

Dhaka, Saturday, June 20, 1992

A Budget with the Right Thrust

The budget announced by the Finance Minister Saffur Rahman last Thursday for the financial year 1992-93 is bold, balanced and a bit risky. It is bold in its tax reforms, balanced in its thrust for the private sector with necessary emphasis on social sectors; and finally, it is a bit risky because one is not sure what the ultimate impact of the reduction of agricultural subsidy will be on farmers, especially the small ones. The Finance Minister deserves a pat on the back for making the best of a difficult situation.

In the area of tax reforms the budget moves away from the traditional and populist — but in reality self-defeating — position of piling up tax burden on those who can pay. In its place the budget introduces a maximum level of direct personal income tax of 30 per cent, with the first Tk 40,000 being totally exempted. It also reduces corporate tax. These are welcome moves. It is our hope that the higher income groups, who will benefit most from the reforms, will voluntarily pay taxes and help to broaden the tax-base.

The private sector thrust of the budget is not only natural under the circumstances but is also desirable in view of our own experience with public sector performance. Yet it did not go all the way in this direction because a developing country like ours is not yet ready to abandon the whole economy to market forces alone which, we have learnt from experience, tend to disavow the disadvantaged groups. Therefore, ours has to be a stage by stage approach and the budget reflects it. Concerns for social sectors, especially education and health, are the hallmarks of the budget. However, a point needs to be made here that the government should be under no illusion that increased spending in education and health will lead either to better education or improved health care. That will depend on the efficiency of administration in general and the effectiveness of the ministries concerned, whose past performances do not inspire too great a confidence.

The reduction of agricultural subsidy, no doubt a result of donor conditionalities, is a risky step. Given the fragile nature of our rural economy and the caprice of nature that it is regularly subjected to, it is difficult to predict the overall impact of this move by the government.

While a more serious judgement of the impact of the budget will have to await indepth study, the initial reaction has been one of a pleasant surprise. However, as the Finance Minister himself pointed out in his budget speech, much will depend on the investment climate in the country. A necessary pre-condition for which is improvement in the law and order situation. Many of the incentives provided for in the budget will remain unavailing as the potential investors — both foreign and local, especially the former — will shy away from risking their investment in an environment where the rudimentary conditions of security are sometimes found wanting.

The budget has set the stage for an improved performance of the economy. But much — and we mean much — will depend on the governments ability to administer judiciously, stop corruption with a firm hand, and bring the armed miscreants to book immediately. The government must hold firm to the priorities indicated in the budget and not succumb to public demonstration by this group or the other and change budget allocation; some examples of which we saw last year.

The government will also have to ensure that the tax relief provided in the budget must reach the public and not remain in the pocket of the traders or the business community.

We expect a lively debate in the parliament on the budget. The first day's boycott by the opposition — save Jamaat — does not augur well. We are convinced that avenues are still open to engage the Treasury and the Opposition benches in a serious dialogue. We urge both sides to show flexibility and not to get trapped into their own positions. Politicians should remember that the nation is far above their parties, and that people are sitting on judgement on their performance.

A Dolphin in a Puddle

Sheetalaksha — the 'cold-eyed' river flowing past Narayanganj town was known for long to have some mysterious qualities. Perhaps as a proof of that the famous bottlers of the colonial era, Edward Company, were said to have used water taken from a particular spot in that river to make their incomparable soda and lemonade. By the same token, it could again be the Sheetalaksha only where a dolphin could be caught alive. The legendary mammalian denizens of the high seas known so much for their man-friendliness are not known to have any address anywhere in the Bay of Bengal or even in the Indian Ocean. But Sheetalaksha can work miracles and instead of the porpoise, which is native to our rivers and are a common sight, a dolphin emerges from the charmed waters, its body gored by multiple wounds.

Then begins the best part of the story. The Narayanganj citizens, recognising it for what it was, took charge of it from the fisherman that caught it, dug a puddle to place it there and went to a veterinarian to get some medicine for the oozing wounds on its person. But the 10-kg guest could not make the best of the hospitality and died before long.

Not quite convinced of its true identity, we nevertheless cannot help feel charged at the thought of having the dolphin — around which a thousand tales have been woven from time immemorial and without which a sea aquarium is not worth a visit — so near us. Man has long appreciated the species' superior intelligence, sociability and a kind of ingrained inclination for cultivating association of man and coming to his help whenever possible.

Dolphins are a close relation to the whales as indeed our compatriot porpoises are — and because of that they, together perhaps with the only land animal, the elephant, are next only to man in intelligence. But the whole family of them is far superior to man in terms of harbouring no harm to anyone in or outside the species. Man distinguishes himself supremely by killing wantonly its own kind as well as all forms of life.

It is imperative for saving the planet and with that man's own goodself that man take to learning a thing or two from the dolphin. And let us pray and hope that he does it before dolphins go the way of the thousands of plant and animal species being lost to creation every day, thanks to man's arrogant and decidedly foolish ways with the earth. Let the Rio earth summit be a beginning of the road to life for all that lives.

Wind of Change Blowing Through World Bank and IMF

Agencies Seek New Approach to Human Resource Development for New and Old Borrowers

THERE is never a dull moment in the World Bank complex in Washington. Things are happening all the time. The financial year ending in June 1992 has been particularly eventful, the Bank, along with the IMF have been thrust into the forefront on the global economic scene, and have been deeply involved with concerns about the former Soviet republics. The new President of the bank, Lewis Preston, is completing his first year — in fact, nine months in the Bank.

The World Bank's lending to the developing countries for the current financial year has fallen far short of targets — about \$15 billion compared to programme for \$18 billion, and fiscal year 91 actual of \$16 billion. It is doubtful if this has ever happened in the Bank's history. Is any part of this attributable to the change in management style? Some are inclined to believe so.

Questions have also been raised about the Bank's longer-term lending capacity. The agency senior management has tried to attribute the shortfall to three factors — political turmoil in some countries, implementation shortfall, and slowdown in the readiness of some countries to proceed with policy reforms. This unexpected development led the Bank to organise a review of implementation in consultation with senior officials from borrowing countries. A workshop was organized in the last week of May on Supervision of project/ programme implementation. Specifically, the workshop reviewed arrangements made by borrowers for monitoring implementation and supervision, strengths and weaknesses of the Bank's own system of project and programme supervision, and possible ways of improving the World Bank's activities in this area.

A new budgeting system is being introduced by the new President in consultation with the Executive Board, to be effective in July 1993. The system is designed to make it more cost-effective and is based on a three-year planning framework, with retrospective and mid-year reviews.

In his first year, the new President has made efforts to establish equations with the

staff as well as the Executive Directors who oversee the Bank's activities on behalf of the shareholders. A clear pattern is yet to emerge. At a recent meeting with some business leaders, Preston is reported to have referred to the Bank's tendency "to be a bit arrogant." While some managers have welcomed the system of decentralisation and delegation, others view this as abdication and weakening of the Bank's operational effectiveness. The equation with the Executive Directors has always been uncertain for Bank President after the departure of McNamara. The pre-eminence of G-7 Executive Directors, which has always been there, but which has become more obvious now has in a way queered the pitch for the President. G-7 Executive Directors are keen to determine the allocation of Bank and IDA resources to different regions/ countries, whereas the developing country Executive Directors want to leave it to the senior management. The other dimension of this relationship — authority of the Executive Directors — has been made light of by the Bank President in a recent interview reported in the *Washington Post*. Recently, the Executive Directors were furious that the President had by passed them in working out an arrangement with the IMF regarding handling of programmes for the former Soviet republics. Some Directors challenged the legal basis of such an arrangement without prior Board approval.

Meanwhile, 1,200 legislators and parliamentarians from 26 countries have urged the World Bank President to step up its activities to reduce poverty in the world by increasing allocations for primary education, health care, safe drinking water, and sanitation. The initiative is attributed to US Congressman Tony Hall (a democrat) and includes 172 Japanese legislators, 309 from the UK, 231 from Germany, and 259 from the US Congress.

The Bank President has proposed in the Earth Summit in Rio that donor countries should and \$5 billion to the next replenishment of IDA, IDA-10, for investing in environmental protection and improvement projects in the world's low-income countries.

IDA-10 is expected to be operative from July 1, 1993. The idea was first mooted by the developing-country ministers in the April meeting of the Development Committee, and naturally Mr. Preston's proposal at Rio has been welcomed. Reportedly, the donor have agreed in principle to the increment, and it will be discussed further at the meeting of IDA Deputies in July in Ireland. The Deputies have to come to an agreement on IDA-10 by December 1992 — so that it can become operative from July 1993. There are two other conflicting considerations. Developing countries desire all additional environmental aid to be channelled through a "Green Fund," whereas the major donors would like to see all such funds channelled through the Global Environment Facility being

operated by the World Bank, UNDP, and UNEP — under the World Bank's leadership. It is the World Bank's membership which is undergoing significant changes. Switzerland has at last become a member. Twelve former Soviet republics are likely to become members of the World Bank in the next financial year beginning July 1, and application for membership has been received from Bosnia-Herzegovina, Croatia, and Slovenia. According to one Bank official, when all the pending applications are processed, the Bank membership will rise to a total of 177, and the Bank will be close to achieving the global participation envisaged at the Bretton Woods Conference.

The Bank is now busy giving final shape to its programme and budget for the next financial year beginning July 1, 1992. A major concern of the agency next year will be to respond to the challenge posed by the former Soviet republics. The Bank management feels that failure on the part of the Bank to respond adequately and promptly could delay the effective integration of these countries into the global economy.

For the fiscal year 1993, the Bank's lending programme is being projected at \$20 billion compared to \$15 billion to be realized in fiscal year 1992. IDA programme for next year, which will be the final year of IDA-9, is projected at \$6.9 billion, compared to \$6.4 billion likely to be achieved in fiscal year 1992. In their planning, the Bank management is now assuming that IDA-10 lending programme will be the same in real terms as IDA-9, roughly \$14 billion SDR. The combined WB and IDA lending programme for fiscal year 1993 is thus projected at about \$27 billion, compared to about \$21.5 billion for the current year, and increase of 25 per cent in nominal terms.

To deliver the programme, the Bank management is planning to recruit to recruit about 350 new staff members, raising the total to 6,125. According to Bank official, "fiscal year 1992-93 will see the largest number of new borrowing member countries since the year 1960s," along with about 15 countries for whom lending will be reactivated. The latter includes such potential countries as Vietnam, Cambodia, Afghanistan, Lebanon, Peru, and South Africa.

Letter from Washington

by M Syeduzzaman

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In proposing next year's budget, the WB chief has reiterated that the Bank's primary mission remain "sustained economic expansion, market orientation, poverty reduction, human resource development, and environmental protection." Within this, the emphasis will vary for different regions. For Sub-Saharan Africa, the Bank will support the major initiative already launched to develop an "implementation culture" for improving the impact of its lending programme, along with "policy reforms aimed at restoring and sustaining growth," alleviation of poverty and reversal of environmental degradation. For Europe and Central Asia, where "most countries are either new or anticipated Bank members," special features of strategy will be "urgent economic reform programmes" with "macroeconomic stabilization, systemic change, social safety nets, and human resource and institutional development."

For South Asia, the Bank will continue to address the major development issues of growing population living in poverty, and human resource development. "Structural and sectorial adjustments and improved macroeconomic and natural resource management" remain critical to "sustainable development" in the South Asia region. The lending approach will reflect this concern.

From July 1992, the Bank is creating a new technical assistance grant facility, named the Institutional Development Fund (IDF). The IDF is designed to fill gaps in the Bank's tool kit for financing technical assistance for institutional development work associated with policy reform; country management of technical assistance; and special operational emphasis initiatives, particularly for poverty reduction, public sector management, private sector development, and environmental management. The bulk of IDF grants is expected to go to low-income countries.

Russia joined the IMF on June 1, but receipt of financial assistance from the Fund estimated at about \$4 billion has become uncertain. Fear is being expressed the Russian may be on the verge of abandoning the Fund programme under pressure from conservative legislators. In addition, lack of reliable data on the Russian economy has become another obstacle. The much advertised \$24 billion western aid programme for Russia is critically contingent upon an agreement with the Fund. It is said, Russia wants some kind of understanding with the Fund staff before the July G-7 Summit. An independent research institute has urged western donors to ease the conditions of aid to Russia and the other East European countries for ensuring prompt disbursement. US officials believe that the IMF and Russia need to be more realistic about Moscow's ability to pursue economic reforms, and have urged both sides to modify their position in the interest of early agreement.

But G-7 leaders continue to press Boris Yeltsin to resume reforms. IMF resources will be under pressure once the Russian programme is underway. In this context, Treasury Secretary Brady has urged the Congress to approve US contribution to IMF's quota increase. Funds quota increase involves \$12 billion increase in US quota and the proposal is included in the Administration's Freedom Support Act. Though the House Foreign Affairs Committee approve the aid bill on June 10, there is no agreement yet by the House leadership on its consideration by the full House. Meanwhile, World Bank professionals and independent experts believe that, in five years time, the under-used oil and gas sector would generate enough resources to finance the restructuring of Russian economy.

The IMF seems to continue on expansion of interest beyond its traditional mandate. Managing Director, Michael Camdessus, in his address at the Rio Earth Summit, urged for an end to "perverse" expenditure on defence and protectionism. But he went one step more. Camdessus said, in a recent interview reported by a leading news agency, "that fear of Communism had formerly been a stimulus for official development assistance," and "there now existed genuine reasons for assistance in the form of environmental protection and, above all poverty alleviation."

Meanwhile, hectic negotiations are going on regarding restructuring of IMF's Executive Board. Switzerland has become a member of the Fund with a large quota and is expected to seat on the Executive Board. This will mean increasing the number of seats to 24 from the present level of 23. If that is not agreed upon by the major shareholders, one of the existing director will have to be unseated. Preliminary indications are that in that event a developing country seat may be eliminated involving reordering of some constituency membership and groupings.

The writer, a guest columnist of *The Daily Star*, now visiting the United States, is a former Finance Minister of Bangladesh.

Australia

Race Colours Immigration Debate

Australia's decision to abandon its commitment to high immigration has intensified the debate over the country's immigration policy, with the race issue at dead centre. Kalinga Seneviratne of IPS reports from Sydney.

seas Economic Cooperation and Development (OECD) countries.

It was pointed out by another speaker at the forum that all OECD countries, except for Japan, are "white".

Until the early 1970s, Australia's immigration programme was not accessible to non-white people. But last year, eight of the 10 top countries that provided migrants to Australia were Asian.

Australia's Skilled Migration Programme and Business Migration Programme (BMP) are both dominated by Asians. The BMP was introduced in 1981 to attract self-employed persons, entrepreneurs and senior executives to migrate to Australia. Last year, stricter guidelines and conditions were imposed due to local negative feedback.

The BMP was aimed at Europeans in the hope of luring "technologically innovative entrepreneurs". But Europeans were largely uninterested. By 1991 nearly 70 per cent of business migrants came from Taiwan and Hong Kong. In 1990 alone, these migrants brought with them assets of about US \$1.14 million.

But some Australians remain unimpressed. Says New South Wales Labour Council Secretary Michael Easson: "On the basis of some newspaper reports last year, one could easily gain the impression that a large number of business migrants coming into Australia were criminals and that many had characters of suspect behaviour."

Robert Birrell, sociology reader at Melbourne's Monash University, thinks Australia's

Skilled Migration Programme is flawed since it has attracted people from a different cultural background and educational standards.

He says the result was that at least a third of all migrants who came to Australia in 1991 are now dependent on unemployment benefits. "The nature of skills we are attracting present particular problems," Birrell said in a recent radio interview.

Birrell said Hong Kong immigrants "who have training in the United States, Canada or Australia (are) very acceptable ... but if you are coming from Indian or Sri Lankan college which is not top order and you haven't had the experience of Western-type industry, you may well struggle."

Such arguments are refuted by Australians who see the

country's future in integration and cooperation with its neighbours in Asia.

Says Australian Financial Review economic editor Michael Stutchbury: "If we want to integrate with Asia, we just don't only receive refugees thrown out by nasty wars in Vietnam, but we must deliberately insert the Asian component into our immigration intake."

Stutchbury sees professional cartels as the major threat to a migrant's job prospects. In April, the government announced it was cutting by half the number of foreign-trained doctors allowed to practise in Australia due to what it said was an oversupply of doctors in the country.

But Stutchbury says there is "a huge amount of youngsters wanting to become doctors

and there's a shortage specialists in country areas. The main problem is that the medical market is controlled by a cartel of doctors." He adds that undermining the cartels is "one way of making the immigration programme work."

Stephen Castles, Multi-Cultural Studies Centre Director at the University of Wollongong, says it is futile to isolate Australia from the rest of the world, especially now that the country is hard-up and needs its Asian neighbours to recover.

"If we see our future in Asia, then we cannot really isolate ourselves," Castles says. "As our links with Asia increase through trade, investment, education, tourism and cultural exchange, there will be increasing movement of people."

He says Australia will soon have to compete with Asian tiger economies for the skilled labour market and noted that Singapore, Korea and Malaysia are now recruiting unskilled labour from South and South-east Asia.

Said Castles: "It is impossible to build an integrated world market, based on flows of capital, knowledge and commodities and yet stop movement of people."

To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

Airlifting stranded Pakistanis

Sir, The stranded Pakistanis are languishing in approximately 70 camps throughout Bangladesh in the most appalling conditions — seeing only can best describe their sub-human existence for the last 20 years or more. Leading newspapers both at home and abroad have been expressing optimism about their repatriation as imminent and inevitable. But at times the question of funds constraint is raised, at times the air fare is blown out of proportion, maybe by some malicious quarters while the matter silently fizzes out only to re-appear when the going gets tough. What is most ironic is while both the relevant countries

have whole heartedly welcomed the imperative of preparation along with the Makhah based Rabitat Al-Islam Al-Islami and the UK based organisation headed by Lord Anals, the British MP, it is still a mystery where the snag is. It is high time the most concerned party, the Bangladesh Government, should put some teeth into this man-made tragedy by sending top ministers, the PM included, if possible, along with the top brass of the Dhaka based Rabitat Al-Islam Al-Islami and the Pakistan High Commissioner to create a favorable impression on the Islamic Ummah for raising funds so as to bring this unfortunate affair to a speedy conclusion.

A grand opportunity awaits there just for the asking

thereby doing away with a significant chunk of expenses. I refer to the empty Haj flights which are proceeding to Makkah for bringing back Hajjis to Bangladesh and way back to Borneo, Indonesia, Malaysia, Singapore, Thailand etc..... If the Bangladesh Government takes the initiative, I am certain, none of these airlines will decline to accept airlifting the stranded Pakistanis and dropping them off Karachi in Lahore. After all, almost all these flights will be proceeding to Makkah empty. Moreover, this is not a nouveau idea of my senile brain, it is a tested and proven scheme which, if I correctly recall, was undertaken in 1984. A little sacrifice here and there can bring immense relief, for it would be too much for Pakistan to foot the bill alone.

We have frequently heard that Iran and Saudi Arabia etc. were offering millions of dollars since the late 1970s. I am certain, these are the nations that will never let down the Ummah, cost what it may. This man-made tragedy has already caused immense sufferings, in-

sults and a heart ache to this sub-continent. In fact one could have dubbed this 'stranded Pakistanis' issue as the sorrow of this sub-continent. There are much better examples set by some of the most mini states, by bringing aliens suffering and stranded in one corner of the globe, through enemy territories on secret and not-so-secret flights — simply because the aliens professed the same religion throughout their exodus 2000 years or more ago, irrespective of their colours, caste or creed — the Falashas of Ethiopia, I mean.

May Allah bring this disgraceful insult and affront of the stranded Pakistanis to its logical conclusion.

Salahuddin,
Firozshah Colony, Chittagong.

Foreign investment

Sir, I am a foreign citizen (Canada) about to leave your country with a feeling of great sorrow and pity. What a contrast from my feeling of exhilaration and excitement at com-

ing to Bangladesh — to invest in a foreign land, employ homeless people, and help modernize and improve the quality of life of my Muslim brothers in this part of the world.

You see, I should have realized from my arrival at Dhaka airport to be interrogated by an immigration officer who (could not speak English) insisted in trying to interrogate me and my wife as if we were doing something shameful and illegal by visiting the country. Then, to watch him stamp on our passports "report to Police SB office within 15 days of arrival" as if we are some type of criminals reporting for probation, and then finally, arriving at the Textile Ministry to get an NOC to set up a Textile Printing/Finishing/Stitching plant in Bangladesh, with about \$5 million of foreign equity which would save your government about \$30 million in foreign exchange annually, only to be told that they are no longer giving permission for businesses such as this. I suppose that a country like Bangladesh which imports 90% of fabric required for

garments doesn't really need a mill which can locally produce this fabric, maybe because you are so rich in foreign exchange that you just can't find a way to spend it fast enough?

It is with great sorrow that I leave, knowing the poor and the weak of this country will never know prosperity and happiness with these types of closed minded policies in your government. Perhaps you should at least look at Pakistan for guidance!

Sam Rashid,
Vancouver, Canada.

The Panamanian lesson

Sir, President Bush leaving the place of a public meeting unable to deliver the speech and covering the eyes against the tear gas is an unlikely fable. Moral of the story: If the neighbor's son is naughty let the parents teach the lesson. Don't take him to your own house to punish him.

MA Haq,
Green Road, Dhaka