

NGOs' Financial Disclosure

World Bank's latest study deals with the relations between the government and the non-governmental organisations (NGO) in Bangladesh. From the many useful suggestions that the report makes we consider the following two to be of utmost importance. First, we strongly believe that NGOs should be given the maximum freedom possible in their work. Ever since independence some of the most effective development initiatives have come from them. NGOs have shown tremendous initiative, creativity, entrepreneurship and farsightedness in pursuing projects that spanned a wide spectrum of development work which has had significant impact in improving the lot of our absolute poor. This was possible because our NGOs functioned in relative isolation which was more the result of benign neglect than any serious policy choice. But now the NGO sector has become too powerful and effective to remain isolated with the consequence that the bureaucracy now wants to control it. Here lies the challenge before the present government.

Second point of the Bank's report that we think needs to be properly highlighted concerns the financial transparency of the NGOs. Whatever few questions that still linger in the public mind are of the NGOs' lack of financial transparency. Since most of them have significant donor assistance in their projects there is a lot of question as to whether or not the funds are being properly used. We know that the NGO bureau keeps a rigorous watch over the finances of the donor money recipients and that the donors themselves have their own audit. Yet, as the World Bank report brings out, there is need for additional financial accountability and transparency on their part.

As we understand there is hardly any evaluation of the work of the NGOs except when the donors demand it. The examples of self evaluation are mostly complimentary. Those that end up finding flaws hardly ever see the light of day. If NGO work is independently monitored only then can we have a real evaluation of their work, and whether what we are getting for the money that is being spent was cost effective. Such independent monitoring will further add to the accountability and transparency of the NGOs.

While we suggest independent monitoring, we simultaneously caution that it should in no way curb their autonomy of operation.

Contrasting Behaviours

Two separate incidents of clashes between the Bangladesh Chhatra League (BCL) and the Jatiyatabadi Chhatra Dal (JCD) on Dhaka University Campus and another on Dhaka Medical College campus — leave contrary messages for us. Wednesday's clashes on both campuses ensued from trivial incidents but they ended up in contrasting styles — so contrasting that the DMC had to be closed *sine die* while at the DU campus the leaderships of both parties settled their conflict amicably.

The spirit shown by the leaders of BCL and JCD at the DU campus is what really reflects the mood and expectation of the people for social peace and stability following the June 12 election. As we profusely thank them for what they have done, we also strongly condemn the senseless rivalry that has forced the postponement of the DMC's golden jubilee programme because of the indefinite closure of the college.

Student leaders of the DU have set an example for others to follow. They sat together to identify who among their respective cadres were originally responsible for the clash. Having done that, they decided to take organisational actions against them. How reasonable and willing to co-operate with each other have they proved to be! They brought the best out of themselves to rise above partisan politics. In contrast, student leaders of the DMC fought over distribution of food during lunch.

So here is a point to ponder: the potential for co-operative and healthy student politics as against the narrow and hawkish variety. Now the leaders in national politics must take a cue from the spirit shown by the leaderships of their student organisations at the DU. The political leaders, moreover, should exercise a sobering influence on their respective cadres so that political acumen gets the better of brawn.

Getting the Act Together

We are happy to learn that the Dhaka City Corporation has placed a proposal with the government to set up a coordination body for different service sectors in the metropolis. We have the satisfaction of floating the idea and pushing it further through this column. We feel even happier that the prime minister in an address to the ward commissioners, the other day, had herself mentioned the need for such a coordinating structure.

So, we have every reason to hope that the proposal will soon receive the necessary approval for the body to come up in a concrete shape. The DCC's proposed name for the body is Dhaka Metropolitan Planning and Development Authority (DMPDA). Whether the name gets the go-ahead or is changed is of little concern. The more important thing will be the coordinating and monitoring role it will play in the activities of the various agencies who have been virtually working at cross-purposes.

Now the new set-up will be given the task to avoid all such undesirable go-alone policies. The body will help synchronise different service sectors' programmes. For this, the respective agencies will be required to submit their plans in advance. By shunning the earlier pitfall of what the left hand does right hand scarcely knows will help stave off the huge wastage of resources.

Nehru's Socialism was Founded on US Generosity'

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FORMER finance minister Manmohan Singh is a dejected man, not because he is not in office, but because he fears that India may wither away like the Soviet Union. "It was almost on the verge of it five years ago," he said. "India may still disintegrate, he warned. "There is no discipline, no determination. The centre has no money, nor has any state. There is a crunch of resources. It is difficult to meet even current expenditure. The states are looking towards the centre to bail them out. But the centre itself is in desperate straits."

He is particularly hard on the policy of bolstering the public sector undertakings. He was in favour of privatising practically every segment of industry or business. India had a bad experience, he said. The SAIL started making money when the steel price was raised. Crores and crores of rupees were sunk into the Coal Corporation of India.

What is the return of the investment of Rs 20,000 crore? asked Manmohan Singh. Money had gone down the drain. The new government expected better results. How? Mere statements should not deliver the goods. "I know of one public sector fertiliser plant which has not produced even one ounce of fertiliser for the last 20 years," he said. "Yet, the labour is getting full wages and increments."

Nehru's socialism was founded on American generosity," said Manmohan Singh. "We were able to do better because of free foodgrains under the PL-480. He still found the same slogans and detected the same manner of speech. Some politicians continue to tread the same path. 'Atal Behari Vajpayee is a confused Nehruite,' he said.

Former finance minister picked up several past policies for criticism. I found him irritated during a long chat at his residence on what went in the name of socialism. He was considered a 'progressive'. But now he derided even the word. His report on behalf of the South Commission was commended or criticised for its left-of-centre approach. He proposes to write a book to tell all, focussing attention on the five years he has spent as the finance minister. He is yet another man whose dreams have been shattered.

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He did not mention any politician by name. The reference to former Human Resources Development minister Arjun Singh cropped up in a

different context. He felt that Arjun Singh should have been treated better in the cabinet. He was not given the position or the attention his seniority and ability deserved.

Duplicity is one characteristic which he found common in most of those who were at the helm of politics or government. What they said in public was different from what they said in private. "The communists agree with my policies," he said. "But they do not have the courage to own them openly." They wanted him to take the blame.

"The entire system is reeking with corruption," he said. "Both politicians and government servants are part of it. There is no dearth of people who have made money. One organisation could not stop the rot. In my last column, ironically mentioned CBI instead of RAW, while writing about the appointment of the chief of the RAW for one year from July 1 before he sought the vote of

structure. If the present capacity, he said, had been utilised and theft stopped, India would have had no problem. State electricity boards were losing Rs. 7,000 crore a year. "Imagine this money being put to productive use," he said. He mentioned Punjab as one of the worst examples of losses in electricity. Talking about the state, Manmohan Singh said he bailed it out by writing off a large amount of its debt. His impression was that the state would be in financial trouble again.

Assam was another state he mentioned by name. "I kept it afloat," he said. "All of its public sector undertakings are losing." Investment was shy because there was no peace. ULFA ruled the state but what could one do when the extremists were part of government? This was more or less true about other states in the north-east. Ministers gave shelter to the anti-social elements. And money for development was not reaching the

BETWEEN THE LINES

Kuldip Nayar writes from New Delhi

Manmohan Singh did not specify any particular period to point but when the conditions in the country began to deteriorate. Things had been going bad for a long time," he said. None had the courage or the plan to stop them from worsening. Those who mattered were busy politicking, intriguing or making money. He mentioned the name of one of his colleagues who was hitting at him at that time because he wanted his job.

Similarly, he mentioned the name of a leading industrialist who, he said, was pressuring the government all the time for one favour or the other. Former finance minister gave instances of the methods he used to have his way through.

Asked about the prospects of foreign investment in India, he said, "There is a lot of sympathy for India." He was confident that foreign investors wanted to help the country. "I am sure foreign capital will come although it may not be to the extent of \$5 billion every year which the new government envisaged."

But he underlined again and again that government controls should go. Permits or licences would only encourage corruption as they had done. He favoured new thinking. "There has to be less and less of government in everything we do," Manmohan Singh said. Only then would the vested interests in the fields of police and bureaucracy go.

Manmohan Singh had commissioned last year a study by a top bureaucrat-led team. It has suggested that the government would gain nothing if the bureaucracy was halved and if 'better persons from the outside' were inducted into the government.

One went on hearing about investment in power infras-

people." Manmohan Singh said he was strongly opposed to giving Rs. 1 crore to every member of parliament for development purposes. This meant roughly Rs. 800 crore annually. "The cabinet passed the scheme when I was out of India," he said. "My suggestion was to set apart Rs. 350 to Rs. 400 crore to finance elections so as to do away the huge expense that political parties or their candidates undergo."

I reminded him of his objections to the defence budget when he was the Planning Commission vice chairman. "I cut the outlay drastically. During my tenure, the defence expenditure in real terms came down. I explained to the service chiefs and they were very cooperative." Former finance minister had harsh words for the Pakistan budget. "Figures have been budgeted," he said. "I believe the IMF has already discovered this and has questioned the Pakistan government on it."

Recalling the bank scam, he said he was the one who brought it before parliament once he discovered the irregularities. "I submitted my resignation taking moral responsibility on myself," he said. "Again when the report of the joint parliamentary committee found fault with my ministry I submitted my resignation. Both times the then prime minister did not allow me to quit."

Exasperated and worried as Manmohan Singh is, he has no second thoughts an economic reforms. He feels that such steps should have been taken many years earlier. He realises he is controversial but he also knows that good or bad, he has left a stamp on India's economy. And he expects the posterity to give a verdict in his favour.

Presidential Ruminations or Recriminations?

Mismanagement, maladministration and inefficiency have all been dwarfed by corruption. The result is that the entire fiscal and monetary balance of the country is under threat of disruption.

ADDRESSING the 20th Convocation of the National Defence College (NDC), President Farooq Ahmad Khan Leghari expressed serious reservations about the taxation system of the country. "A system that requires the political leadership to impose additional taxation simply to offset its own drag is not worthy of keeping. The tax collection machinery needs a total overhaul and the structure of taxes must be changed to achieve at least unitary elasticity. We required expansion in the tax base, plugging of loopholes, better tax administration, lowering of statutory rates, documentation of the economy and other steps to modernize the tax system. We fail to achieve deficit targets because the tax efforts get swallowed by an inefficient, corrupt or leaking system." Brave words indeed by the Pakistani Head of State.

machinery that is subject to the force of gravity.

The President has talked of the political leadership imposing additional taxation to offset its own "drag". In layman's language, this "drag" is created when governments are inefficient and corrupt, a nation (like an aircraft) can only "fly" when the two positive forces are greater than the two negative forces. Since the government is power is a PPP regime headed by his former party boss, Ms Benazir, the unambiguous message conveyed to the senior military and civil officers assembled at the NDC, was that the current government is putting additional burden on the common man because of its own glaring inefficiency and corruption.

This is a critical period for this regime, was this observation of the President just another "horses for courses" rhetoric meant to comfort a

method alone. Pakistan's revenue deficit will be finally overcome. The maximum estimates (without snags and defaulters) expected from rural based citizens is Rs 28-30 billion in the face of a Rs 200 billion requirement in increased revenues. To overcome this the Federal Government has rightly gone in for increased documentation of commercial ventures across the board but is adopting the wrong method by keeping it under a Federal purview and not decentralizing it to the Provinces.

The Federal Government apportions to the various Provincial Governments, around Rs 100 billion plus its share of Federal taxes, customs and excise duty and approximately Rs 100 billion is earmarked for development of the socio-economic infrastructure. Collecting the Income and Wealth Taxes of the self-employed directly, the Provinces do not need any share of the revenues collected by the Federal Government. On

AS I SEE IT

Ikram Sehgal writes from Karachi

an extremely severe indictment of the prevailing system of taxation that shows up how ineffectual successive governments, military and political, have been in dealing with this major problem.

Mismanagement, maladministration and inefficiency have all been dwarfed by corruption. The result is that the entire fiscal and monetary balance of the country is under threat of disruption. Some doomsday soothsayers are even predicting a "crash" of economy, one opines that even if we do not "crash" but "slide" we are in deep trouble, almost the entire burden will be borne by the common man.

To understand the deep financial hole we are in because of the failure of our taxation machinery, let us go over thought by thought the Head of State's speech at the NDC, the first being "a system that requires the political leadership to impose additional taxation simply to offset its own drag" is not worth keeping. What does the President mean by the term "its own drag" as applied to political leadership except that it is critical of their quality management?

In aviation terms, there are four forces acting on an aircraft (aircraft), thrust, drag, lift and weight. In economic terms, the thrust is given by the "engine" of government which is fueled by tax collections. "Lift" may be equated with "development" when a portion of the collected taxes are earmarked to improve the socio-economic infrastructure of the State. "Weight" can be equated to the built-in inertia of the massive government

specific audience so as to lull their aroused interest back into complacency, a complacency bordering on the criminal that has allowed corruption to be institutionalized as a part and parcel of democracy in the upper reaches of leadership?

The Head of State has made a scathing criticism of the machinery of tax assessment and collection. "We require expansion in the tax base, plugging of loopholes, better tax administration, etc." Expansion of the tax base directly refers to the fact of 800,000 individuals (almost all from urban areas) bearing the revenue requirements of 120 million people. The tax net must be lowered on the rural-based citizens who presently do not pay any direct taxes. Allowing the benefit of international prices of products to the farmers has been justified by increase in sales, confirming their contention that the agriculture sector was suffering from unfavourable terms of trade. On the other hand it also increases the justification of bringing the farmers within the tax net. Income and Wealth Tax may be a federal subject and agriculture is a provincial matter but this is rather a lame excuse not to tax this sector and to let feudalistic elements continue to benefit on both counts, increased profits and no taxation. The Federal Government has repeatedly indicated its determination to impose income/wealth tax on agriculturists but the Provincial Governments have not responded with any real with or effectiveness.

Moreover, it must not be expected that just by this

the same analogy, dedicated development work in Provinces pertaining should be carried out by the Provinces themselves except where the requirement is of the country as a whole i.e. Federal projects such as Motorways, rail lines, telecommunications, etc.

The Federal Government has decided to "privatise" taxation on an experimental basis, beginning with Liberty Market in Lahore, believed to have been given over to a company owned by MNA Ghurki. Criticism could have been avoided by employing a private company of credible reputation. Association with Ghurki makes the scheme seem to be no better than "Bhatta" (protection money), most of it could land up in Ghurki's deep pockets (and his mentors in the Federal Capital) instead of the Federal coffers.

Instead of progressing into the 21st century we are bringing back into fashion the feudal system of medieval times when feudal lords collected taxes from their peasants and paid over a requisite share to the monarch. Specialised private companies should verify whether the income tax/Wealth Tax Returns filed by individuals/entities in a particular area are correct or otherwise, being paid on a direct remuneration basis by a percentage of the additional tax assessed, if found correct. The tax collection should be left to the government machinery as there is every likelihood of abuse of power on the pattern Ghurki is already rather infamous for.

If we have to "privatise" taxation why not as a first test case commission private companies to carry out verification of the returns of revenue officials, paying the companies a percentage of the additional tax assessed, if found correct? One particular senior revenue official in Karachi is awash in "Chughtai" paintings, each worth a cool Rs 1 million plus, this exercise could conceivably net the Federal Government a minimum of Rs 4-5 billion each year, 10 times the Rs 400 million cop expects to collect by taxing the perquisites (perks) of the salaried class.

The Head of State is an honourable man who seems to have recently begun to comprehend that the Presidential seat of power requires him to rise above party lines and restrain the excesses of government from destroying the State of which he is head. This is surefire method of not being nominated as the Party's candidate for a second term.

All the wrongs cannot be laid at the doorstep of the Bhutto regime but in any environment where corruption is endemic and is now almost an open practice acceptable in the upper reaches of government, down the rung it gathers momentum as everyone and his uncle climb onto the bandwagon to take advantage of the "anything goes" atmosphere.

The Head of State is looking more Presidential not only in his ruminations but also in his recriminations but he must do something more concrete instead of indulging in mere rhetoric if we are to avoid economic apocalypse. The President has some real pluses under his belt, the most important achievement being to spare us from the naked ambitions of the be-speckled "great warrior" who had never heard a shot being fired in anger while in uniform and as he behoves a rank coward continues to fight his battles by proxy from behind the scenes by spreading false propaganda and disinformation about his "enemies".

It was Leghari who balked from being forced to "denotify" the Chief Justice and it is the same Leghari who is now talking about the "drag" of the present political leadership creating economic burden for the common citizens. In front of the knowledgeable and precocious NDC audience, the President spoke his mind as a Head of State should, we expect that he is going to do something about it?

(Concluded)

Budget by Ordinance and Constitutional Impropriety — II

by Mohiuddin Ahmed

interest of the economy. All that the restrictions imply is that these are two separate processes: the Government has to get the budget ordinance approved without any change, separately, it can bring its own budget proposal. What will hold the two budgets — namely the budget ordinance making advance grants and appropriation and the new budget that the elected Government will propose — is the annual financial statement. The amount included in the advance appropriation budget ordinance has to be incorporated in the overall annual financial statement. [Articles 87, 88, 89, 90, 93 (3 & 4)].

The timing and contents of the politically mandated new budget are entirely within the choice of the elected Government except that the new budget has to be approved by Parliament before the advance appropriation made by Ordinance is exhausted. The Government can choose to submit that budget in the first session which begins on 14th July or at some later date subject to the above time constraint. The elected Government needs time to translate its election manifesto into practicable programmes consistent with long term interest of the economy and continuity of policies. There are also issues of conditionalities which the Government needs to sort out, like it or not. Introduction of new policies or programmes in disjointed or discontinuous manner gives the economy unnecessary

shocks. The new Government does need time to establish control over policy contents as well as the economic policy apparatus. No one should blame the Government if it takes a bit longer to work out its own budget consistent with its election manifesto and continuity of the essential elements of long term economic policies. Back to power after over two decades, it is crucially important for the Government to demonstrate convincingly that it can manage the economy wisely and prudently rather than hastily — and perhaps inconsistently. If it were to introduce its own budget in the first session of Parliament — not absolutely

ity of resource. The present Government faces a more complex task. The budget left by the caretaker government does not have any tax proposal. The former political government had been rolling back taxes — especially VAT — during the last two years or so with eyes on the next election. Tax-GDP ratio has stagnated at 9.5 per cent since 1992-93. The previous government expanded public expenditure by borrowing large sums from bank as well as non-bank public, leading to liquidity shortage relaxed to some extent by limited bail-out operations of Bangladesh Bank. The bail out already created inflationary pressure mitigated by good

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necessary — it will get about a month to work it out. Too short a time for the task. It will be a remarkable feat if it can do so and escape valid criticism for flaws in terms of procedures as well as content. Patience perhaps will be more rewarding than haste!

When the elected government took office in 1991, it had more than two months to prepare budget, even then it could not introduce fundamental changes. It retained the tax policies which had been worked out by the previous government and the pattern of expenditure. The only important change the new government then introduced was a 'beefed up' development programme, the 'beefed-up' portion was designated as 'non-core' which simply meant that implementation of this part was contingent upon availability

of resource. The present Government faces a more complex task. The budget left by the caretaker government does not have any tax proposal. The former political government had been rolling back taxes — especially VAT — during the last two years or so with eyes on the next election. Tax-GDP ratio has stagnated at 9.5 per cent since 1992-93. The previous government expanded public expenditure by borrowing large sums from bank as well as non-bank public, leading to liquidity shortage relaxed to some extent by limited bail-out operations of Bangladesh Bank. The bail out already created inflationary pressure mitigated by good

Options for Government, constitutionally and administratively impeccable: The constitutionally indisputable options available to the Government with respect to the ordinance for supplementary estimates of 1995-96 and the advance appropriation for 1996-97 — the latter not being subject to any doubt — are clear:

- Obtain by July 23 or latest by July 28 Parliament's approval of the Ordinance making advance grant and appropriation for part of 1996-97.

- Constitutional legitimacy of the Ordinance dealing with supplementary provision for 1995-96 is suspect. Place it before Parliament only after the constitutional cloud has been completely cleared. The Government may have to seek opinion outside the Ministry of Law and the Ministry of Finance which had advised the government earlier and bear responsibility for the confusion. A joint examination by the Estimates Committee and the Public Accounts Committee will help. In the event these Committees are not constituted in the first session, an ad hoc all-party

committee may be formed to examine the constitutional issue. The Committee or the Joint Committee may benefit from expert opinion.

- Place before the Parliament new estimates for 1996-97 separately after approval of the Ordinance making advance appropriation either during the first session of the Parliament or any time before the present appropriation is exhausted. There is little justification to rush this process, especially before the Government comes to grips with the contents of policy and aid conditionalities as well as the administrative apparatus.

Back to power after over two decades, it is crucially important for Awami League to demonstrate convincingly that it can govern prudently and correctly rather than hastily and often questionably. The first budget it places before Parliament will be the crucial test of its competence to manage the economy.