

Allay the fears of the youth

Our future rests on their shoulders

A survey by the leading Bangla daily newspaper revealed some very interesting insights on how the youth are presently thinking and what contemporary issues concern them. They had positive views about the country's future but were not quite sure about their own, the survey shows.

Satisfaction among the youth regarding the country's current political climate for example, was split down the middle. However, 51.2 percent of the youth expressed that they were completely uninterested in politics. Despite being mostly satisfied with the country's recent economic progress, 82 percent expressed fears about their future job security. And the fact that 40 percent of the more than four crore youth population are, reportedly, not involved in either economic or educational activities suggests, in addition, that their apprehension is indeed based on objective conditions.

Along with the lack of employment opportunities, becoming an entrepreneur too is difficult for the youth in our country. Thus, lack of economic opportunities and growing detachment from social and political issues runs the risk of alienating the youth completely from issues concerning the future of our country. And perhaps there is already increasing evidence of this happening, as about 63 percent of the youth do not know what they are going to do with their lives, according to the survey, illustrating the negative effects that various economic, societal and political uncertainties are having on them.

To correctly address these issues and provide the youth with the necessary platforms required to become future builders should be the government's objective. We hope that the authorities will take substantive actions in that regard, rather than settle for rhetoric.

Bridge damaged even before launch

Ensure exemplary punishment for those responsible

WHO is to blame when a bridge, supposedly built to ease the suffering of locals, starts sagging and developing cracks mere days before it is to be formally inaugurated? After all, it was public money—Tk 57 lakh—that was spent to build the bridge in Chandanaish upazila of Chittagong in the first place. The construction company that was hired to build the bridge has an astounding claim: that they had followed all specifications, and it was only due to strong currents of rainwater that the bridge was damaged. The first question that comes to mind is whether a project of the disaster management department is supposed to be so flimsily designed that even before its launch it can be so seriously damaged by a predictable and regular natural event.

We are left with two likely conclusions—first, the office responsible for designing the bridge did not do its job properly, and second, the construction company did not stick to the specifications. Either way, it was fortunate that the cracks were noticed before the bridge was opened to vehicles. But, the question of responsibility cannot be avoided, since the incident points to corruption, negligence and insufficient oversight. We have been told that the Upazila Nirbahi Officer had formed a probe committee to look into the incident and submit a report two days ago. But, at the time of writing this, the UNO was yet to receive the report.

The whole incident points towards the usual suspects that plague our administrative and development activities. This is not only a question of money ill-spent, but of putting lives at risk. We look forward to the findings of the probe report, and urge that based on the findings, the administration and the ACC take exemplary measures against those responsible to deter such corrupt practices in future.

LETTERS TO THE EDITOR

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Maintenance of the Gulshan residential area

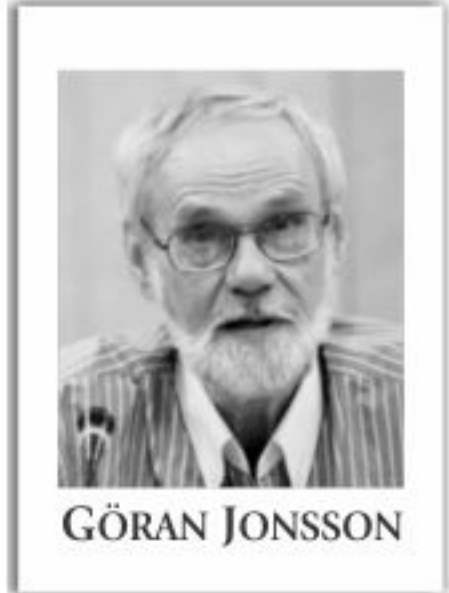
Dear Mr Mayor,
The improvements in the Gulshan residential area have been very impressive. All who live here, or visit, appreciate your efforts enormously. Your initiative of having sponsors 'adopt' lanes is particularly worthy of praise.
However, it is disappointing to note that those lanes are, more often than not, neglected. Vegetation is not trimmed and the lanes are neither swept nor kept cleaned. Perhaps the correct choice of sponsors would have made a success of the scheme. Once chosen, with their names on the billboard, they would be expected to deliver, or have their names removed.
Ommeh Kulsoom
By post

Wearing protective head gear

It is mandatory by law for motorbike users, pillion riders and cyclists to wear helmets while driving. But, sadly, many are found flouting this traffic rule.

The head is one of the most delicate and sensitive parts of the body. It needs to be guarded and protected. A lot of road accidents are taking place almost every day involving motorbikes, some of which are fatal in nature. It is imperative that users of motorbikes make a habit of wearing helmets to avoid severe damage in road accidents. Personal safety should come first, whether there is a law in place or not.
AKM Ehsanul Haque, Dhaka

Can Bangladesh become a welfare state?



GÖRAN JONSSON

THE National Social Security Strategy approved by the Cabinet in 2015 points to a strong political commitment of Bangladesh to become a welfare state. The welfare

state has potential to provide economic security, advance opportunities and ensure wellbeing for all and should, therefore, be of shared interest to citizens of different walks of life.
Welfare states come in different shapes, determined foremost by whether universal or selective policies are chosen. However, common to all is that the state as a provider of social security assumes responsibility for guaranteeing a minimum level of welfare to its citizens. This happens to be the majority view in Bangladesh and it is also a mandate of the state as laid down in the country's Constitution. Poverty reduction has become a unifying moral issue in political discourse and culture. These are good starting points.

A welfare state is based on principles of public responsibility for those falling behind, with certain demands on scope and quality of the social security system. Setting standards for what it would take for Bangladesh to become a welfare state, the Core Diagnostic Instrument (CODI), recently developed by a consortium of global development agencies to assess effectiveness of national social security systems, could be useful. CODI assesses social protection systems against a bundle of core requirements.

The first requirement is inclusiveness: the system's capacity to protect all members of society along the lifecycle, with special consideration for the most vulnerable. This includes both social assistance, delivered without discrimination or gender barriers, and the economically active population being covered by contributory social insurance and labour market programmes. A welfare state offers social security from the cradle to the grave, and the new Bangladesh strategy is a step in that direction.

A second requirement looks at adequacy; whether benefits are regular, predictable and adequate to meet social protection needs of the population. Does the design of the system ensure distribution of resources in favour of the poor? Does it reduce poverty? Does it protect against risks and vulnerabilities? Is the combination of benefits and services to promote productive economic activity adequate and suitable for those in working age?

Other sets of indicators look at overall arrangements to respond to national needs. Appropriateness of the system requires a mix of programmes that complement each other and reflect socio-economic realities. Coordination and integration across programmes must be

ensured through legal provisions and institutional arrangements. Further, mechanisms and procedures need to ensure coherence between social protection and other relevant sectors, such as health, education and employment.

Assessing the social protection system's responsiveness, CODI looks at flexibility in response to socio-economic crises. It is important that the population affected by disasters and shocks is included in emergency responses and that there are budget and implementation mechanisms in place to effectively respond to shocks, crises and socio-economic changes.

Respect for rights and dignity is crucial in delivery of social protection. CODI looks at social protection provisions as entitlements being anchored in law. This is a core principle of the welfare state. It is of paramount importance that people are well-informed about their benefit

Security Strategy which does exactly this.

A second test is whether social protection expenditures are fully financed from domestic resources. Compared with most developing countries, Bangladesh is doing very well here. Around 95 percent of the social protection budget is government-financed. The budget is clearly aligned with financing capacity. Still, current spending level is not sufficient for Bangladesh becoming a welfare state.

During the 6th Five-Year Plan, the targeted spending of three percent of gross domestic product (GDP) on social protection was never achieved. Actual spending during the plan period varied between two and 2.6 percent of GDP. Although this level of social protection spending is exactly where the Swedish welfare state boldly took off in the 1930s, it is but the beginning of the journey.

To be able to meet social protection

expects strong competition for budgetary resources: an expected additional demand of 1.5 percent of GDP for social spending (social security, health and education) will be a major challenge, competing with other pressing demands.

Then again, social security is not only a fiscal burden for the state. It is equally an investment in people that pays off. The alternative of leaving poor and vulnerable people behind is even costlier for the national economy. A welfare state does not imply that disadvantaged people merely draw benefits. In a welfare state, they also contribute to economic growth and participate as equal citizens.

Social security consists of a range of policies, services and instruments that serve purposes related to vulnerability, risk and deprivation. Benefits of growth do not reach all and social security helps to make development more inclusive. Social security protects those who face hardship and prevents vulnerable people



A welfare state can boost economic advancement and enhance wellbeing for all.

PHOTO: STAR

entitlements and that efficient and accessible complaint and appeal mechanisms are in place.

Crucially, CODI assesses governance and institutional capacity; the system's rules, regulations, responsibilities and implementation capacities. Strong governance is needed to enforce compliance with programme rules and to minimise errors and fraud in implementation. Institutional capacity requires adequate numbers of programme staff, being adequately trained to carry out their tasks.

Assessing financial and fiscal sustainability of the system, a first CODI test is whether a long-term vision of social protection and related financial commitments are clearly addressed in a social protection strategy. Bangladesh is in an advantageous position, having just developed and adopted a National Social

entitlement demand in terms of population coverage and adequacy of benefit amounts received, the current level of spending probably has to be doubled, reaching at least four percent of GDP. Most of this would be tax-financed, which demands taxpayer motivation for increased spending. But the welfare state offers just that: the prospect that anyone falling on hard times is entitled to social security includes the taxpayer. The coinciding welfare interests of the poor and the tax-paying middle class forge the bonds of solidarity that underpin the welfare state.

Nevertheless, affordability and fiscal space considerations are challenges in realising the welfare state commitment. Can Bangladesh meet the CODI requirement of social protection financing being stable, reliable and progressive? The 7th Five-Year Plan

from sliding into poverty; it assists recovery from disasters and shocks; it promotes pathways out of poverty by cushioning risks. It builds human capital, confidence and empowerment; it creates cohesion in the social fabric; it invests in nation-building.

Looking at social security as a good investment in the interest of all citizens, can the commitment to make Bangladesh a welfare state be realised by 2030, the target year for achieving the Sustainable Development Goals? Or even by 2021 when the nation turns fifty? The window of opportunity is now, while Bangladesh still has the demographic dividend of a commanding share of working-age population to set it on foot.

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PROJECT ■ SYNDICATE

India's botched tax reform



AWAKENING INDIA

SHASHI THAROOR

ON July 1, an eerie silence descended over many of India's teeming marketplaces. At midnight, a new national goods and services tax (GST) had come into effect at a glittering ceremony in India's parliament. It was hailed as the biggest tax reform since independence, but business owners were so uncertain about how it would affect the prices of their wares that many shuttered their businesses for the day.

Many (including me) have long advocated a national GST, which has the potential to unify India's national market, making the economy more transparent, digitised, and efficient. Its introduction was delayed for a decade by the now-ruling Bharatiya Janata Party (BJP), including Prime Minister Narendra Modi, who, as Chief Minister of Gujarat, argued that it would encroach on states' rights and rob them of revenue.

But, proving the aphorism that where you stand depends on where you sit, Modi changed his tune when he moved to Delhi. And now, over three years after taking power, he has implemented the GST that he once derided. But the version that he has implemented falls well short of advocates' hopes. Indeed, much like Modi's disastrous demonetisation gamble just eight months ago—which entailed the abrupt withdrawal of all large-denomination banknotes from circulation—his GST has proved both messy and disruptive.

In fact, the GST Modi has introduced seems to replace the world's most complex and fragmented system of indirect taxation with the world's most complex unified indirect tax. Instead of one GST rate, as in most countries, India will have four: five percent, 12 percent, 18 percent, and 28 percent, plus a zero percent rate for items like food grains, cereal, and fresh milk, and a luxury tax (43 percent and more) on expensive cars and other high-end consumer items. There is also a quirky three percent rate

on gold imports. (India imports more gold than any other country in the world, and the government seems anxious not to tax it so heavily that smuggling increases.)

With seven separate rates, the GST has certainly not fulfilled the goal of "one nation, one tax." Some 1,200 items and almost every imaginable service were slotted into a rate category, though not before being shifted around in response to popular opposition (for example, to high taxes on previously exempted goods used by the disabled). And the results are murky, to say the least. Milk products, for example, may fit into four different tax rates; generic flour will not be taxed, but

farrago of central and state sales taxes that had previously bedevilled Indian businesses will be replaced by the GST. But the GST retains enough complexity that it is likely to lead to evasion, arbitrage, and even bribery of tax officials.

The GST is also likely to trigger a flood of litigation about which tax brackets companies fall into and how their goods should be categorised. Even before the GST was rolled out, the Indian judicial system was choked by indirect tax appeals, tying down some USD 23 billion in tax revenue. With its judicial system already heavily backlogged—a staggering 24 million cases are pending—more tax-related lawsuits are



branded flour will be taxed at five percent. Not surprisingly, the result has been widespread confusion about which tax rates apply to what.

Complicating matters further, there are significant omissions, because the Modi government yielded to the states' demands to retain some taxation powers on high-yielding sources of revenue. Notable exclusions are real estate and alcohol—notorious sources of black money, the eradication of which is supposed to be a major objective of the Modi government—as well as petroleum products (currently taxed at about 45 percent), electricity, and communications tariffs.

It is undoubtedly a relief that the

the last thing India needs.

But the problems with India's new GST don't end there. The regime also requires firms to file at least three online tax returns per month (37 per year) into the GST Network (GSTN), the GST's formidable technical backbone. About eight million taxable businesses have now registered with GSTN. But most small business owners, as well as traders and shopkeepers, are not computer-enabled, and now have to scramble to acquire the needed computer access and literacy.

Moreover, the haste with which the GST was rolled out raises legitimate concerns about whether the software has been tested adequately and will be able to handle the intended 3-5 billion

invoices per month. Reports of repeated system crashes have already started circulating.

The confusing tax rates, excessive documentation, and anxiety over the implementation of compliance requirements have prompted fears that the GST will damage people's livelihoods. The self-employed informal sector, a major contributor to India's economy, was already badly hurt by demonetisation just a few months ago. GST could turn out to be a second body blow, this time potentially fatal.

The GST could have been a success story for India. But that would have required the central government to work with states to develop a rational and simpler system, with the rate capped, as the opposition Congress party demanded, at 18 percent, rather than the ultra-high 28 percent the BJP chose (for as many as 30 percent of all items, no less).

It also would have required Modi's government to test the GSTN more thoroughly before implementing it, and to give small and medium-size businesses, multi-state businesses, and consumers time to familiarise themselves with the task of filing three returns each month. Tax inspectors should have been required to undergo more thorough training, spending time with businesses and filing test returns themselves. And petroleum products, electricity, and real estate should have been included in the GST scheme.

Finance Minister Arun Jaitley hailed both demonetisation and the GST as "tectonic policy initiatives" that would lead to "growth, competitiveness, indirect tax simplification, and greater transparency." Those are laudable objectives. But, as will likely become apparent within this fiscal year, disorderly and rushed measures are not the way to achieve them.

Shashi Tharoor, a former UN under-secretary-general and former Indian Minister of State for External Affairs and Minister of State for Human Resource Development, is currently Chairman of the Parliamentary Standing Committee on External Affairs and an MP for the Indian National Congress.

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