was lower than that of four other South Asian countries, such as India and Sri Lanka (85th position with a score of 38), and Nepal and Pakistan (126th position with a score of 29).

Despite the government's unwillingness to accept such a ranking, the existence of corruption is observed far and wide by common citizens, entrepreneurs and investors in various forms, such as bribery, favouritism and embezzlement of public resources. It is an open secret now that one cannot get the work done in many government offices without paying bribes. Files wouldn't move, instructions from the high offices wouldn't be given and signatures wouldn't be put on papers unless one makes several visits to those offices, begs, and finally satisfies the powerful groups by paying them off adequately. This process is applicable irrespective of the merit of the work. This informal dealing is now coined as 'facilitation fee' or 'speed money'



not only in Bangladesh but in other countries as well. So one gets paid by the government just for attending the office, but to fulfill services for people, they have to be paid off by the person who needs the work to be done.

Such practice not only harasses the honest citizens, but also creates opportunities for the dishonest ones. One corruption leads to another. License, permits and contracts given through underhanded dealings to less deserving groups cannot deliver quality product or service as their objective is only to maximise profit in a fraudulent manner. When money is transferred from one pocket to another, it may not be directly linked to loss of economic growth. But when a bridge or a building collapses due to poor construction, then it is not only a waste of money and loss of potential output of the economy but also a loss of invaluable human lives.

Corruption also acts as a disincentive to many in the private sector who genuinely want to invest, but suffer from uncertainty and anxiety about getting necessary permission. High facilitation fees may become less cost-effective for many businesses and reduce their competitiveness. A land bought at a throwaway price in Gulshan for business surely gives a much higher competitive edge than those who would buy similar land at the market price. An industry paying an exorbitant 'speed money' for gas and electricity connections would be in a less advantageous situation than the one which gets it done by paying the regular price. A business paying existing interest for the bank loan would struggle to compete with a business which enjoys frequent interest waiver. Such disincentives may discourage those who could add more to the national output through job creation, innovation and

Then there is the social cost -- the distributional aspect, the environmental aspect. When the government cannot generate resources through taxation, it cannot allocate adequate resources for social protection for the poorer section of society. When encroachers construct buildings by filling up rivers and lakes or cutting forests, the environmental damage that is caused is irreparable. When unfit vehicles ply on the road emitting harmful gases by bribing the concerned department, the pollution costs human health. Not only does expenditure of the government go up to address the situation, productivity also declines due to pollution.

Reduction of corruption requires drastic measures. Making the system accountable and transparent is a must. E Digital governance can help this to a large extent. Institutional reform of the responsible bodies for overseeing corruption is a long awaited demand. Exemplary punishment, practice of rule of law, and motivation and capacity of concerned officials as well as protection of honest officials are also critically ≥ important.

There is even a bigger issue when we talk about corruption. This is the moral hazard related to corruption. As corruption continues to go unchecked, many get encouraged; others get frustrated and demotivated. Siphoning off millions of taka from banks isn't a big crime, it seems, since action against the crime is slow. Theft of public resources gives the license to show off the power of money and to attract people towards them. They are the ones who get invited to high profile public and state events. When a concerned high authority enjoys a musical programme at a bank defaulter's garden or when a member of the regulatory body attends dinner at a tax evader's palatial house, what message does it carry? Can they act impartially against those who dodge public exchequer? A common citizen wonders, where does it end?

The writer is Research Director at CPD, currently a Visiting Scholar at the Earth Institute, Columbia University, New York.

LETTERS TO THE EDITOR

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Price hike of essential commodities

Every year with the advent of the month of Ramadan, prices of different kitchen items increase without reason. This year we are seeing a similar trend. There is no shortage of supply yet prices of the kitchen items are on the rise. Green chilli is selling for Tk 150 per kg. Low

and middle income consumers suffer a lot because of the rising prices of such essentials.

We hope authorities will take measures to bring prices under control and keep them within the reach of consumers. Zabed Wali Chittagong



The US must stop enabling Israel

No one can deny the close, abiding and unparalleled friendship between the US and Israel. This tight bond has served both countries well, especially Israel which has benefitted politically, economically, and militarily from the US' unwavering support, helping Israel to become a powerhouse second to none in the Middle East. It appears, though, that this unequivocal American support and friendship enabled Israel to become more entrenched in the West Bank by building and expanding the settlements and expropriating Palestinian land, thereby making the prospect of achieving peace ever more remote.

US-Israel relations are presently at a historic low because Obama was willing to show a little tough love by exerting limited pressure on Israel to suspend settlement activity. US must no longer give Israel a blank cheque, hoping that it will use it wisely. Israel has failed that test and the US is becoming, as a result, complicit in Israel's self-destructive policy. Given that the US has a moral and material stake in Israel's wellbeing and is committed to its preservation, it must be in a position to shape and influence Israel's conduct, particularly in relation to its conflict with the Palestinians.

Dr. Alon Ben-Meir

Professor, International Relations Center for Global Affairs, NYU