

Economy yet to feature in election debates: CPD

Political parties should come up with specific plans to address the challenges confronting the economy in their election [manifestoes](#), said the Centre for Policy Dialogue yesterday.

The issues pertaining to the living standards of the population are yet to feature in the election debates, said Debapriya Bhattacharya, a distinguished fellow of the think-tank.

“It is a matter of regret for us. We are here so that the political issues can’t obscure the issue of improving the living standards of the people of Bangladesh.”

Bhattacharya’s comments came at the unveiling of the CPD’s report – State of Bangladesh Economy and Upcoming National Elections: Priorities for Electoral Debates – at the Brac Centre Inn in Dhaka.

When the mainstream political parties unveil their elections manifestos, they just cannot stop at articulating they want to achieve. “They will have to say how they will reach their goals.”

Creating jobs and raising income and investment will be needed for inclusive growth, he said, adding that Bangladesh would need labour-intensive industries, which will not only cater to the export markets but also the local markets.

“The parties not only need to demonstrate their awareness of the issues but also commit themselves to addressing the challenges with specific work plans,” said Mustafizur Rahman, another distinguished fellow of the CPD.

The country not only experienced a stable macro-economy during the period but also recorded a steady and decent economic growth rate.

Although the tax-GDP ratio did not show tangible improvements, the share of direct tax did increase in the total tax uptake.

One of the reasons for the lacklustre performance in revenue mobilisation relates to unabated illicit financial outflow and inaction to taxing assets.

The current electoral debates should be geared towards getting concrete commitments from the political parties concerning the pending tax-related reforms, including the VAT and SD Act 2012, the Customs Act, and the Direct Tax, the report said.

The reliance on high-cost borrowing, in the form of sales of national savings certificates, for financing the development projects may put pressure in the currently comfortable public debt portfolio in the coming years, Rahman said.

In fiscal 2008-09, only 18 percent of the annual development programme was financed by net sales of savings certificates. In fiscal 2016-17 it escalated to 61.6 percent.

It is critically important to consider a downward revision of the savings certificates rates along with maximum ceiling on purchase, the CPD said.

“We should be careful that we don’t fall into a vicious cycle of borrowing more to pay loans,” Rahman said.

Private sector investment turned out to be one of the critical fault lines in an otherwise robust economic growth performance, according to the report.

Despite various attempts to attract foreign direct investment, the overall inflows have increased only at a modest pace: from \$700 million in fiscal 2008-09 to \$1.58 billion in fiscal 2017-18.

The capital market remained in a weak state over the last decade and failed to emerge as an alternate source for financing industries, the report said.

“The boom and bust of 2010 had led to serious undermining of investor confidence,” the CPD said, adding that the market is yet to regain the confidence of investors despite various measures.

The think-tank called the balance of payment situation, which has seen a dramatic change of fortune in recent months, an emergent concern for the country.

The overall balance fell into the negative terrain for the first time in almost two decades because of significant rise in the current account balance in the face of phenomenally high import growth.

A renewed effort to energise export growth through product and market diversification will be needed to reduce the growing trade deficit.

Until now Bangladesh’s debt servicing record has been praiseworthy, but the borrowing liabilities are expected to rise because of graduation from least-developed country bracket and bulging credit from China and India.

The interest rate on the loans from the two countries is significantly higher than the traditional concessional loans from development lenders such as the World Bank.

The review said the challenge of addressing youth unemployment is becoming increasingly evident in Bangladesh.

“Youth unemployment is a product of a failing education system.”

Ironically, a positive relationship was found between education and unemployment in Bangladesh, implying that the higher the level of education the greater the likelihood of

being unemployed, the CPD said.

Despite quantitative progress in health indicators, the quality of healthcare is not satisfactory.

The per capita real public expenditure on health has increased by Tk 205 between fiscal 2008-09 and fiscal 2017-18.

“This is worrying,” Rahman said.

In Bangladesh, 71.8 percent of total health expenditure in 2015 was out-of-pocket spending, which was highest among all South Asian countries.

In the second term of the current Awami League-led government, economic inequality and other various social disparities expanded, Bhattacharya said.

“They were there in the past but the disparity accelerated after 2014,” he added.

Fahmida Khatun, executive director of the CPD; Khondaker Golam Moazzem, research director, and Towfiqul Islam Khan, senior research fellow, were present.

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