

The Daily Star

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Don't reward corrupt public servants

Reinstating a corrupt official sets a dangerous precedent

We are shocked to learn of the reinstatement of an official at the youth and sports ministry who, only a few months ago, was dismissed on charges of embezzlement. According to a report by this daily, the move has raised questions among the ministry officials themselves. Indeed, such a decision would make any honest employee disappointed, and it also sets a dangerous precedent at a time when the widespread corruption in public sector demands exemplary actions, not exemptions.

The official in question, Farhat Noor, and three others were found guilty of embezzling Tk 11.52 crore during an investigation conducted by a probe body formed by the ministry. Upon finding proof, the ministry decided to terminate the four officials, and the decision was endorsed by the Bangladesh Public Service Commission on February 12. But on June 5, the ministry issued an order through a gazette notification reinstating Noor in his old position, in Moulvibazar. The gazette further mentions that Noor pleaded for withdrawal of his dismissal in an appeal filed with the PMO on March 18.

Another report also caught our attention yesterday. According to Prothom Alo, Dr Fatema Doza, an associate professor at the National Institute of Cardiovascular Diseases (NICVD), has been accused of many irregularities including being absent from work for one and a half years, presenting fake invitation to an overseas seminar, etc. She has even been charged with the abuse of domestic help. Several internal investigations found proof supporting the allegations, and yet, there has been no repercussion as she continues to hold on to her position, enjoying all the benefits that come with it.

How would the responsible government organisations justify their inactions? Why is it that government employees like Noor and Doza get away with their criminal acts with such impunity? Has the charge against Farhat Noor been disproven? As far as we know, there is no indication of that. What drove the ministry to backtrack on its own decision, then? And how is it that Fatema Doza has been able to carry on with her job for years when she has been found guilty of the charges against her? It goes without saying that these circumstances directly contradict the government's own stated policy of zero tolerance for corruption.

These two cases once again show how the public sector is being run without any functional accountability, and exhibit why there is a trust deficit between the public and the government. If there was a strong mechanism in place to ensure accountability in public service, so many government employees would not be so bold to carry out their corruption and irregularities. This state of affairs cannot continue in a democratic system. We urge the government to establish a modern, accountable bureaucracy where officials paid by the public are held responsible for any breach of conduct, and indeed crimes.

Cover all open drains before monsoon

Another death-by-fall in Chattogram highlights the urgency

Yet another life was lost in Chattogram's notorious open drains. These recurring drain-related fatalities—at least 11 since 2017—can no longer be written off as accidents. It's criminal negligence on the part of responsible agencies, and it is time officials at the Chattogram Development Authority (CDA) and the Chattogram City Corporation (CCC) accepted responsibility for them.

In the last seven years, the media hammered ad nauseam the urgency of covering the open drains and building retaining walls along the canals, but all that seemed to fall on deaf ears. In 2021, the CCC found 5,527 risky spots along the drains, canals and footpaths across a total of 19 square kilometres in the city. Such findings should have spurred urgent measures to mitigate the risks by building necessary infrastructure. However, three years on, only 80 percent of the risky spots along open drains have been covered with slabs and around 70 percent of retaining walls built along canals, as claimed by a top CCC official recently. Obviously, that did not prevent the death of seven-year-old Saidul Islam, who fell into an uncovered drain near his home at the Goshaidanga area of Agrabad, or other recent victims.

Usually, these open drains and canals become death traps for unsuspecting pedestrians during the monsoon season when, clogged with silt and waste, they overflow or get submerged. However, the circumstances of Saidul's death—he went missing on Saturday and his body was found a day later at a time when there was no waterlogging—reveal the severity of the risks. It is unfathomable why four ongoing projects worth Tk 14,389 crore, meant to free the city from the curse of waterlogging partly by renovating the canals and drains, did not take this into consideration. Mega projects are supposed to not just make life easier, but also keep it safe.

Instead of playing the blame game about who is responsible for installing slabs and building retaining walls, the CDA and the CCC must work collaboratively to make all the drains and connected canals safer. Any jurisdictional or fund-related issues delaying their interventions must be straightened out immediately. Also, with the monsoon season just around the corner, some temporary measures like installing warning signs in front of open drains will be very helpful.

THIS DAY IN HISTORY



First Football World Cup in Africa

On this day in 2010, the 19th World Cup football tournament opened in the host country of South Africa, marking the first time that the event was played in the African continent. Spain won the tournament.

A philosophically incorrect, structurally frail budget



OPEN SKY
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The theory of rational expectations, originally proposed by economist John Muth in 1961 and later reenergised by Robert Lucas in the 1970s, asserts that people take rational decisions based on available information. And that is what people expected from this year's budget, whose steering wheel was in the hands of the new finance minister, someone with a respectable background in diplomacy and economics. But they were left frustrated.

Given the outcome of multiple desperate budgets prepared by the previous finance minister, who was greatly responsible for what the nation faces today, rational expectations were formed to see a sober budget with a touch of austerity, higher fiscal capacity, reasonably lower development allocations, and finally, pragmatic figures of inflation and growth. We didn't see that. A person who fell sick after eating biriyani for four days in a row was supposed to eat a vegan meal with the doctor's prescription. But biriyani wasn't dropped from the menu, suggesting that the sickness will continue. And thus, the budget is philosophically incorrect given the economy's critical situation involving the dollar crisis, forex reserve depletion, high inflation, and massive unemployment. When the finance minister claims that the overall approach is "contractionary," it turns into an object of ridicule because the budget is evidently expansionary.

The proposed budget is 11.6 percent bigger than the revised budget of FY2024. Had that expansion been serviced by increasing the fiscal capacity without expanding the burden of the fiscal deficit, it wouldn't have been a problem. But that hasn't happened. The budget deficit has increased by 8.3 percent, requiring funds from the banking sector which is already limping on one leg. And that makes the budget structurally frail and

rationality unexpected. The increase in foreign borrowing will be as high as 19.74 percent, and that is a sign of a growing risk of financing.

Of course, contracting the body of current expenditure is tough because salaries and benefits can't be depressed. Rather, there is always an upward pressure on public salaries,



FILE VISUAL: REHNUMA PROSHOON

and this is more so when price hikes are a persistent pain in the neck. But contracting development projects and abandoning some of them could have been carried out for a short time when the tax-GDP ratio has dwindled over the last 10 years, making it one of the lowest in the world. In contrast, the spectacular growth of tycoons and oligarchs in Bangladesh testifies that the tax administration isn't doing its job adequately to address the growing income inequality in society. The budget fails to address that.

The fiscal incapacity and the ensuing structural weakness originate from a perverse philosophy of pampering the super-rich, refuelling the bank defaulters, and excusing the capital-

market plunderers as well as money launderers. Tax dodgers, bank defaulters, and illicit fund-traffickers have formed the "Devil's Triangle," just like the Bermuda Triangle—a loosely defined area in the North Atlantic Ocean where ships, planes, and people are said to have mysteriously disappeared. The budget displayed no mechanism to break the triangle. Rather it offers an opportunity of whitening black or laundered money by paying only 15 percent tax. It's a glaring example of how the budget endorsed the instances of moral hazard and adverse selection.

The Nobel laureate economist George Akerlof theorised the situation of adverse selection when one party with access to more information takes advantage of it while the other party has no clue about it. If a person

will obtain from whitening the black money is not a point; the main concern is that it will do more harm than good to the party manifesto of the Awami League where the prime minister spelled out zero tolerance against corruption. The opponents will take it as a bad reference of double standards in the future. The long-term loss will outweigh the short-term gain. The party didn't do any cost-benefit analysis before indulging in such an unethical outlet. If the budget is ethically weak, it must be philosophically incorrect.

Of course, the budget has several strengths such as expansion of the social safety net, higher tax rates for higher income, focus of science and technology, rural development, employment generation projects, improvements in health facilities, building roads and bridges, investing in education and research, and finally, its terrible eagerness to curb inflation. But the simultaneous target for a relatively high growth at 6.75 percent is economically contradictory because growth is inflationary, as economist Robert Phillips' seminal work on the Phillips curve has suggested.

While more than 80 percent of the economy is controlled by private stakeholders, assuming higher growth would necessitate higher credit growth from the banking sector that often gets dehydrated due to lack of liquidity. The ambitious budget would take a big chunk of liquidity, depriving the small and medium private enterprises while big parties will rob the banks. Targeting higher growth and thus placing a demand for Tk 1,37,500 lakh crore from the banking sector to plug the deficit gap is contradictory to the goal of taming inflation.

Interest rates are already skyrocketing, and further grabbing of funds by the government will simply put upward pressures on interest rates, bumping the production costs up. It will again ignite cost-push inflation, which is much harder than the demand-pull inflation to downgrade. That is why economists expected that the new finance minister will sincerely increase taxes on the super-rich and drastically reduce the development budget. This is warranted now to reach a point of no borrowing from banks at least for one or two years in a row to eclipse inflationary flames. We didn't see that. When commitments don't match with actions, the budget becomes methodologically disturbing too.

How much money the government knows that he will die soon and buys life insurance, while the insurer has no access to that information, it's an example of adverse selection. The players of the black economy will create more barriers to information and take advantage of tax relief when policymakers pardon their evil deeds. Another Nobel laureate, Kenneth Arrow theorised moral hazard as a catalyst for price hiking mechanism in insurance. A situation where a person takes less care of his cell phone that is covered by insurance is an example of moral hazard. When the finance minister ensures that the money traffickers will have avenues to whiten their ill-gotten wealth, they will pay no attention to the law and governance.

To cut CO2 emissions, let's tackle overproduction



RMG NOTES
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Recently, a video from a factory of Chinese omnichannel brand Temu went viral. It showed mountains of Temu packages being piled on top of one another, with employees forlornly attempting to sort them. The video was described on social media as a dystopian nightmare.

Such videos are not rare. We have known for a long time that the world is producing too much. Overproduction is a significant global issue with wide-ranging economic, environmental, and social impacts. This problem is particularly evident in industries like fashion, food, and electronics. Overproduction contributes to increased waste and pollution. It leads to the depletion of natural resources.

There is an environmental impact. Unsold goods often end up in landfills, contributing to environmental degradation. There is also an economic impact as financial losses for companies due to unsold inventory. Meanwhile, price reductions and markdowns to clear excess stock can erode profit margins. Overproduction can lead to labour exploitation and poor working conditions, especially in industries like fast fashion.

It can also cause market saturation, negatively affecting small and medium-sized enterprises.

Quantifying the exact financial impact of overproduction globally is challenging due to the vastness and diversity of industries. However, there are notable examples and estimates.

The fashion industry is a major

culprit, with some estimates suggesting that 30 percent of clothes produced each season are never sold. In the UK alone, around 140 million pounds worth of clothing is sent to landfill each year.

This is insane. We live in a world where approximately 9.2 percent of the global population lives on less than \$2.15 per day, according to research in 2019. These figures are likely to have worsened since the pandemic, which saw a transfer of wealth from the poor to the rich.

How can we be producing so much that are thrown away when so many people cannot afford basic levels of sustenance?

Consider all of the above and then remember that global leaders never tire of telling us about targets that have been set to mitigate the effects of climate change and limit global warming. These targets are outlined in international agreements, national commitments, and various initiatives by governments, organisations, and corporations. The main climate targets include the Paris Agreement, adopted in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) and which is the primary international accord guiding global climate action. This aims to limit global warming, keeping the global average temperature increase well below two degrees Celsius above pre-industrial levels. It will also see countries pursue efforts to limit the temperature increase to 1.5 degrees

Celsius above pre-industrial levels. The ultimate goal is to achieve net-zero greenhouse gas emissions by the second half of this century.

So, what is causing global warming? We know rising CO2 emissions are a major contributor. And the fashion industry is responsible for approximately 2.1 billion metric tonnes of CO2 emissions annually, which is about four percent of the global total,

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according to a report by McKinsey & Company and the Global Fashion Agenda.

Major fashion brands have invested a lot of time and resources into reducing and mitigating their CO2 emissions in recent years. All sorts of options are now being considered, including futuristic carbon capture technologies.

While I don't want to be critical of such efforts, I wonder if we are jumping the gun. Would it not be better to focus all our efforts on tackling overproduction first of all?

I mentioned a statistic early about 30 percent of fashion products not being sold. This figure is hard to verify, and my guess is it is slightly exaggerated. Fashion has invested heavily in better

logistics and more accurate forecasting models in recent times.

But let's cut the figure in half and suggest it is 15 percent. If 15 percent of clothing produced is unnecessary that means 15 percent of CO2 emissions are also unnecessary. By definition, if the fashion industry tackled overproduction, it could cut CO2 emissions by 15 percent. This would be a remarkable achievement.

As an industry, fashion and its supply chains spend a lot of time pondering how they can reduce emissions. Shifting to renewable energy is one obvious means of doing this, and the renewable energy transition in Bangladesh, which I expect to see gather pace in the coming years, is to be welcomed.

But if our industry carries on overproducing—like many other industries, it should be added—it will make an already huge problem that much more challenging. The world does not need everything it produces. Nor does the fashion industry. We routinely produce too much, which leads to unnecessary and harmful CO2 emissions.

Industry leaders should tackle this challenge head-on. Perhaps regulators could also take a look, and consider more stringent methods to clamp down on and penalise excessive production. One way of doing this is through Extended Producer Responsibility (EPR) schemes, which compel companies to take more responsibility for waste production in their supply chains.

Another way is through better logistics and use of tools such as AI to better streamline and manage supply chains. Some brands are investing in better technologies but at the moment, it is often cheaper just to produce too much than to make the necessary investments. That's why regulation could be the only way to manage this issue.