

## New river saving project a good idea

But also take lessons from previous errors

REPORTEDLY, the government is contemplating a plan to save the four rivers that serve Dhaka. It comes on the heels of the recent High Court order and its very comprehensive guideline for saving our rivers. And it is about time, too. It has been nine years since the first directive of the HC in 2009 in this regard. It had taken four years after that to set a national commission to protect the rivers. But the efforts have been rather truncated and in dribs and drabs, and that too implemented in a rather slipshod manner; political influence in connivance with certain quarters in the administration has caused the honest intention of the government to flounder.

While we welcome the renewed impetus with regard to the restoration of the country's lifeline, we suggest that the authorities do a stocktaking of all similar projects of the recent past and ascertain the reasons for those not delivering. The government has spent crores for the purpose of protecting the rivers and cleansing them. But the state of our rivers has gotten worse instead of improving. In this regard, the corrective measures must include, among other things, making an example of those persons responsible for the failure of the projects to give proper returns.

We suggest that a national plan be developed and implemented in a coordinated manner for the sake of national interest. It would be advisable to remember that our rivers not only need to be restored, the plan should include ensuring that the restored character is not violated by men, and the impacts of natural phenomena on the river system are reduced to the minimum to prevent irreparable degradation. Otherwise, as in the past, public money will be thrown in the water, literally.

## People losing lives on the roads

Failed promises to make roads safe

THE relentless deaths on city roads appear to have no effect on the authorities when it comes to ensuring safety. Only yesterday, this paper carried a news item that portrayed the tragic death of a 10-year-old girl who was the victim of a hit-and-run incident on Uttara road. On the same day, a bus driver lost control of his vehicle and ploughed down two people when it went over a pavement. Every day we are confronted with news like these in our capital city and many parts in the country, and the only thing we hear from the authorities are empty, hollow promises—that the culprits will be brought to justice!

The public outcry for safer roads that exploded in anger after the death of two college students in the capital city's Kurmitola area had prompted thousands of students to come out in protests. The protests had been sparked by careless remarks of a powerful minister in government who also presided over a powerful federation of transport workers. He is no longer part of the cabinet and we, along with the families of those who have lost their precious ones in road accidents, would like to know precisely what is holding up steps to bring order out of the chaos that rule supreme on our roads.

Why can't these licensed killers, driving unfit vehicles, be brought to face justice for their recklessness that is costing lives every day? How many more children and grown-ups must die to move our leaders to action? Rash driving cannot be condoned, and the State cannot be held for ransom to unjustified demands of the transport workers when the safety of millions of city residents is at stake.

# Six macroeconomic challenges

Key issues of priority for our economy



SELIM RAIHAN

over the coming years will remain a big challenge. Two major drivers of economic growth in Bangladesh have been the readymade garments exports and remittances. The dividends from these drivers of growth are likely to decline in the future. There is a need to find new drivers of growth through diversification of the economy and developing productive capacities. In these contexts, stimulating private investment in diversified economic sectors and ensuring efficient public investment remain uphill tasks.

Second, containing inflation is a critical challenge. Bangladesh has been able to avoid high inflationary pressure since 2011. The overall inflation rate has remained below 7 percent. In recent years, the inflation rate is less than 6 percent. However, there are three concerns with respect to the inflation situation in Bangladesh: (i) the overall inflation rate hides the sudden and intermittent steep rise in food prices, especially the price of rice, which affects the poor people; (ii) as the overall inflation rate is a weighted sum of the food and non-

food inflation, there are concerns that the non-food inflation in Bangladesh is underestimated due to inappropriate representation of non-food items and their prices in the calculation of inflation rates; (iii) the overall low inflation rate at the national level may not reflect the true picture of the high inflationary pressure faced by different low-income groups as their consumption baskets and related prices are likely to be different from the national averages. Given these concerns, containing inflationary pressure for low-income people will remain a challenge

correction of anti-export bias for export promotion and diversification cannot be undermined, such correction alone cannot be sufficient to trigger "auto" large supply response in terms of expanding export volumes and diversifying the export basket. A number of supply-side constraints, in terms of weak infrastructure, the high cost of capital, lack of access to credit, and lack of skilled human resources can prevent local producers from expanding exports, and the lack of an enabling business environ-

export and remittance growth, on the other hand, managing a stable balance-of-payment regime will remain a big challenge for the Bangladesh economy. One important lesson Bangladesh can learn from the experiences of the successful countries from southeast Asia is that attracting large scale foreign direct investment (FDI) can ease the pressure on balance-of-payment. Bangladesh is yet to be successful in attracting large-scale FDI. The amount of annual FDI inflow in recent years is only around 2.5 billion USD while the country needs more than USD 10 billion FDI annually to achieve many of its development goals. Therefore, enabling the environment for ensuring large-scale FDI remains a critical task ahead.

Fifth, while the monetary policy by the Bangladesh Bank has been, in general, able to maintain a so-called stable "status quo", it has failed to generate a big push for accelerating private investment. A number of banking scams and escalation of non-performing loans show a major institutional weakness of the financial sector and pose a threat to macroeconomic stability. The high cost of credit is a reflection of the inefficient banking system which discourages inclusive financing. Therefore, the challenge of the monetary policy is more of an institutional issue rather than any narrowly-focused effort to lowering of the interest rate.

Finally, though the country has been able to maintain a stable fiscal deficit of around 5 percent of GDP over a long time period, in a regime of low tax-GDP ratio of around 10 percent, this has only been possible through keeping the vital social expenditures, like public expenditure on education, health and social protection, at very low levels. However, as the country aspires to achieve stiff development goals in the coming years, public spending on education, health and social protection has to be raised substantially. There is no denying that with such a low tax-GDP ratio many development aspirations will remain unrealised. Though the country has undertaken several reforms to improve tax collection, they have remained unsuccessful due to various institutional weaknesses and vested political patronage. The fiscal policy process thus needs a strong political commitment to simplifying tax systems, strengthening tax administration, and broadening the tax base under a wider reform agenda.

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for Bangladesh in the wake of further growth acceleration.

Third, the management of the exchange rate is a crucial area of concern. Though, for long, Bangladesh has been able to maintain a relatively stable exchange rate regime, the exchange rate in recent times is alleged to be overvalued. In recent years, while Bangladesh's major competitors in the global market, such as China, Vietnam, India, and Sri Lanka, have experienced significant depreciation of their currencies against US dollar, Bangladeshi taka remained quite stable. The analysis of the real effective exchange rate in Bangladesh also shows a misaligned exchange rate regime which, together with high tariff rates on imports, lead to significant anti-export bias. In other words, the current exchange rate and trade policies are not favourable for rapid export expansion in Bangladesh. However, one important point to note here that, while the importance of the

management can strangle entrepreneurship and innovation. Therefore, the policy options and support measures for exports are much more difficult and involved than the mere correction of anti-export bias.

Fourth, the surged balance-of-payment deficit in recent years remains a big concern for the stability of the macroeconomy. Over the past two years, the economy has been witnessing high growth rate in imports, while the growth rates in exports and remittances have been subdued and unstable, which has led to widening trade deficit and current account deficit. Though the current volume of foreign reserve can meet the import demand of around five months, the volume of the foreign reserve has been on a declining trend since the financial year of 2017. Given the projections of high import demand for construction and industrial raw materials in the coming days on the one hand and unstable global trading environment, thus creating uncertainties for both

## Modi government's last attempt at wooing voters

The implications of India's interim budget ahead of the polls

PALLAB BHATTACHARYA

THE impending parliamentary elections was written large on the final budget of the government of Prime Minister Narendra Modi in its current five-year tenure. With about two months left to the polls, it was meant to be an interim budget, but when acting Finance Minister Piyush Goyal presented it in parliament on February 1, it turned out to be almost a full-fledged budgetary exercise. The reason was obvious: the ruling Bharatiya Janata Party-led coalition did not want to let go a last chance to woo key segments of the electorate—farmers, workers in the unorganised sector and the youth—by rolling out key

workers—with immediate effect instead of waiting for the new financial year to start on April 1.

The urgency imposed by the coming elections and the anxiety of anti-incumbency were palpable behind all the three departures from convention. Goyal said that people's welfare cannot wait till April 1. But the question raised is why the government waited till the last few months of its five-year term to introduce the welfare.

A debate is already raging about whether the incentives in the interim budget of the BJP-led federal government may tie the hands of the new government after the polls. The new dispensation may be under pressure to roll back the incentives after taking a fresh

look at the revenue-expenditure ratio and the need for fiscal tightening whose target has been missed by successive governments for the last many years. But then ethics and convention may be secondary when it comes to winning the electoral battle.

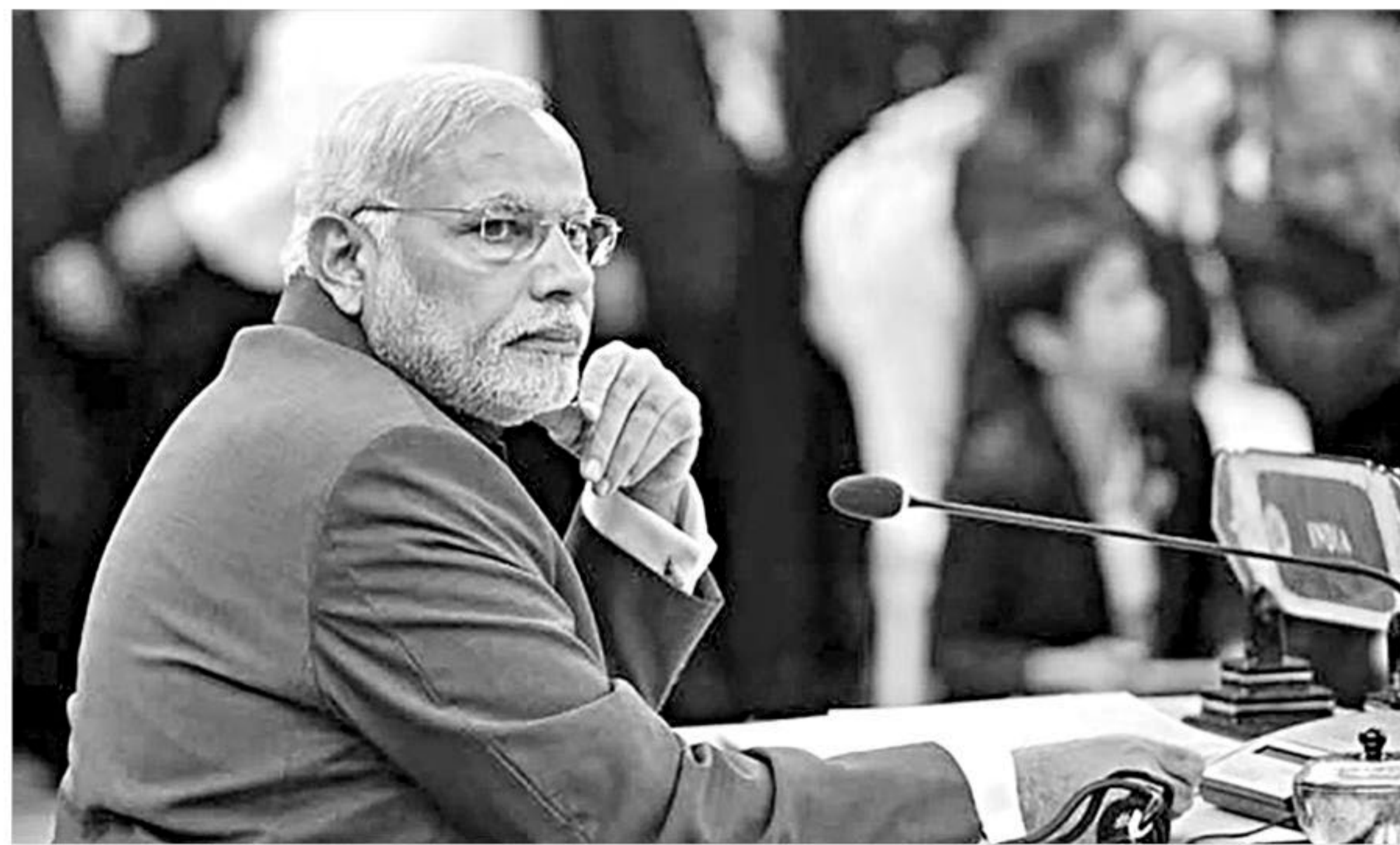
A main reason for the interim budget's sops was apparently spurred by opposition Congress party President Rahul Gandhi's announcement of farm loan waiver that is thought to have contributed greatly to his party's victory in assembly polls in three heartland states of Rajasthan, Madhya Pradesh and Chhattisgarh last year and more recently the promise of a nationwide minimum income guarantee scheme. Rahul's proposal for a minimum income guarantee is seen to

be in response to reports about the Modi government's toying with the idea of a universal basic income scheme. One thing is clear: no party wants to be seen lagging behind in competitive populism especially when elections are round the corner. Modi termed the interim budget as a "trailer", clearly hinting to the voters that more could be on the cards if he is voted back to power. Such is the power of electoral democracy that a government's conservative fiscal policy has to be compromised for social welfare measures for winning polls under a first-past-the-post system.

The main thrust of the budget was expectedly on an estimated 12 crore small and marginal farmers owning less than two hectares of land who would get Rs 6,000 per year as income support, ten crore unorganised sector workers who would receive pension of Rs 3,000 a month and the low-income middle class who have been given income tax breaks. A strong message emerges from the flurry of the sops about the economic vision of the Modi government: a consumption-led and demand-driven model of development rather than investment-powered.

Most economists agree that sustained high economic growth can be promoted only by increased investment a part of which will no doubt be determined by higher demand. But the interim budget is largely silent on infrastructure development investment. The budgetary sops were badly needed to counter the perception about the government's alleged failure to address the root causes of the long-festering agriculture sector distress and lack of job creation. The abolition of income tax for those earning Rs five lakh annually is aimed at helping a majority of the 30 million working population, a key part of the electorate. The budgetary goodies for farmers and salaried employees are expected to add to their disposable income and thus create room for boosting consumption and generating urban and rural demand. According to one estimate, the two schemes are expected to put in Rs 93,000 crore in the system. But this is too meagre an amount to be of much consequence to spur investment. The fiscal incentive envisaged in the interim budget for the house construction has the power to revive the sector provided the interest rate on home loan is not raised further.

There is recognition in the BJP that its campaign template for the next general election needs to expand beyond communally divisive issues like National Register of Citizens, citizenship for non-Muslims from Bangladesh, Afghanistan and Pakistan and construction of the Ram temple in Ayodhya and covers the development agenda which is needed to rope in a sizable section of non-committed voters who are not enamoured about the party's Hindutva plank alone. A large chunk of those voters had backed Modi after falling for his developmental plank in 2014. Whether the interim budget can do that remains to be seen.



Indian Prime Minister Narendra Modi.

PHOTO: AFP

social security schemes that have implications for the government's revenue and expenditures.

Goyal, deputising for an ailing Arun Jaitley, made three main deviations from the conventions of interim or vote-on-account budget in the last year of any government: (i) the interim budget is a stop-gap mechanism for a few months and does not take any major spending or taxation proposal in order to give a free hand to the new government after the election; (ii) Goyal's budget speech of more than 100 minutes was too long for an interim budgetary exercise; and (iii) the government chose to go against the convention of implementing the new budgetary provisions—social security schemes for farmers and unorganised sector

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## LETTERS TO THE EDITOR

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### We must save our rivers

Recently, a High Court bench has asked the authorities concerned to create a country-wide list of river-grabbers and release the list to the press. The Court also said that these individuals will not be allowed to contest any elections or obtain loans from banks. The government should pay heed to the instruction.

As instructed in a previous ruling, the government did form a commission to conserve rivers, called NRCC, and enacted a relevant law in this regard. While the commission remains active, the river grabbing doesn't seem to have changed. This is understandable because the commission does not have any authority to take legal actions against river-grabbers.

Given the nature of our climate and ecology, there is no alternative to maintaining the proper navigability of rivers for the benefit of the country. Yet, too many rivers have been illegally occupied by grabbers, while many others have been polluted to an extent that they are unrecognisable.

It is high time the government took stern actions against grabbers and encroachers so that our rivers can be saved. Otherwise, we risk inviting an ecological and environmental disaster in the near future.

Zillur Rahaman, By e-mail