MEGA BUT SLOW

Poor planning, uncertainty over funds take toll on big projects

TUHIN SHUBHRA ADHIKARY

In 2010, the government decided to construct a 128-kilometre (km) metre gauge rail track to link Chattogram with tourist town Cox's Bazar at a cost of Tk 1,852.35 crore.

But it changed the decision in 2014 and decided to build a dual gauge track for better connectivity, raising the cost tenfold to Tk 18,034.47 crore.

Changes came again. This time the authorities shelved plans of the first phase to construct the track up to Gundum, near the Myanmar border, from Ramu owing to fund shortages.

After a lot of hurdles, the construction work for the track from Dohazari to Ramu started in March 2018.

However, land acquisition continues to linger as a big problem. As a result, only 23 percent physical progress of the first-track project was achieved till March this year.

The poor implementation also forced the authorities to take back more than Tk 920 crore from the allotment in the outgoing fiscal year, raising questions on whether the project can be completed within its 2022 deadline. The project is not the sole one to face complexities.

Most of the mega projects undertaken by the government have faced delays in implementation largely due to poor planning, uncertainty over financing and problems linked to land acquisition.

And all of these are the outcomes of inefficiency, negligence, a lack of accountability and in many cases corrupt practices of people related with the projects.

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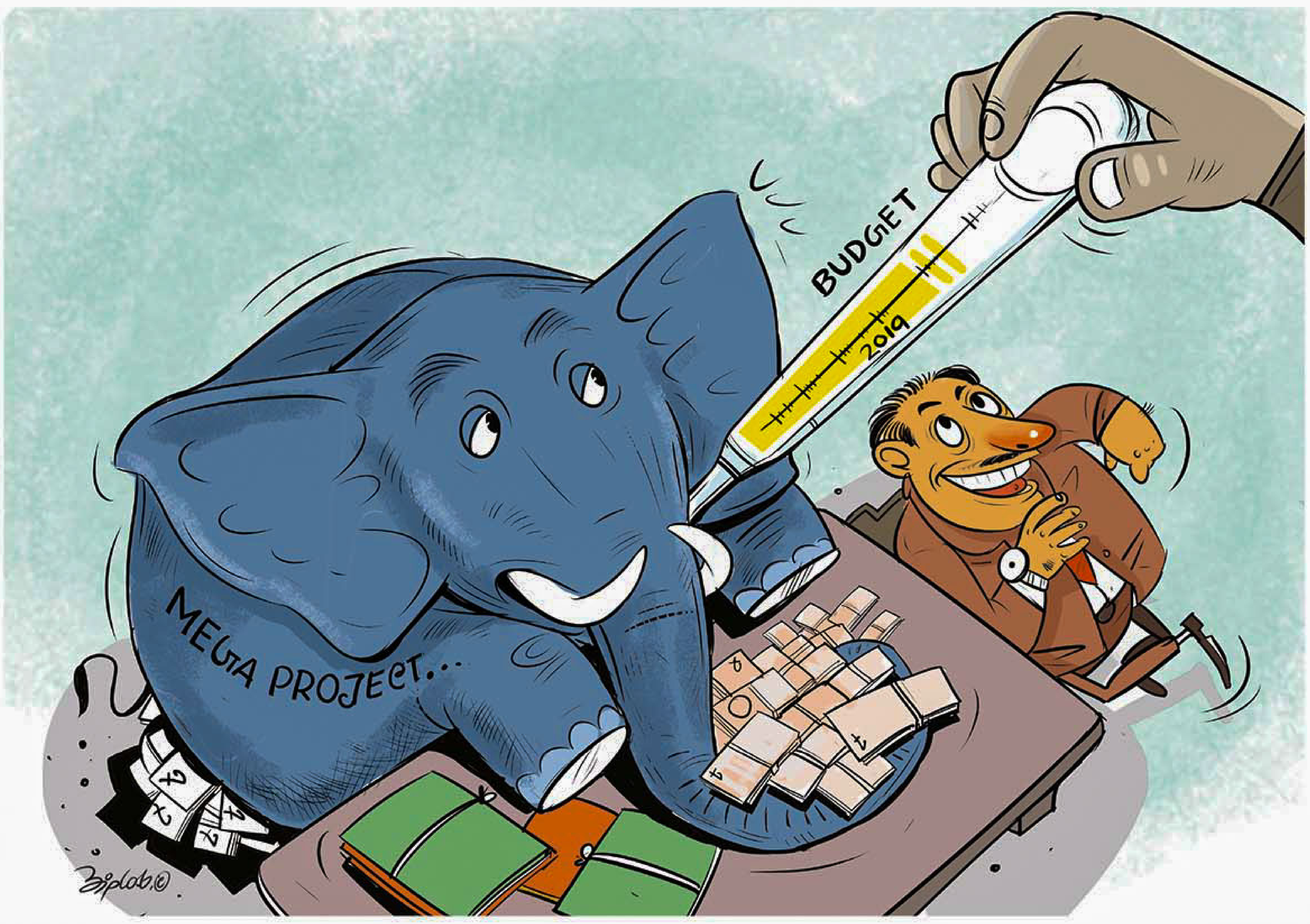
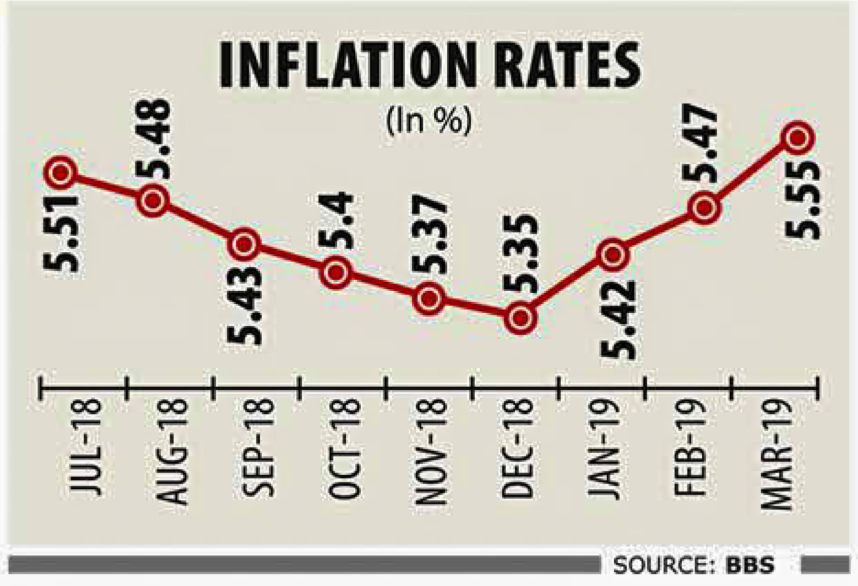
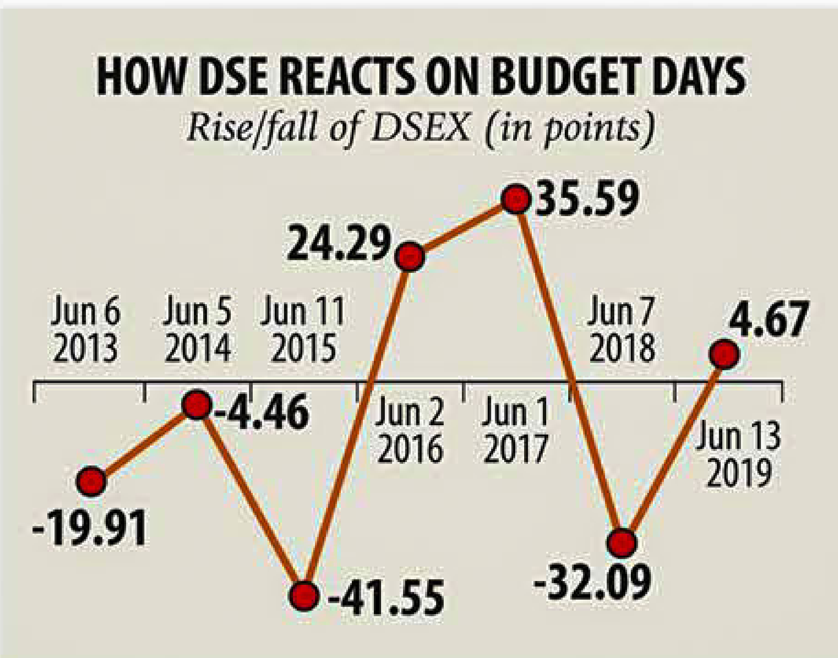
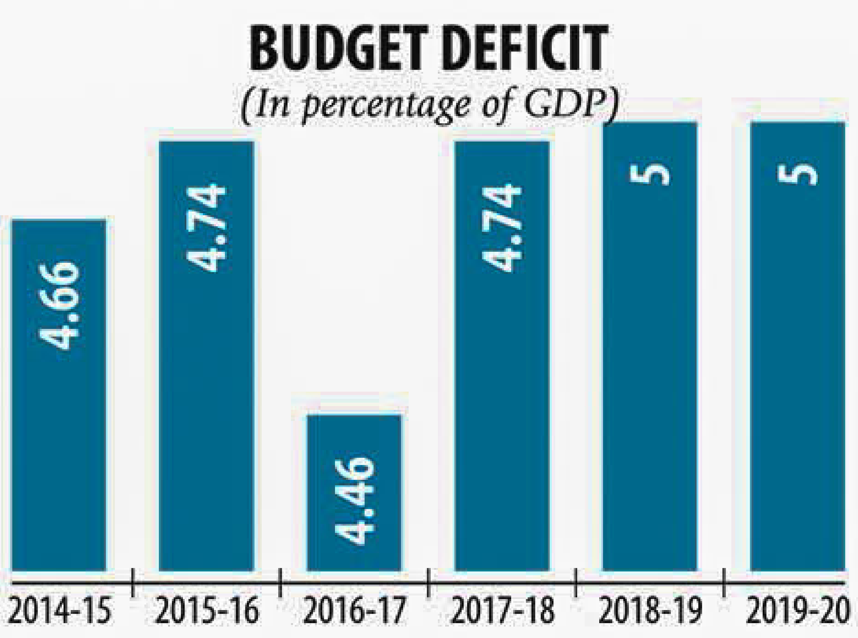


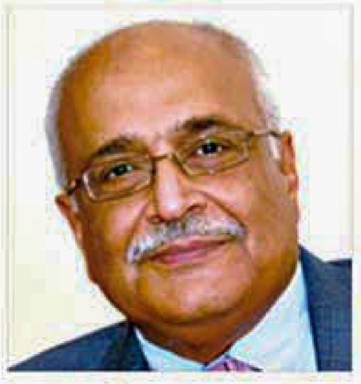






Growth-friendly, albeit unrealistic

MD FAZLUR RAHMAN


Debapriya Bhattacharya


Zahid Hussain


Zaidi Sattar


KAS Murshid


AF Nesaruddin

The new budget is growth-friendly and has set ambitious goals but shied away from addressing the key challenges confronting the economy, said a number of economists in their immediate reactions.

"The overall stance remains pro-growth which is actually very important to maintain," said KAS Murshid, director general of the Bangladesh Institute of Development Studies (BIDS).

"We must remember that the impact on poverty reduction and positive social sector outcomes could not have been possible without broadband growth. Thus, the focus must be on delivering sustained, broad-based growth which requires major progress in the reform agenda."

Zaidi Sattar, chairman of the Policy Research Institute of Bangladesh (PRI), says the budget for the fiscal year of 2019-20 appears to have recognised the impending challenges, setting ambitious goals for meeting them.

"Proof of the pudding is in the eating, as they say. So, we have to wait and see the convergence between goals and actions before assessing outcomes."

However, Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue, says the finance minister has tried to formulate the budget in light of the reality, but in the end it did not fully reflect the reality.

"The finance minister talked about aspirations but did not come up with specific plans and actions needed to reach them in light of the election manifesto," he said.

The macroeconomist said the next fiscal year's projections had not been made on the basis of reality.

He cited that the revenue generation target was cut by Tk 22,000 crore for the outgoing fiscal year but it would actually fall short of Tk 85,000 crore as per the CPD's estimate.

Similarly, the expectation on the execution of the annual development programme (ADP) in the last three months of the outgoing fiscal year is not realistic to a large extent, he said.

Bhattacharya says the budget has not addressed the fiscal issues, the exchange rate of the taka and the reform of the banking sector.

> "The finance minister talked about aspirations but did not come up with specific plans and actions needed to reach them," says Debapriya Bhattacharya

The taka has remained overvalued and if it is devalued then the country will be able to get rid of many fiscal pressures. But the powerful tool at the disposal of the government is not being used in the economic management, Bhattacharya said.

"From economics point of view it is not comprehensible at all how you are foregoing revenue when revenue generation has been less?"

He called the ailing state of the banking sector "cancer". "But you will not find any acknowledgement of the bad condition of the banking sector in the budget speech."

Zahid Hussain, lead economist at World Bank Bangladesh, says target underachievement is still likely.

"Although the revenue and expenditure growth targets in the new budget are more realistic relative to previous budgets, it is still likely that both will be underachieved."

The budget promises to simplify the customs and income tax laws to make them business friendly, which is great, according to Hussain.

He says adequate provisions for transformative projects such as the Padma bridge and Dhaka Metro Rail Transit are indeed reassuring. Increased spending on the development of rural infrastructure will help stem the tide of internal migration from rural areas to the mega cities.

Transformative structural reforms could make the difference between success and failure, the economist said.

Key reforms needed to achieve the budget targets with the desired stability, growth, job creation and equity effects must include: the resolution of the NPL problem; rationalisation of interest rates on national savings certificates; making tax administration friendlier to taxpayers; smarter management of subsidies and transfers to en-sure that these reach the intended targets; improving public investment management processes to the time and cost overruns in development project implementation; and reducing regulatory hassles and unpredictability to enable increased private investments.

Murshid of the BIDS said the government has behaved responsibly in terms of keeping to a sustainable debt burden.

He said while tax ceilings on individual and corporate taxes have remained unchanged, it would have been good to start scaling these rates down as these are some of the highest in the world, and improve collection.

Sattar of the PRI says for Bangladesh to sustain the momentum of more than 7-8 percent growth in the next five years, though possible, requires substantial reorientation, if not restructuring, in its current trade regime.

The former senior economist of the World Bank said Bangladesh needs to recast its protection and export policy to stimulate export growth and diversification.

"Like the tax-GDP ratio, we need to raise the trade-GDP ratio to get growth acceleration."

"The proposed budget is an ambitious one," said Selim Raihan, executive director of the South Asian Network on Economic Modeling.

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A little for the jobless

Education's share still too small

WASIM BIN HABIB and MOHIUDDIN ALAMGIR

More than a year ago, when Mohammad Zayed graduated from a university college in the capital, his family started expecting that he would soon take over the financial responsibility.

Eldest among three siblings, he understood it because his father's income from a job at a pharmacy, near Mohammadpur Beribadh, is too meagre to meet the family's rising expenses.

Zayed started looking for a job. He took several recruitment tests. In some cases, he made it through to the viva voce exam. But that was it. He is still unemployed.

"It's disheartening. I need a job soon to support my family," said the 23-year-old.

Zayed is among the thousands of graduates who are struggling most to find employment. Yesterday's budget brings good news for unemployed youths like him.

Finance Minister AHM Mustafa Kamal proposed to allocate Tk 100 crore for the training and employment of a specific group of people because "the government strives to eliminate unemployment by 2030 by generating three crore jobs."

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Gas subsidy to double

MD FAZLUR RAHMAN

Finance Minister AHM Mustafa Kamal yesterday proposed doubling the subsidy for the gas sector to Tk 9,600 crore for 2019-20, from Tk 4,500 crore in the previous year.

He also recommended setting aside Tk 9,500 crore as subsidy for the power sector for next fiscal year, up from Tk 9,200 crore in 2018-19.

In favour of the subsidies, he argued during his budget speech that the subsidies and transfer expenditure play an important role in achieving pro-poor and inclusive GDP growth.

The subsidy increase is down to the imports of liquefied natural gas (LNG) whose price is way higher than that of the locally produced gas.

The power sector has been the most successful sector for the Awami League-led government in the last one decade, driven by its emphasis on raising the generation capacity.

The results are encouraging: on May 29, Bangladesh produced 12,893 megawatts of electricity, the highest ever and a straight fourfold increase from what it was in 2009-10.

A staggering 93 percent people have access to power and the number of beneficiaries has doubled within a decade. Gas production stood at 3,000 million cubic feet of gas per day (mmcfd) on Wednesday, largely on the addition of the LNG in August last year. It was 1,744mmcfd in 2009.

"By next year, each upazila will have 100 percent access to electricity," the minister said.

But saying the same for the gas sector is still a far cry.

The country still has to wait for a long time for uninterrupted power and gas supply in spite of the recent inclusion of LNG to the national grid along with achieving a huge success in electricity generation in the last one decade.

Poor network for distribution and transmission of electricity and a high demand-supply gap of gas are to blame for the delay.

Consumers ranging from industries and power plants to fertiliser factories and households still complain of regular power outages.

The benefit of the progress in the energy and power sectors is not equally distributed: cities get almost uninterrupted power supply whereas villages still suffer from cuts.

Factories and producers based in the cities and industrial belts have access to gas and the same is true for the households in the same vicinity. But for the rest, getting a gas connection is a dream.

As the gas price has not been adjusted since the arrival of LNG, the government has spent Tk 14,000 crore from its coffer to facilitate LNG imports, Nasrul Hamid, state minister for energy and power, said in a programme in Dhaka on Sunday.

The finance minister allocated Tk 28,051 crore for the development of the power and energy sector, up from Tk 26,502 crore in 2018-19.

The power division received Tk 26,065 crore, up from Tk 24,212 crore in 2018-19 and the energy and mineral resources division got Tk 1,986 crore, down from Tk 2,290 crore in the outgoing fiscal year.

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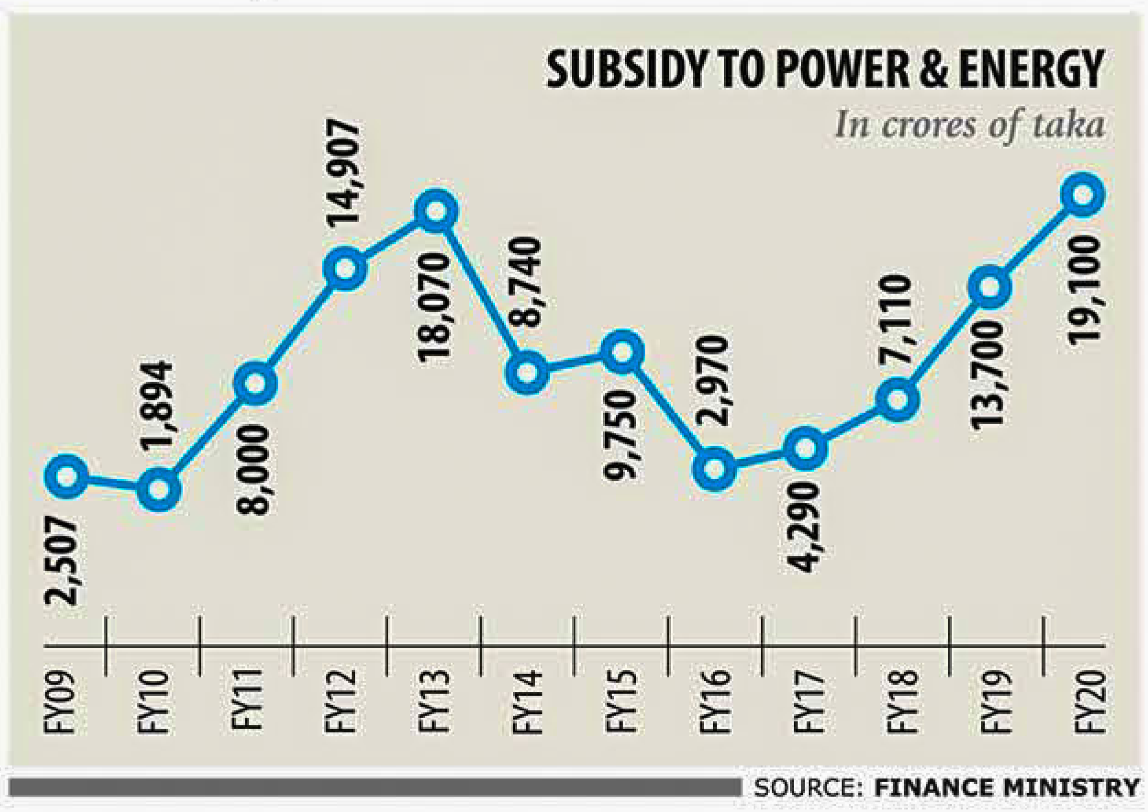

Deficit financing to be expensive

JAGARAN CHAKMA

The government has resorted to deficit financing, largely through bank borrowing and sale of high-cost savings certificates, increasing the interest payment burden on its shoulders and fuelling inflation.

Increased borrowing from the banking industry, which is already in a liquidity crisis, will create a fresh crowding out situation for the private sector.

Budget documents show the borrowing goal from foreign sources has been set at Tk 68,017 crore, around 44 percent higher than the revised target for the outgoing year, meaning that more taxpayers' money will be spent to pay off external lenders.

Now Bangladesh has to pay 2 percent in interest for loans from World Bank and Asian Development Bank, up from the 0.75 percent availed before the transition to a lower middle-income country.

Loans from Japan, Bangladesh's largest bilateral development partner, cost 1 percent, which is almost 7 times higher than what was two years ago.

However, the budget deficit target remains at 5 percent of the GDP for the outgoing fiscal year.

Of the Tk 145,380 crore deficit, Tk 77,363 crore will come from domestic sources: Tk 30,000 crore from savings certificates and other non-banking sources and Tk 47,364 crore from the banking system.

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