1 in 4 under age 5 face 'severe' food poverty: UN

AFP, *United Nations*

More than one in four children under the age of five globally live in "severe" food poverty, Unicef has warned -- meaning more than 180 million are at risk of experiencing adverse impacts on their growth and development.

"Severe child food poverty describes children who are surviving on severely deprived diets so they're only consuming two or less food groups," Harriet Torlesse, a lead writer of a new Unicef report published late Wednesday, told AFP.

"It is shocking in this day and age where we know what needs to be done."

Unicef recommends that young children eat foods daily from five of eight main groups -- breast milk; grains, roots, tubers and plantains; pulses, nuts and seeds; dairy; meat, poultry and fish; eggs; vitamin A-rich fruits and vegetables; and other fruits and vegetables.

RED SEA, ARABIAN SEA

Houthis attack three ships

REUTERS, *Cairo*

Yemen's Iran-allied Houthis said they had launched attacks on three ships in the Red Sea and the Arabian Sea - though shipping giant Maersk MAERSKb.CO dismissed the militants' report that the targets included one of its vessels.

The movement used missiles and drones against two ships - Roza and Vantage Dream - in the Red Sea, military spokesperson Yahya Saree said in a televised address on Wednesday, adding that this group also used drones against the US vessel Maersk Seletar in the Arabian Sea, without giving further details.

Palestinians mourn for their relatives killed in Israeli strikes in Deir Al-Balah in central Gaza Strip yesterday. The strikes took place at a sensitive moment in mediated negotiations on a ceasefire agreement entailing the release of hostages and some of the Palestinians held in Israeli jails.

PHOTO: **REUTERS**

Gaza refugees stuck in limbo in Egypt

AFP, *Cairo*

Every time a plane flies overhead, Mohanad al-Sindawy shudders. It takes him a moment to remember he isn't in Gaza anymore and that no one is bombing the Egyptian capital.

"But the sound terrifies us every time, even passing cars remind us of missiles," the 23-year-old Palestinian told AFP in Cairo.

The Israeli offensive raging since October 7 has sent tens of thousands of Palestinians fleeing Gaza to neighbouring Egypt where they are granted temporary stays.

Although Egypt insists it won't do Israel's bidding by allowing permanent refugee camps on its territory, it has allowed in medical evacuees, dual passport holders and others who somehow managed to escape.

Sindawy, who worked in digital marketing back in Gaza, could find work online but said he "can't concentrate" on anything except "following the news and making sure our families are safe".

As the bloodiest ever Gaza offensive grinds on just a five-hour-drive away, he said, "we can't even think about what comes next for us until there's a ceasefire".

Like him, many Palestinians are traumatised, disoriented in exile and struggling to find help.

"We lost everything," said another recent arrival, Raghda Shbeir, 22. "We've contacted organisations for help, but nothing has worked. Some never responded, some told us to wait our turn."

Shbeir's family is lucky to have relatives in Cairo but faces another huge obstacle, she said -- "our legal status in Egypt: our residence permit is only valid for 45 days." In the longer term, she said, "staying in Egypt is not an option".

Amid an Israeli siege of the coastal territory of 2.4 million people, the Rafah border crossing with Egypt was a lifeline until it was shut last month, letting aid trucks in and allowing the lucky few to escape.

POST-POLLS SURVEY

Modi factor seems to have stagnated over a decade

THE HINDU ONLINE

Ever since the rise of Narendra Modi on the national scene in 2014, his leadership has attracted voters to the BJP on a considerable scale.

The electoral strategy of the BJP (and the NDA) in the 2024 polls was to make Modi's leadership the face of their campaign.

However, the opposition alliance consciously did not declare a Prime Ministerial face. The CSDS-Lokniti data indicate the possible impact of the leadership factor in shaping the electoral outcome.

FADING POPULARITY

Modi remained in the lead as voters' choice to become Prime Minister. A little over four in 10 respondents (41 percent) stated that their preferred Prime Ministerial choice was Narendra Modi.

Rahul Gandhi was mentioned by a little over one-fourth (27 percent) of the respondents as their preferred choice.

It may be important to record that the question on preferred Prime Ministerial choice has been asked during earlier elections also. This time, there was a six-percentage point decline in the mention of Narendra Modi as the Prime Ministerial choice compared with 2019.

The gap between Narendra Modi and Rahul Gandhi as the preferred Prime Ministerial choice has fallen by eight percentage points.

IMPACT OF PM PREFERENCE

Six in 10 respondents (60 percent) reported that it had an impact on the voting decision. Three-fourths of the respondents who reported voting for the BJP mentioned that it had an impact with as high as four in 10 saying that it had a great impact.

The impact of the leadership factor in determining voter preference was much less among those who voted for the Congress and its allies.

The post-polls surveys have been tapping the response to whether there would have been any change in voting preference if Narendra Modi was not the Prime Ministerial candidate.

When this question was asked in 2014, a little over onefourth (27 percent) of those who voted for the BJP said that they would have changed the way they voted. In 2019, two-thirds (32 percent) took this stand. This time, one fourth (25 percent) said that they would have changed the way they voted if Modi was not the Prime Ministerial candidate. Clearly, the initial ability of the Modi factor to make voters move to the BJP seems to have stagnated over the decade.

Budget embraces correct strategic direction

FROM PAGE 6

More precisely, if we take a 40,000-foot view of the overall economy -- we notice four growing fault-lines within our economic space, which is increasingly undermining our macroeconomic stability. These are: (i) a very stubborn inflation rate which has almost remained close to double digits over the last twenty-four months; (ii) foreign reserves continue to deplete as we have lost approximately $24 billion over the last 24 months -- creating significant pressure on our exchange rate; (iii) the fiscal space is almost nil as the entire development budget is now financed through domestic and international borrowing -- which is an unsustainable strategy due to the rising domestic and international interest rates -- while the entire government revenue (i.e., tax and non-tax revenue) is exhausted on the wage bill, growing subsidies and interest payments; (iv) the hazardous situation in the banking sector which utterly limits government's ability to borrow from the domestic banking system.

Against this backdrop, the economic stabilisation framework demands contractionary economic management manifested in both contractionary monetary and fiscal policies. Earlier, we noted that the Bangladesh Bank committed (albeit quite late) to a contractionary monetary policy by the: (i) unification of the exchange rate in the interbank market and adoption of a market-based crawling peg system; (ii) abandoning the 6 percent to 9 percent caps and the successor SMART system for interest rate determination and restoring the market determination of the interest rates by banks and financial institutions; (iii) and a 50-basis points increase in the policy rate of Bangladesh Bank.

Consequently, to ensure that the overall macroeconomic management is guided by a consistent framework -- the broader expectation from the National Budget FY25 is that it too supports the contractionary monetary stance through contractionary fiscal policies and increased revenue mobilisation.

Moreover, as one can broadly observe -- the recently proposed national budget for FY25 articulates a fiscal framework that recognises the ongoing macroeconomic problems and commits to support contractionary demand management through increased revenue mobilisation and limiting public expenditure.

For instance, in prior years (at least over the past one-and-a-half decades) the proposed annual development programme (ADP) maintained an annual growth rate of around 20 percent, culminating in a budget deficit of around 5 percent of the GDP.

Yet, in the recently placed national budget for FY25, it is satisfying to observe that the government has avoided that trend and settled for an annual development programme that is almost similar to that proposed for FY24.

The proposed budget is also only 4.7 percent higher than that of the current fiscal. This means that the Treasury has committed to a budget deficit of only 4.6 percent, which is the lowest in the last 10 years.

Moreover, if we factor in the average trend that only around 85 percent of the proposed ADP gets executed, the effective budget deficit will be around 4 percent of the GDP.

This contractionary fiscal stand embodies a correct strategic direction that will help support economic stabilisation over the coming years.

However, there is one area where some concerns remain. In the proposed outlay, the Treasury underscores that the government plans to borrow more than Tk 1.35 lakh crore from domestic banks to finance its development spending in FY25.

This is likely to substantially enhance the overall crowding out effect as deposits in the banking sector are likely to grow by only 1.6 lakh crore over the next fiscal year. In other words, such borrowing targets will raise fiscal dominance in the overall macroeconomic management and will create pressure for the government to resort to central bank financing if such targets are aggressively pursued.

Thus, it is advisable for the government to rationalise its borrowing target from the banking sector so that no structural obligation is created to borrow at such length from the banking sector.

Of course, policymakers must also internalise and adjust to a difficult political economy reality that is commonly associated with the undertaken stabilisation policies in the current budget, which is: the costs associated with contractionary demand management for achieving economic stabilisation are generally incurred in the short run while the benefits appear in the medium term.

This underscores that policymakers and the economic team within the government must be ready to show patience and stubbornness -- and must be willing to not surrender to any pressure from vested quarters that could lobby to dislodge the economic trajectory from this stabilisation path due to their narrowly defined economic objective.

In other words, for the government to reap the wider benefits from the undertaken strategic direction in the national budget, they must have patience, clarity and commitment to the broader objectives that have shaped their recent decision-making.

In short, the challenge facing policymakers now is to walk the talk and do what is necessary for supporting broader economic stabilisation.

The author is the principal economist at the Policy Research Institute of Bangladesh.

Budget deficit may stoke inflation

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2023-24.

But despite being a lower percentage of the GDP this time around, the Tk 256,000 crore deficit will still exert significant inflationary pressure.

Additionally, the plan to finance the Tk 137,500 crore deficit through already fragile banking sources could increase borrowing costs for businesses, leading to cost-push inflation. It would be more prudent to reduce the deficit magnitude and finance it through external sources with lower borrowing costs and longer repayment schedules.

One positive feature of the proposed budget is the increased allocation for major social protection programmes, including support for mothers and children, the elderly, widows, people with disabilities, abandoned women, and other less privileged groups.

Both the allocated amount and the number of beneficiaries is proposed to increase, which is crucial for protecting these vulnerable groups during periods of high inflation and reducing inequality.

The budget proposes an increase in allocation for primary, secondary, and higher education, but it lacks specific programmes for research in higher education. Moreover, technical education has not received enough attention.

While one of the priorities identified in the proposed budget is transformative technology and human resource development, it requires more investment in modern technical education and cutting-edge research at higher educational institutions, which is absent.

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No ray of hope for taxpayers

FROM PAGE 6

expenses. In every interview, Jim repeatedly said only one word, "responsible".

He said it is the responsibility of his government to reduce living costs. Australia reduced tax rates, provided subsidies for utility bills to every Australian household, reduced education loans interest etc. But what are the steps in our budget to give comfort to our people?

The corporate tax rate has been reduced by 2.5 percent. For this, publicly traded companies and non-publicly traded companies will pay tax at 22.5 and 27.5 percent respectively. But is there any ultimate benefit that will be enjoyed by the corporate taxpayers?

The income tax act stipulates that a minimum tax be paid on gross receipts or cash revenue irrespective of a profit or loss.

Every year there is a demand to reduce the corporate tax rate like in other countries. But the focus is never on the real point -- to set the withholding tax in consideration with reality.

This year the IT sector was scheduled to see an end to their tax exemption, but they got an extension for three years on condition that all their transactions are cashless. Will it be possible for them to avail it?

A majority of transactions can be run through electronic systems. But is it possible to maintain a 100 percent cashless society?

Think about office maintenance, conveyance and day to day expenses, which we call petty cash. This should have been considered.

The last point is that all taxpayers, individuals as well as corporate taxpayers, must submit tax returns under a universal self-assessment method.

This is okay for individual taxpayers but not suitable for organisations at this moment as our tax administration system must become fairer. Due to this proposed change, the cost of companies in tax filing will be increased.

First the company must file a tax return under the universal self-assessment method and then must obtain a tax clearance certificate from the deputy commissioner of taxes and for this service, the company must pay fees to a tax consultant.

And again, when the taxmen will issue a notice to assess the tax, then again the company shall have to appoint a tax consultant to complete the tax assessment. This will cost both time and money.

The writer is the author of Smart Money Hacks.

Budget passes over

FROM PAGE 3

down to 6.5 percent in the next fiscal year.

Although the AL had pledged a new pay structure based on commodity prices, the finance minister did not say anything about it.

According to the proposed budget, the government will increase its dependence on borrowing from domestic banks (Tk 1,37,500 crore). This will potentially lead to a further rise in inflation.

The AL's election manifesto had listed youth employment as the second most important focus. However, increased bank borrowing by the public sector and higher interest rates may lead to slowing credit flows to the private sector, posing challenges to industrialisation.

It remains to be seen whether this approach towards industrialisation will be consistent with the ruling party's objective of creating 1.5 crore jobs in five years.

The finance minister hoped that the information technology sector will generate at least 10 lakh jobs and the country will receive $1 billion in foreign investment over the next five years.

The AL had promised to set up new industries to create more jobs. But the budget proposes to allocate Tk 2,510 crore for the industries ministry, which is Tk 514 crore less than the amount allocated in the current fiscal year.

The ruling party in its manifesto had also vowed to enforce laws to recover defaulted loans. But in reality, defaulted loans have been rising gradually, putting banks under liquidity strains.

At the end of December last year, the total defaulted loan in the banking sector stood at Tk1.45 lakh crore. The figure went up to Tk 1.82 lakh crore till March this year, the highest in the country's history.

The proposed budget states a "zero tolerance" policy against corruption, which is consistent with the AL's election manifesto. The ruling party pledged to take strict measures against accumulation of illegal wealth.

The proposed budget also seeks to reintroduce the opportunity for people to legalise undisclosed income or "black money" by paying a 15 percent tax. This proposal goes against the commitment made by the ruling party previously.

'BUDGET REALISTIC'

AL General Secretary Obaidul Quader has said the proposed budget is realistic and pro-people.

"A pro-people budget has been proposed at a time when there is global crisis. This budget has been prepared taking into consideration the promises and priority sectors outlined in the party's election manifesto. A special focus will be put on controlling commodity prices," he told journalists at the Jatiya Sangsad Bhaban yesterday.

Allocation

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But for fiscal year 2024-25, the government proposed increasing allocation for education, healthcare, and social security.

These sectors will have 24 percent of the government's budget, up from 23.3 percent of the outgoing fiscal year.

In the original budget for FY24, the allocation for education, healthcare, and social security was Tk 1,82,537 crore.

For FY25, the government recommends Tk 1,95,773.

Praising the government for reducing allocation for energy and transport sectors, Muinul Islam, former president of Bangladesh Economic Association, said the proposal for reducing allocation in these sectors was a step in the right direction.

Muinul, a former economics professor at the University of Chittagong, however, said containing inflation to 6.5 percent would be difficult.

He said if inflation is considered, the increase in allocation for health, education, and social safety net was "not that much".

Budget implementation remains a big concern, especially in the health sector.

In the original budget for FY24, health received Tk 38,052 crore, but it was revised to Tk 29,782 crore due to failures to spend the money.

Hasina

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Modi has thanked PM Hasina for her warm wishes following his election victory.

Hasina was among the first foreign leaders to congratulate Modi, reflecting the warmth and personal rapport between the two leaders.

"India and Bangladesh share historic relations, which have seen unprecedented growth in the last decade," Modi said.

In a message shared through X, Modi said he looks forward to working together to further strengthen the people-centric partnership between Bangladesh and India.

Modi received a congratulatory telephone call from Hasina for the victory of NDA, according to the Press Information Bureau of India.