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# Low-income people need a breathing space

## Urgent measures needed to tackle rising prices and disappearing jobs

It is most unfortunate that the rising prices of daily essentials are forcing the middle- and low-income people across the country to compromise on their standard of living. A report published by this daily on Sunday revealed stories of struggles and hardship as these families are finding it hard to make both ends meet with their limited income. Many families had to reduce their consumption of nutritious food to cope with the situation.

Reportedly, in many families, their only earning members lost their jobs during the lockdowns enforced in the past two years by the government to check the spread of Covid-19. While some of them could manage a temporary job, many still remain jobless or without a stable source of income. Meanwhile, soaring prices of essentials and hikes in transport fares and utility services have only added to their woes. Many are now trapped under huge debt which they are unable to pay off. For some, bearing the educational expenses of their children has also become impossible.

The government needed to come up with policies to support these people to cope with the pandemic's economic pain, but unfortunately it has failed to do so. Instead, the prices of almost all kitchen items—such as edible oil, fish, beef, etc.—and vegetables are soaring in the local markets. The hike in diesel and kerosene prices (imposed by the government in November last year) not only increased the transport fares and agricultural production costs, but also made shipping more expensive, which also affected the kitchen markets. And now, there are plans to further increase the utility costs for the households.

Experts have warned that the combination of these increased prices will take a heavy toll on the low- and middle-income people. According to them, since edible oil and several other essentials are imported, the prices of such goods have to be set in accordance with the global prices. However, the prices of locally produced goods should not increase. Experts have also given their opinions against increasing the utility prices. If the government withdraws or reduces subsidies from these sectors without addressing the governance issues and system losses, and without addressing the crisis of disappearing jobs and incomes, the ultimate burden will fall on the consumers.

During this pandemic, many low-income people have slipped into poverty, as several studies have found. If the price hikes of essential commodities and other non-food items cannot be checked right now, they will slip further below the poverty line. Therefore, we think the government should take into account the situation of the limited-income people and make policies that address their problems, not increase them.

# An inexcusable failure to ensure road safety

## Safety taskforce must be held accountable for lack of action

One issue that we have written extensively about is the lack of road safety in Bangladesh and the authorities' continued indifference to it. While the road safety movement by students in late 2018 prompted the government to enact the Road Transport Act 2018, it was not until November 2019 that the law came into effect. And yet, reports of continued crashes and casualties show how poorly implemented it is. For instance, according to the law, no driver can drive a vehicle unless he has an appointment letter from the recruiting transport owner. This directive, like many others, is widely ignored as bus/truck owners recruit drivers on a daily basis.

Another failed initiative by the government was to form a "high-powered taskforce," led by the home minister, which remains ineffective to this day. Its sluggish pace and lack of any sense of urgency are sharply contrasted by the fast march of deaths on our roads. As per a police report, 2021 saw the number of accidents and fatalities rise by a staggering 30 percent compared to 2020.

As we know, the most common reasons behind the increase are faulty vehicles, reckless driving, tailgating, non-implementation of traffic laws, etc. But these are merely symptoms of the disease that is the lack of seriousness of the authorities to ensure road safety. Since its formation in October 2019, the aforementioned taskforce has been mulling over the same nine decisions over and over again, with only one decision—to appoint a focal person from four ministries concerned to oversee the implementation of the other decisions—being fully implemented so far. Surely we would have seen some improvement in terms of road safety if the taskforce had been proactive and swift as they were meant to be?

Given that accidents and fatalities on our roads are still taking place every day, we hope the taskforce, which was set to meet on Sunday, will give us some solid answers as to why it has not been able to implement its decisions over the past two years, and also a timeline of when and how it intends to actually make moves which will make our roads safe. We will also urge the taskforce to prioritise the implementation of decisions which will have a direct and immediate impact, such as not allowing unlicensed or underage drivers to operate vehicles. Deaths on roads, preventable as they are, are occurring too frequently to justify their lax attitude.

# What should be the priorities in the FY2022-23 budget?

MACRO MIRROR

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FAHMIDA KHATUN

The economy of Bangladesh has fared very well despite the impact of the Covid-19 pandemic. From 3.5 percent growth in FY2019-20, the economy recovered fast. The Bangladesh Bureau of Statistics (BBS) recently announced that in FY2020-21, Bangladesh's GDP growth was 6.9 percent, which is very high compared to all the other economies. There are huge debates on the official GDP numbers in Bangladesh—the new GDP number for FY2020-21 is no exception. That said, we are undoubtedly on the path of recovery since the reopening of the global economy and the roll-out of Covid vaccination. So, in FY2021-22, exports saw a strong growth. There was also a rise in imports.

However, many sectors and individuals are yet to overcome the Covid-induced difficulties. Following the outbreak of the pandemic in 2020, the government had rightly undertaken a large number of expenditures to mitigate the economic losses suffered by the people and businesses in various sectors. A number of stimulus packages and support measures were announced for businesses, agriculture sector, health sector and social safety net programmes. To operationalise the stimulus packages through commercial banks, the government created liquidity for the banks through expansionary monetary policy measures. However, though large businesses and the export sector were able to make a comeback, small enterprises could not do so due to their inability to access the funds through stimulus packages. The poor and low-income families are still struggling to make their ends meet. Cash support for the poor has not only been inadequate, but the distribution has been flawed due to wrong targeting. The current price hike of essential commodities has worsened their situation. Inflationary pressure is hitting the poor and fixed-income households hard.

The finance minister will soon formulate the third Covid budget, which will be presented at parliament in early June this year. In view of the current circumstances, the budget for FY2022-23 has to address a number of ongoing and emerging challenges while striving to move forward with speed and quality.

Whenever the budget is discussed, the first issue that comes to everyone's mind is taxation. The budget is about mobilisation of resources through various ways, the most important of which is tax on people's income. This resource, in turn, is used mainly for development, providing various services to citizens, and the salaries of government employees. Governments mostly depend on resources from their citizens—be it tax, bank borrowing, or sales of national savings certificates. They receive support from abroad at times. They also take loans from international sources. Given the important role of tax in financing objectives to be met within a system that is not strong enough to implement these and withstand obstructions in the way. Policymakers should not lose sight of reforms of the tax system and public institutions while designing the budget for the recovery. Capacity development of human resources and application of technology have to be a part of the reform


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economic activities of the government, its efficient collection and utilisation cannot be overemphasised.

Unfortunately, tax effort has been unsatisfactory in Bangladesh and continues to fail to reach its potential. The tax-GDP ratio is only about 9.5 percent. Budgetary targets of tax collection are never met. The budget speech of the finance minister refers to several measures. However, the outcomes of those measures are not reported back in the following year's budget speech. There is no information in the budget speech on the additional number of taxpayers every year. Indeed, there is a need for knowing the accurate number of eligible taxpayers. Different numbers are quoted on various occasions, without the source of those numbers. This is not a difficult task, and the National Board of Revenue (NBR) may conduct a study to identify and estimate the number of eligible taxpayers. Based on such a study, the NBR can also design its plan for bringing the eligible taxpayers under the tax net. They can create awareness among the new taxpayers. The prospective taxpayers can also be mentally ready when they learn about their tax-related responsibilities.

Since the outbreak of the pandemic, the need for a robust fiscal framework has been felt much more than before. Higher revenue mobilisation and judicious higher expenditure are tough measures.

On the expenditure side, the growth in government expenditure will have to take the inflationary pressure into account. Hence, the budget deficit will need to be lowered slightly than that of FY2021-22, which is set at 6.2 percent of GDP. Traditionally, it is targeted at five percent. In view of the need for higher public expenditures during the pandemic, it may be set at 5.5 percent of GDP in FY2022-23. Of course, due to the low expenditure capacity of the government, the budget deficit has usually been lower than the projection. As per data from the central bank, during July-September of FY22, the budget deficit was lower by Tk 4,428 crore, compared to that of the same period in FY21.

As for sectoral allocations, higher allocations are needed in a few sectors on a priority basis. Investment for the health sector is a high priority not only for dealing with the ongoing pandemic, but also for the overall strengthening of the health ecosystem in the country. Besides, recovering learning loss due to the pandemic, improvement of the education quality and skills development will also require more resources. Among others, rural infrastructure and social protection also deserve bigger allocations.

However, budget execution is what matters in the end. And it should be measured both for quantity and quality.

# *We must keep an eye out for Pakistan*

RMG NOTES

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MOSTAFIZ UDDIN

Recently, I read that Pakistan, a major competitor of Bangladesh in garment and textile production, had hit record textile exports. The country posted an uptick in textile exports year-on-year of 40 percent in FY2021-22 to the level of USD 21 billion.

Pakistan's economic advisers are now suggesting that this figure will expand to USD 26 billion in the next fiscal year, and place the country's textile exports well beyond its pre-pandemic levels. What is driving this increase, and should Bangladesh be concerned?

There are several issues to consider here. Pakistan is targeting the same export markets as we are—namely the US and the EU, plus the UK. I saw someone on social media recently comparing Bangladesh, Pakistan and India in terms of garment exports, and suggesting that Pakistan had been the clear leader during the pandemic.

There is a reason for this. Factories in Pakistan reopened ahead of Bangladesh and India after the pandemic first emerged in early 2020, and they were able to draw orders from global fashion brands when our factories were closed. Some orders shifted to Pakistan from us and India. That said, in the latter half of 2021, Bangladesh's RMG sector rebounded strongly and ended the year with the strongest quarter on record.

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However, I think we should all be careful about reading too much into export performances during the pandemic, given that we were operating in exceptional times, the likes of which we may never see again. For this reason, I would argue that we need to wait until the back end of 2022, when I expect the dust to finally start to settle on the pandemic, to assess where we are in terms of our competitors, and whether Pakistan's record exports are a sign of things to come. By the same token, we will not know for some time whether the extra business Bangladesh won during the latter half of 2021 is here to stay.

Bangladesh does have a slight competitive advantage over its neighbour. Firstly, we remain ahead of Pakistan when it comes to issues such as compliance and safety. Our garment factories have invested millions of dollars in these areas, and it will take a while for our competitors in Pakistan to catch up. That said, Pakistan does boast a modern textile factory. Like Bangladesh, compliance is more of an issue when one goes beyond large, Tier 1 factories.

The second area is the broader issue of sustainability. It has taken a while, but I am finally seeing more and more RMG factories in Bangladesh embracing sustainability, recognising it for the genuine business opportunity that it is. Indeed, it is a prerequisite of doing business with modern fashion retailers. I don't think Pakistan is as far along its sustainability journey as Bangladesh, but again, it does boast some excellent success stories. Denim production is one, where it is a world leader in sustainability. Pakistan's huge organic cotton sector is another.

The third area is marketing and modernisation. Bangladesh's RMG sector gets many more column inches in the international media than Pakistan—and India, for that matter. There is a huge interest in our RMG sector, and for this our industry leaders, including the BGMEA, must be given due credit. We are an open, outward-facing sector, and this has helped us win trust and credibility in the international fashion industry.

Finally, there is the subject of safety. For many years, sourcing executives were concerned about visiting Pakistan due to the lingering issues of terrorism. While these issues are now greatly reduced, it is only natural that executives will still tread carefully. The rebuilding process for Pakistan will take time, but we should all support it along this important journey.

Having said all that, if we ignore Pakistan's strengths, we will do so at our own peril.

What are these strengths? One is its access to raw materials, with Pakistan being one of the world's largest cotton growers. Also, with a well-run deep seaport and privatised airport operations, Pakistan is well-placed to meet stringent delivery targets from customers. I was pleased to see the recent launch of a direct shipping connection between Chittagong and Ravenna, Italy, with a sailing time of just 16 days. It is precisely these logistics investments that we need to make Bangladesh more attractive to buyers.

There is another way of looking at this issue. Instead of viewing Pakistan as a threat, we should see ourselves as regional partners. Both the countries could capitalise on their regional strength—especially in the current global political climate. Pakistan may be a competitor, but there is no doubt in my mind that together we will be stronger.