The Daily Star

FOUNDER EDITOR
LATE S. M. ALI

Expired drugs in pharmacies 'not unusual'!

That is a dangerous state to countenance

THE comment of the president of the Association of Pharmaceutical Industries would have been passed off as a pun were it not for the fact that it has to do with the health of the public. He wants us not to be worried that there are time-expired medicines in the pharmacies—that being, according to him, nothing unusual. His comments have been prompted by media reports including in this paper that 93 percent of drugstores in Dhaka kept expired medicines.

We find it very unusual that almost every pharmacy in the capital should have on its shelf date-expired medicines. It is only reasonable to think that if the drugstores maintained a log register, and followed the usual practice of regular turnover of stocks, there would be no excuse to have out-of-date drugs on the shelf. And it is not beyond the pale of possibility that the unscrupulous among the drugstore owners would sell these medicines to the less careful or unaware buyers. What is even more worrying is the statement that only the top 20 drug producers collect expired medicines from the shops. What about the rest? If such a situation prevails in the capital, we wonder what the situation is in other places, particularly the outlying areas of the country.

The Directorate of National Consumer Rights Protection deserves our thanks for carrying out this long overdue drive. We would hope that it will continue with its drive to ensure that such medicines are taken off the shelf immediately after their date has expired. If there is anything worse than going without medicine, it is having medicines which have gone out of date.

Another hardship on migrant workers in Malaysia

The proposal will institutionalise bonded labour

WE are dismayed to learn about the proposal that will allow Malaysian employers to deduct 20 percent of migrant workers' salaries to prevent them from fleeing workplaces. The disturbing news came to light when two rights bodies submitted a petition to the Malaysian human resources ministry to cancel the proposal.

We are surprised that the Malaysian authorities would entertain a provision that would essentially cause immense hardship on Bangladeshi migrant workers who already have to bear the burden of debt incurred to raise money for exploitative recruitment fees. The proposal will only make things worse and amount to reducing workers into bonded labour. It is no secret that many migrant workers leave their jobs because they are either physically abused or their wages withheld or because they are overworked. Instead of mitigating these harsh circumstances, the authorities are considering a draconian rule.

There are around 800,000 Bangladeshi migrant workers; around one to two lakh are undocumented workers. The lives of these workers are far from easy—many have to worry about how they will pay off their debt while also sending money to their families. They have very little money to live on.

It would be a cruel decision to further burden them if their salaries were to be cut by 20 percent. Instead, the Malaysian authorities should focus on removing the exploitative practices of certain employers so that workers are not forced to leave those companies in the first place. As the rights bodies have pointed out, the proposal in question goes against international labour standards and would encourage forced and bonded labour. This is hardly what the Malaysian government would want and it would put a strain on its relationship with Bangladesh which has always been one of cordiality and reciprocity.

LETTERS TO THE EDITOR

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Towards equitable development

The Bangladesh government placed its 11th budget for the fiscal year 2019-20 on June 13 which amounted to Tk 5.23 trillion targeting 8.2 percent GDP growth rate. The proposal also aimed at achieving equitable development, smoothening employment generation, improving the business environment, reducing extreme poverty and assuring basic needs to the marginalised.

Well-thought-out economic policies facilitate progress in important areas; they help to reduce the unemployment rate, reduce extreme poverty, ensure rapid growth in infrastructural development and pave the way for higher literacy rates.

Yet, there are certain areas that should have been given more emphasis in the budget to reflect pro-poor development and an inclusive economy. Growing inequality; rise in non-performing loans (NPLs); massive capital flight; mismanagement of public funds; persistently poor corporate governance in the public sector; and poor budgetary allocation to health, education and safety benefits in comparison to other emerging economies are the main underlying challenges facing Bangladesh.

Stringent regulations and increased supervision of Bangladesh Bank will help reduce NPLs and tackle money laundering. Furthermore, increase in the proportion of direct tax; higher allocation towards social safety net; and establishing good governance will help pave the way for equitable development.

Md Parvez Alam, *By e-mail*

BUDGET FY2019-20

Agriculture spending rises but farmers' distress likely to remain

MUSTAFA K MUJERI

ALTHOUGH no sweeping changes were expected, the general anticipation was that the FY2019-20 budget would have some measures to help the small farmers, especially after the severe loss of the boro farmers this year, creating a depressed rural economy. Over the years, pro-farmer policies of the government have helped to attain record levels of agricultural produce; but, with rising costs and falling crop prices, the key challenge at present is to boost rural investment, enhance market access to farmers, improve food processing, and introduce technology-intensive processes in the rural non-farm sector. The FY2019-20 budget has allocated Tk 16,985 crore for the agriculture sector (including fisheries and livestock), 7.6 percent higher in nominal terms than Tk 15,782 crore allocated in last year's budget.

The government's attempts to strike a delicate balance between its thrust to make agriculture dynamic and treat rice as a culturally valuable and politically volatile crop are best understood in the political and economic contexts of the budget. Various forms of subsidies, ranging from price support to fertiliser subsidy, outright cash assistance, and direct intervention of the government in price stabilisation have made this situation possible.

Over the years, what the farmers have gotten or have been promised in terms of policy support falls in familiar lines such as agricultural credit, subsidies, crop insurance or electronic trading platforms. Obviously, the farmers would love to see electronic trading eliminate middlemen, but when and how would this happen? What is on offer is an expression of intent, which is already old. The farmer does, of course, need credit, but how would he/she pay it back without a decent price for his/her produce?

So far, the policy response of the government to rice farmers' plight has been to play around with loans, subsidies, rice procurement, and minimum procurement prices. The real concerns which are at the core of farmers' distress are not new, but they have long been crying out for policy attention. What the farmer wants, above all, is a fair price for his produce. There is layer upon layer of middlemen who mediate between growers and consumers, and there seldom exists any credible means of price discovery. The more the number of middlemen, the greater the arbitrage and wider the gap between the farm gate price, which is what the farmers get, and what the end-consumer pays.

Another issue is farm labour. Cost is a problem, but the bigger problem is availability. Labour shortage forces the farmer to look for alternatives. The farmer is looking for mechanisation to help him through this crisis, but this is happening at a slow pace. What stands in the way is economics—not technology. That is where the government needs to step in if it really wants to help the farmers. Without a fair price for the produce and meaningful mechanisation, agriculture will go down the chute and increasing farm incomes will remain a pipe dream.

Promoting the marketing capability of small farmers is the key challenge of raising the prices received by the farmers and increasing farm investment. Due to the oligopolistic market structure and in the absence of farmers' organisation, competitiveness of the small farmers so that they can get fair prices. The government needs to adopt effective policies in order to ensure fair prices for the growers through procurement and other means; enhance the staying power of the farmers by creating storage facilities (e.g. at the community level through cooperatives, private-public partnership and other mechanisms) for agricultural produce of farmers; and encourage farmers to enter into more collaborative vertical and horizontal partnerships to enhance capability and bargaining power. Existing agricultural value chains in Bangladesh are not competitive and the values are not distributed among the participants in an equitable manner. Obviously, any asymmetric dependence based relationship within the value chain is not congenial to promoting welfare of the small farmers.

While the private sector participants to the farmers, low innovations and productivity, and market imperfections are the outcomes of unfair dependency relationships across the chain members and lack of their collective collaboration. The implementation of a value chain focus for the agriculture sector will improve the conditions of the chain participants, especially the small farmers.

Although agricultural income is not taxed in Bangladesh, farmers are implicitly taxed through restrictive marketing and trade policies that have an in-built consumer bias through controlling agri-prices. While reducing cost is one way of increasing income, the other way would be to increase the yield by strengthening agriculture research, especially since the gap between actual and potential yield is so large.

Digitised land registration, mobile phones and "Uberised" tractor services

A farmer examines rice in a paddy field near a farmhouse in Dhaka district. PHOTO: REUTERS

individual marketing practices expose the farmers to high transaction costs with low bargaining position. Small farmers are also unable to receive fair prices as they have to sell their products soon after harvest because of the immediate cash need for repayment of loans and other reasons when the prices are generally low. These factors underscore the importance of forming farmers' cooperatives, development of marketing infrastructures, and accessibility of up-to-date marketing information in order to support farmers' bargaining power to increase small farms' profit and investment.

Reliance on the market alone will not lead to more efficiency in the agricultural value chain or enhance the dominate the agriculture sector so that the private sector will have to play the dominant role in the value chain transformation process, the government will have to take effective measures to facilitate the entire process. The government will have to adopt measures to encourage the participants to develop both horizontal and vertical collaborations covering the entire chain. The adoption of competition policy and guidelines for the sector will contribute to more equal sharing of value. For enhancing and sustaining the benefits of an improved supply chain, productivity needs to be continuously increased through adopting improved technology and other measures.

The failure to provide fair prices are possibilities that can contribute to improved farm management by the small farmers. Ensuring title guarantees and increased security of land tenure to these farmers will stimulate land rentals by nonviable smallholders and land consolidation. With only a limited number of villages having banking services within five kilometres, the government needs to further encourage agent banking and rapidly expand mobile phone payment technology. For the small farmers, these will create opportunities to shift from input-intensive to knowledge-intensive agriculture.

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New directions, old roads

OPEN SKY

BIRU PAKSHA PAUL

THIS is the first time we noticed a prominent leader of the opposition using an appropriate word, "ambitious", to describe the budget, instead of branding it as "anti-people." This is a good sign because the first budget for a new finance minister should be forward-looking.

Despite some mistakes (grammatical, spelling errors, and inconsistent usage of both British and American English), the finance minister has sufficiently infused his energy and hopes into the document. But his words aren't simply rhetoric—rather, he has come up with definite target numbers for the next four years. Those numbers reflect commitment and are the strongest part of the budget. Other numbers, however, are pretty structured as per the budgetary framework of the ministry of finance, which the finance minister might not be able to manoeuvre within such a short span of time.

Critics who say that this budget is no different from its previous versions have indeed missed some salient points. The two most difficult goals are raising the GDP growth from eight percent to 10 percent by 2024, and increasing the revenue-GDP share from 10 percent to 14 percent. While we are not sure how much the government can deliver regarding the first part—since output growth is a complex summation of numerous elements—we still believe the finance minister can bring some changes to the second part pertaining to tax collection, given that he is courageous enough to impose limits on affluent individuals. In other words, the finance minister has to be very determined and strict to remove the rusty mindset of the super-rich who dislike paying taxes, and love acquiring but despise repaying big loans. He must act quickly though—any reform needed to design a healthy financial architecture system has to be initiated within the first two years of the regime. The legal changes which are essential to nab the habitual defaulters must be hammered out right after the budget is passed.

A USD 62 billion budget makes up almost 18 percent of the projected GDP of USD 336 billion, while USD 44 billion of revenue covers 13 percent of GDP, leaving a deficit of almost USD 18 billion, which in turn constitutes five percent of GDP. So, structurally, the budget remains the same as before. But the ratio of operating and development expenditures is 61 to 39, while the ratio was 65 to 35 in the early 2010s. This means that the finance minister has kicked off the budget in a good direction, so we can gradually allocate almost 50 percent of the budget for development programmes by 2025.

Although it's not completely appropriate to say that we will be a developed nation by 2041—if one believes in plausible growth arithmetic—we can agree that Bangladesh invariably needs a rising proportion of the development budget for its march toward a prosperous, upper-middle-income country by 2041. And mega development projects must be outsourced internationally instead of unduly favouring inefficient domestic contractors to avoid waste of resources and time. The finance minister exhibited his passion for all mega projects, but it's not clear why lifeline projects like Patal Rail weren't mentioned even once. Dhaka must be saved first to make our progress sustainable. And Patal Rail has no other alternative. The prime minister had made promises about this plan in a pre-election rally.

The manner of deficit financing couldn't have come out of the finance minister's predecessor's playbook. Domestic and foreign borrowings will almost equally share financing in a 50-50 ratio, but the worst part is that almost USD 7 billion out of USD 9 billion allocated to domestic financing will be managed from *Sanchaypatra*—the most expensive way of deficit financing in the world. The wired nonmarket interest rate on *Sanchaypatra* is the Trojan horse which the government has been ignoring for a long time—but one that has already started taking a toll on other important allocations.

Let's look at the interest burden, which is close to another USD 7 billion and the substantial part of this hemorrhage is attributable to *Sanchaypatra*—the so-called poor men's welfare instrument, mostly entertaining the money moguls now. In this regard, the finance minister has to correct his predecessor's blunder, if he really wants to save the capital market, preserve the banking sector's liquidity, and build a strong bond market. There is no alternative other than dismantling this distortive savings scheme, and handing over deposit mobilisation entirely to the banks or fixing *Sanchaypatra* rates based on five-year bond rates that exist in the market.

What should be the first and most highly prioritised job of a finance minister in any developing country? It's not devoting every thought to banking. That job is for the central bank. A finance minister's main job is to understand the art of devising the most economical way of deficit financing. But, at least in the last eight years, that hasn't been the case. Domestic borrowing is gradually being eclipsed by *Sanchaypatra*, hence the interest burden is expanding phenomenally, which is an indicator of one of the most inefficient forms of deficit financing in Asia. Now the interest burden alone makes up almost 11 percent of the whole budget, and is higher than the total allocation to the three important sectors of agriculture, health, and housing.

This monster is also bound to overpower sectors like education and transport, unless the new finance minister undertakes reforms. For example, domestic borrowing is only 1.2 times larger than foreign borrowing, but the interest burden on domestic borrowing is 12 times larger than that on foreign borrowing, suggesting just how self-destructive it is to gradually allow more and more domestic borrowing that charges tremendously high interest rates. Higher interest burden is eroding the government's capacity to implement the development budget, weakening future growth potential and threatening employment opportunities. The new finance minister has to get rid of this addiction to *Sanchaypatra* which has become a convenient tool for acquiring money easily. This reflects fiscal incapacity, and gradually produces distortions in the banking sector.

On the other hand, the allocation for primary education (MPO) and the finance minister's interest to hire expertise from foreign lands (particularly, Bengali expatriates) are praiseworthy. I had the opportunity to visit China's Tsinghua University in 2016 which now ranks number one among 400 top-quality universities in Asia—a list that doesn't include a single institution from Bangladesh. Most instructors we met were the product of reverse migration from America and Europe to Asia. Top Chinese universities offer handsome packages to attract Chinese professors and scientists living overseas, which lead them to eventually return to their homeland. University officials in our neighbouring countries, India and Pakistan for example, attend job fairs to hire foreign individuals with PhDs as faculty members. By contrast, the hiring process in our universities is often plagued with nepotism or partisan influence. Additionally, grants for research are scarce and the evaluation criteria are insufficient. Non-transparent promotion procedures and faulty recruitment policies are the reason why our universities receive low world rankings. It is crucial that the finance minister renders specific allocations to address these deficiencies. Otherwise our embarrassing position as one of the lowest in the Knowledge Economy Index will not change.

This time, we didn't see a term called "non-development" expenses. Rather, the finance minister used the term "operating expenditure." Still, some issues remain. Once the term "deficit" is used, the negative sign before the figure is inappropriate and misleading. "Deficit" should either be replaced with the word "balance" or the negative sign before it must be removed. Last but not least, I'm not sure whether a budget speech should be more than 100 pages long. We would like to see a 50-page budget speech next time that has less words but reflects more dynamism.

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