

Time to work on basics

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Is the government taking adequate preparations for the arduous journey ahead; or is it just coasting along keeping its fingers crossed that the economy will get there somehow?

The actions of the Awami League-led government in recent years seem to suggest the latter. But, there is a fresh cabinet in the picture this year -- and a new finance minister, AHM Mustafa Kamal.

Is he a foresighted, smooth operator; or is he more of the same -- is what we find out today as he unveils his first national budget before parliament.

With a tottering banking industry, a disgruntled private sector, wanting revenue base, edgy external balance, rising inequality and a growing population of disillusioned youth -- the stage is set for him to announce himself as a clean break from the past.

His first task would be to fix the banking sector -- the heart of the economy -- which is afflicted with an unsustainable sum of default loans and errant disposition.

At the end of March, default loans zoomed past the psychological Tk 1 lakh crore-mark for the first time in Bangladesh's 48-year history.

Some Tk 16,962 crore of default loans were accrued in the first three months of 2019 -- the highest yet for a quarter -- to take the total to an eye-watering Tk 110,874 crore, according to data from the Bangladesh Bank.

That is the official line; if the loans that were rescheduled, written-off and caught in court stay orders are considered, the tally would be much higher.

And more than 52 percent of the default loans were with eight state-run banks, which the government has been recapitalising over the past decade with about Tk 17,500 crore of taxpayers' money -- unconditionally.

Word on the street is that Tk 1,500 crore would be set aside in the upcoming budget too for this end.

But here, Kamal can separate himself from his predecessor by tying the capital injection with a watertight performance agreement. And watertight is the operative word here.

His affirmative action does not just stop there: a banking commission must be formed to straighten out the sector and plug the loopholes in the Bank Company Act, Bankruptcy Act and the Money Loan Court Act.

The immediate past finance minister AMA Muhith danced around the issue and Kamal has spoken of the issue since taking office in January. But, he now has the chance to put his money where his mouth is.

This is the need of the hour as without a healthy banking sector there will not be any economic growth to be enjoyed in the future as it will at one point lose its capacity to mobilise resources to the private sector -- the blood supply of the economy.

Already, in April private sector credit growth sank to a 56-month low of 12.07 percent. And at the panoramic level, private investment to GDP has been languishing at the 22-23 percent mark for the longest time -- way lower than the requisite 32 percent to carry on the growth momentum.

The reasons are two-pronged: banks do not have enough funds to lend out to the private sector and on a broader level there are one too many bottlenecks for them to take the plunge with gusto.

The shackles for the business community are coming from land unavailability, poor logistics, plodding bureaucracy, skills shortage and quality energy scarcity.

And it is in this area that Kamal, a successful businessman, can be

decisive.

To alleviate the land problem, the government has in the past announced creation of 100 economic zones, but their current status remains ambiguous.

To address the bureaucratic delays, it has passed an act in the parliament that would transform the Bangladesh Investment Development Authority into a one-stop shop for investors to set up factories. As of now, it just remains an idea.

For mitigating poor logistics and energy scarcity, the government did set in motion 14 mega infrastructural projects. But, none of them is on schedule.

And in the most worrying development, there is a brewing pandemic of skills mismatch.

Youths with academic certificates are sitting idle, while employers are complaining of not finding the right people for the job -- and often resorting to hiring from abroad.

In 2017, 5 lakh foreign workers were employed in Bangladesh is wide range of sectors. And they sent home about \$5 billion, according to a study of the Centre of Excellence for Bangladesh Apparel Industry and Muhith.

More than 20.1 million youths aged 15-29 participated in the labour force, according to the Labour Force Survey 2016-17. Of them, 2.1 million were unemployed.

Then another 29.8 percent of the total 41.4 million 15-29 year-olds were not in education, employment or training; and 87 percent of them were females.

This also means Bangladesh is simply watching its bounty of demographic dividend pass it by.

Demographic dividend, as defined by the United Nations Population Fund, is the economic growth potential that can result when a country's population's age structure tilts more towards the working age of 15 to 64 than non-working age of 14 and younger and 65 and older.

By 2040, this window of opportunity for Bangladesh will shut firmly.

The government did come up with the National Skills Development Authority Act in 2017, but as with all things it is far from delivering.

With today's budget, Kamal can take a step in the right direction to addressing all these issues.

Does he give enough resources to the Bangladesh Economic Zones Authority and a definitive timeline to get the industrial parks ready? Does he provide enough for system development and interoperability to make the BIDA truly a one-stop shop?

Does he prioritise the mega projects that can yield immediate economic gains like the Padma bridge, Dhaka metro rail, Rooppur power plant, Hazrat Shahjalal International Airport expansion and the Dhaka Elevated Expressway and see through that the money is used efficiently?

For a change, does he put enough in the education and gender budgets to overhaul the academic system, retrain youths and get the females to join the labour force by removing social barriers for them?

But, it is all too tempting to spend one's problems away. The option though is not available to the government -- thanks to its weak revenue base, wobbly external balance and the ailing banking system.

Its tax to GDP ratio is amongst the very lowest in the world -- and has been for a good while now -- at less than 10 percent.

With the view to rectifying the situation, the government at the turn of the decade started working on a new law for value-added tax -- which typically accounts for about 38 percent

of the National Board of Revenue's total collections.

The law centred on a single rate of 15 percent VAT was passed in the parliament in 2012. But, it was met with vehement protests from the business community, leading to delays in its implementation thrice.

It will finally take effect on July 1 -- but just in name. Giving in to populist urges, the government hammered out a VAT law that has five rates -- and a can of complications.

Whether Kamal has a plan in place to ensure the new VAT law is a success is what needs to be seen in his budget speech.

The government though has other weapons in its arsenal to mobilise more revenue: income tax and corporate tax.

There are 40 million in Bangladesh who are capable of paying income tax but only 1.5 million do so, according to Muhith.

There is an economic theory -- by the name of Laffer curve -- which suggests that sometimes cutting tax rates can increase total tax revenue. The government, perhaps, can deploy this for corporate tax, where the rates go as high as 47 percent.

But what is important is Kamal comes up with a plan to stop evasion and leakages from the system.

The government can borrow from domestic sources, but given the strained state of the banking system it would not be wise to pursue this lead too much. What remains then is the high-cost national savings certificates.

It can use foreign aid, a record amount of which is stuck in the pipeline. As of November last year, the amount stands at \$48.75 billion.

But, given the deficit in the overall balance of payment for three years now a little caution would be wise.

With the constraints on resources, it is imperative then that Kamal stresses on good governance to make the most of what is at disposal. In short, making every penny count should be the focus at the end of the day.

Sound policies and governance, after all, were responsible for the astronomical growth of eight Asian economies -- Hong Kong, Indonesia, Japan, Malaysia, the Republic of Korea, Singapore, Taiwan (China) and Thailand -- from 1965 to 1990, prompting the World Bank to dub it the "East Asian Miracle".

"Their progress was phenomenal. In a single generation they had been able to transform the character of their economy. They were able to get rid of chronic poverty," former India Prime Minister Manmohan Singh once said about the eight countries.

This, after all, is where we aspire to be once we get off the long-haul flight at our final destination.

MOSCOW MARCH

Navalny among dozens detained

AFP, Moscow

More than 50 people including opposition leader Alexei Navalny were detained yesterday as police sought to break up a peaceful Moscow rally against the alleged impunity of law enforcement agencies.

Russian police moved in against the unsanctioned march amid cries of "shame" and "stop police terror."

At least 57 people were detained amid a heavy police presence, the OVD Info monitor said.

Some of the protesters wore T-shirts in support of Ivan Golunov, an investigative journalist who was last week arrested on allegedly trumped-up drugs charges.



Schoolchildren cover their heads with giant taro leaves to find a little respite from the scorching sun yesterday morning in Rakhaltala area of Barishal's Wazirpur. Swamp taros grow in almost every backyard in the area.

PHOTO: TITU DAS

Not inclusive enough

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(HIES) of Bangladesh Bureau of Statistics (BBS).

The economists said tax and fiscal policies have a lot to do in addressing the inequality in society.

Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue (CPD), said a number of features of Bangladesh's fiscal policy actually fosters the macroeconomic determinants that affect the employment growth and income opportunities in the country.

"This, in turn, is inhibiting the country's transition towards economic inclusiveness," he said.

"Our analysis shows large- and medium-scale manufacturing industries have been significant contributors in the recent GDP growth. However, their growth has originated from enhanced productivity, rather than increased employability. So, the growth could not actually benefit a large section of the population, whose income level did not rise."

Moreover, Debapriya said, the SMEs and micro industries, which are more labour-intensive in nature, did not post growth as much their larger counterparts achieved.

Zahid Hussain, lead economist at the World Bank's Dhaka office, said tax policy is one of the most important aspects of a country's business environment and the distribution of income and wealth.

"It incentivises investment, corrects large inequities in the distribution of income and wealth and generates the revenue needed to fund essential public goods," he said.

According to Zahid, one of the basic concepts of designing and implementing an equitable taxation system is to spread the taxes as wide as possible to minimise the individual tax burden.

And direct tax, which is linked to the taxpayer's ability to pay, and hence are considered to be more progressive, he said.

Yet, indirect tax, which is paid by everyone regardless of financial situation to buy goods and services, is used by the tax authorities to generate revenue. Over 68 percent of the total tax in Bangladesh came from indirect taxes in fiscal year 2017-18, he said.

"Indirect taxation imposes a greater relative burden on the poor than on the rich."

Debapriya Bhattacharya said the share of direct taxes covers only a quarter of the total revenue collection, and it has somewhat stagnated in the recent past.

"It essentially means that the government continues to depend more on indirect tax, which has negative implications for distributive justice."

ABSENCE OF WEALTH TAX

Zahid Hussain said despite having structured a mechanism of progressive personal income taxation, various exemptions and rebates, which only the better off can take advantage of, dilute its actual progressivity.

"Broadening the income tax base by eliminating special treatments would improve the horizontal equity of the tax."

Moreover, he said, Bangladesh still lacks a systematic mechanism and efforts for wealth tax assessment.

"There are provisions of imposing a 10 percent surcharge on net wealth, but complexities in determining the price of assets and taxes, combined with governance weaknesses, have severely limited the revenue yields and progressivity of the net wealth surcharge."

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said income tax rates are progressive. "But applications are selective, and also a lot of things are not covered."

Debapriya Bhattacharya said research suggests that the prevalent high-level of inequality cannot be tackled by imposing tax on the current income alone; stock of assets needs to be brought under the tax net as well.

"Other than introduction of nominal surcharge on historical value of assets, no measure has been observed in the recent past, in this respect. It is time that we consider introduction of inheritance tax."

"In the recent past," he added, "we have also seen that the government keeps providing arbitrary special exemptions to influential quarters without analysing its overall impact of such measures; this reduces the effectiveness of revenue efforts."

KAS Murshid, director general of Bangladesh Institute of Development Studies (BIDS), said Bangladesh's direct taxation is progressive to some extent but relatively less tax comes from influential and economically affluent people.

"It appears that those who are supposed to contribute higher amount of tax, are not contributing to that extent. Instead, we see lobbying to get tax benefits by those who are supposed to pay higher. We know who do this," he said.

"From casual political economic analysis, it seems that power of special interest groups has increased a lot."

He said taxation system should be more progressive and the government should pay more attention to the needs of small, marginal farmers and the poor.

"This is especially important because of the rising inequality and lack of voice of the disadvantaged," said Murshid.

INADEQUATE ALLOCATION TO FIGHT INEQUALITY

Selim Raihan, executive director of South Asian Network on Economic Modelling (SANEM), said a large number of potential taxpayers, including many ultra-rich people, have remained outside the tax net.

"This has resulted in a tax system which is regressive, and inequality is rising," he said, adding that economic growth since 2010 has benefited the rich more.

"A number of reasons can be mentioned as responsible for the rise in inequality. However, fiscal policy during this period can be considered as one of the major contributing factors."

He said one of the major instruments for the government to address inequality is public expenditure in social sectors. However, this has not been prudently used, added Raihan.

CPD's Debapriya said, "Allocations in health and education sectors have remained abysmally low in our country over some time now."

He added that the share of health and education budget is only around 1 percent and around 2 percent of GDP.

"It is well known that a resultative approach towards inequality reduction can be forged only when the access to quality education and health services for the society's farthest behind people will be ensured."

The other issues that warrants concrete measures for reducing inequality in the country are prevention of institutionalised corruption, public resource leakages and illegal capital flight, he said.

Warner ton

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all but beaten at 200 for seven in the 34th over.

But captain Sarfaraz Ahmed (40) and the big-hitting Wahab Riaz (45) gave them renewed hope with a stand of 64.

Australia, who lost to India on Sunday, were again looking to Mitchell Starc to get them out of a tight spot, as had done in an earlier win over the West Indies and the fast bowler duly delivered with 2-43.

He had Wahab caught behind got off a thin edge, although it needed an Australia review of an original not out decision to leave Pakistan 264-8.

Two balls later, Amir played on for a duck before Glenn Maxwell ended the match with a brilliant direct hit run-out of Sarfaraz.

Pakistan's chase started badly when Fakhar Zaman fell for a duck uppercutting Cummins to Kane Richardson at third man.

Babar Azam was in superb touch, with 28 of his 30 runs coming in fours, before he mishooked Nathan Coulter-Nile to deep backward square leg.

Opener Imam-ul-Haq was upping the tempo in his 53 when he gloved Pat Cummins (3-33) down the legside to wicket-keeper Alex Carey.

Finch, an occasional slow bowler, grabbed a real bonus wicket when Mohammad Hafeez (46) hit a rank full toss straight to Starc at deep square leg.

And when Shoib Malik was brilliantly caught for nought by a diving Carey after inside edging Cummins, Pakistan were in dire straits at

147-5.

Both Warner and Steve Smith, also returning from a year-long ban for ball-tampering, had been jeered by fans in previous games but Pakistan fans largely heeded an appeal from Sarfaraz not to boo the pair, preferring to roar chants of "Amir! Amir!".

Warner completed his 15th one-day international hundred when an edge off Shaheen Shah Afridi flew past slip for four.

An elated Warner leapt in the air in celebration but his 111-ball innings ended soon afterwards when he was caught at point off Shaheen, having gone past fifty for the third time in four innings at this World Cup.

"I'm very disappointed," said Sarfaraz. "We lost three wickets in 15 balls and that's why we lost."

"We conceded too many runs in the first 20 overs apart from Mohammad Amir. We came back and restricted them well but it was a 270-280 pitch."

"We made some runs and got starts but we've got to convert them and go long. If you want to win matches your top four must score runs."

Australia have three wins in four matches while Pakistan are struggling, with just one victory in their four games so far.

Tigers

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with a win over South Africa but has since been derailed through poor weather and sub-par performance, and reset for a campaign that is not yet halfway through.

Man held over raping and killing woman in Narsingdi

OUR CORRESPONDENT, Brahmanbaria

The Rapid Action Battalion (Rab) arrested a man on charges of raping and killing a woman in Narsingdi's Shibpur.

Police found the body of Sabina Akter, 21, at a banana orchard in Kazirchar village of the upazila on Saturday, two days after she went missing.

An autopsy at Narsingdi Sadar Hospital later revealed that she might have been raped after she was killed, police said.

A Rab team on Tuesday arrested suspect Saiful Islam, 28, in College Gate area of the upazila, said Lt Col Kazi Shamsur Uddin of Rab-11 at a press briefing at Narsingdi Press Club yesterday.

He added that Saiful told officers how he tried to rape the woman at an orchard on Thursday and killed her after she resisted his rape attempt.

Saiful, a father of two, strangled the woman with his shirt to stop her from screaming for help, interrogators said.

He then raped the corpse and left the scene with Sabina's mobile phone and purse.

Rab officials also recovered Sabina's phone, purse and Saiful's shirt.

DIG Mizan yet to face action

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any formal steps from the police headquarters till last night.

Besides, a police headquarters probe last year found that the police official misused his power to make personal gains, an act which "tarnished the image of the police department as well as the government".

"Such an act goes against police discipline," said the probe report.

The probe was launched after allegations surfaced in January last year that Mizan, while serving as an additional commissioner of DMP, married a woman forcibly and tortured her.

At that time, a female news presenter of another private TV channel also alleged that Mizan had forced her into a car at gunpoint earlier on December 12, adding that Mizan used to "disturb" her.

The Police Headquarters (PHQ) forwarded the probe report to the home ministry for the next course of action.

No action, however, has so far been taken against him.

In the wake of the allegations, Mizan was withdrawn from the DMP in January last year and attached to the PHQ.

Asked, Assistant Inspector General (media) at the Police Headquarters Sohel Rana yesterday said police investigated the allegations properly and sent the probe report to the home ministry long ago.

It is the ministry's jurisdiction to take any punitive action, he said.

On the fresh charge against Mizan, Sohel said the allegation has come to the notice of the police headquarters.

"Officials concerned have been asked to start the primary investigation. Action will be taken as per the rules after scrutinising the matter," he told The Daily Star.

Meanwhile, Home Minister Asaduzzaman Khan yesterday said action would be taken against Mizan for allegedly bribing the ACC official.

"Mizan gave bribe because he has some weaknesses. He will be brought to book," he told reporters after a programme in the capital.

The home boss said investigation into DIG Mizan's previous offences was underway.

Departmental proceedings against him are still going on and the ACC is looking into the other accusations, he said.

"Why has he [Mizan] given the bribe now? Definitely he has some weak-nesses ... We'll take action after verifying those," Asaduzzaman said.

He also said, "both taking and giving bribes are crimes. So he will definitely be punished for this."

Police Headquarters cannot suspend a DIG ranked official. This is under the jurisdiction of the home ministry, he added.

Yesterday, the ACC appointed another director, Manzur Morshed, to investigate the allegation of amassing wealth by the police official.

In May last year, the ACC launched an enquiry into the DIG.

The police official was later withdrawn as additional commissioner of Dhaka Metropolitan Police. The ACC had tasked Basir with the enquiry into Mizan's wealth.

OC MOAZZEM

Asked about the arrest of former Sonagazi Police Station officer-in-charge Moazzem Hossain over Nusrat's murder, the home minister said all escape routes had been cut off.

"He can't escape. He'll be arrested soon," he added.

A tribunal ordered the OC's arrest on May 27 after investigators found allegations against him were true.

Supreme Court lawyer Syedul Haque Sumon filed the case against Moazzem under the Digital Security Act on May 15.

The former OC interrogated Feni madrasa student Nusrat Jahan Rafi and recorded her statement on phone illegally. The video was later circulated on social media, also illegal under the ICT act.

Yesterday, at a crime conference at the PHQ, Inspector General of Police Mohammad Javed Patwary asked all concerned to take proper legal action against OC Moazzem.

"An all-out effort is on to arrest him," said an official.

Meanwhile, police have raided the house of OC Moazzem in Chachara Dalmi Raipara area in Jashore Town on Sunday night, locals said. Police, however, denied carrying out any raid.

Nusrat, a student of Sonagazi Islamia Senior Fazil Madrasa, was set ablaze on April 6 allegedly for refusing to withdraw a case filed against the madrasa principal for sexually harassing her. After fighting for her life for five days, Nusrat succumbed to her injuries at Dhaka Medical College Hospital.

The incident caused an outcry across the country.