

Budget 96-97: A Confidence Building Step

by Md Matiuil Islam

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Touch of Political Will

The first thing that comes to mind about Finance Minister S A M S Kibria's budget proposals for 1996-97 is that they bear the stamp of a political will and vision.

The Awami League has opted for a cautious, selective and gradualistic approach to the furtherance of economic reform programmes. The new finance minister maintains that sweeping and simultaneous reforms tend to be counterproductive. So, his party seems prepared to give 'reorganised' state-owned enterprises (SOEs) one last chance to prove themselves or reconcile to being privatised.

There is nothing wrong with this approach except for the fact that hard decisions like doing away with more than one CBA in an industry or corporation, belonging to either the private or the public sector, should be taken early in the day. The constitution of a law commission to devise ways and means for attracting investment, both local and foreign, is a welcome move. We agree with the finance minister that a bottom-up elective self-government system could radically alter the results of monetary allocations.

We had more or less grown accustomed to budgets without new taxes but Kibria has gone a step further by offering a wide range of reductions on income tax, corporate tax and customs duty. This will help investment and export-led growth in conjunction with certain other incentives offered. Quite a fillip has been provided to capital formation through the stock exchange markets by withdrawal of the one-year lock-in on the initial public offering and of capital gains tax on the sale of bonus shares and fixation of five per cent quota for expatriate Bangladeshis in primary public shares.

At any rate, the proposal for widening of the VAT net over wholesale and retail networks may be reconsidered as its burden could be passed on to ordinary consumers.

An extra-ordinary emphasis has been laid on the agriculture sector as a whole. Farm inputs machinery and implements are to cost less. The Tk 100-crore special agriculture subsidy is designed to help banks subsidise 80 per cent of interest cost on the credit for purchase of irrigation equipment or farm machinery. Isn't the cost of money being lowered there? Notably central supervision of micro-credit operations is being funded, too. We are heartened by the reduction of import duty on generators, cells, turbines and their spares for a switch-over to alternative sources of energy - solar, wind, etc.

We commend the finance minister for presenting us with a good budget, looking so much the better for the barely five weeks he had to prepare it with volumes to reflect for a party back in power after two decades.

Unguarded Rail-tracks

Sunday's accident at Sonargaon rail-crossing involving a train and a scooter, in which a mother and her son were killed and another three of the same family received injuries, raises a number of questions in the public mind. The railway crossings inside the city are an open invitation to danger regardless of the manually operated barricade poles on either side of them. The potential for danger has been increased further by unauthorised settlements alongside the railway tracks and other types of encroachment on them. Nobody has the slightest qualm about holding regular bazaars right beside the railway tracks.

So there appears to be a general tendency to overlook things that do not concern an individual directly but do so only accidentally and once in a while. Days, months and years of neglect and unconcern have accumulated in a mountainous proportion to pose a daunting challenge now. The proliferation of slums on the two sides of railway tracks has become unmanageable. Similarly, the chaos and confusion that ensue when a train whizz past the railway crossings too are at times beyond containment. It is only natural that in such overcrowded places the uninitiated from the village setting would unknowingly lunge forward and be in danger.

The problem is that a train cannot stop on a short notice and hence an accident is inevitable in case of the slightest human error or absent-mindedness. The accident at Sonargaon crossing was reportedly caused by the failure to bring the barricade pole down right in time. The probe committee constituted to go into the accident is expected to hit the nail in the head.

In the mean time we suggest that barbed wire fences be erected along both sides of the railway tracks in crowded areas of the city to discourage encroachment on them. As for the rail-crossing points, underpass or overpass, etc will be the right answer. Today or tomorrow we will have to construct them. Why not think in advance?

Bridging Trade Gap

We have been ceaselessly arguing for measures to reduce the yawning trade gap between Bangladesh and India. Now the advocacy comes in our favour from none other than the leader of the visiting delegation of the Bengal National Chamber of Commerce and Industries (BNCCI) himself. Leader of the team N Guha has proffered some suggestions for coming to grips with the nagging problem of trade imbalance.

The potential market for Bangladesh in India, West Bengal in particular, has been identified by him in such areas as ceramic, table-ware, jute carpet, Bangla computer software, melamine goods, chemical fertiliser, particle board, etc. Now that the exportables from Bangladesh to India have been identified, let the follow-up process begin.

Setting up of industries on joint collaboration basis and developing communication facilities between the two countries, as suggested by the head of the West Bengal delegation, should be considered now. Here we would like to add that the Indian investment in Bangladesh could be under a buy-back arrangement to maximise the benefit of both sides. For the present, the countervailing duty imposed by India on certain commodities from Bangladesh should be immediately withdrawn.

THE 1996-97 Budget presented by Awami League should be well received. The Finance Minister should be congratulated for marshalling the facts well and putting them to good use to drive home the Government's point of view. Nevertheless, Finance Minister's pointed reference, at the beginning of his Budget Speech, to the dismal failure of the Governments of the last two decades in the management of the public enterprises and the nationalised Banking sector will now be an acid test for the Awami League Government - how and how soon they would be able to contain and reverse the deteriorating trend? Taking 2,300.00 crores of 'hidden budget deficit' and Tk. 5000 crores of cash injection into the nationalised Banking sector for covering bad and doubtful debts are matters of serious concern.

Equally important is Finance Minister's reference to the failure of the BNP Government in the Energy Sector to gear up Governmental machinery to ensure that during the next few months, before presentation of the next budget, some of the private sector projects in the Power and related sectors are well under implementation. BNP Government spent too much time on policy formulation & dialogue on re-

forms & too little on actual implementation and time ran out for them. Our advice to the Awami League Government would be 'just do it' and the policy will fall into place with the ground realities. We are, however, unable to subscribe to the view that the BNP Government has dealt a blow to the economy by adding US\$4,000.00 million to the country's foreign debt burden during the first four years of their rule. Our development strategy calls for massive infusion of foreign aid and assistance and as long as this philosophy continues, we do not see any possibility of reduction in the foreign debt burden. The estimate of principal and interest repayment of foreign debt during this fiscal year is US \$ 500.00 million and the Finance Minister's projection of foreign aid disbursement during 1996-97 is US\$ 1.5 billion.

The Finance Minister has played down the role of local resources in finance in the development budget which according to him is not an unmixed blessing. With the aid-fatigue catching up the donor countries this may not be a prudent statement from the Finance Minister. Increasing local contribution for financing the development budget has always been a strong point for Saifur Rahman which made him the darling of the donor agencies.

Enhanced provision of Tk 430 crores in the Education Sector compared to the revised provision of last year is very welcome and we also welcome the proposed reform measures which are long overdue. However, endorsement of the previous Government's programme of food for education to reduce school drop-outs has been done too much in a haste. This programme should have been properly evaluated, its cost-benefit examined and other options like 'School Lunch Programme' explored before giving blanket endorsement to the rice-dole programme which some of us feel are seriously flawed. The School-lunch/School-Milk programmes are time-tested mechanism which not only reduces school drop-outs but also gives to the growing children.

The Finance Minister has abolished the 'lock in' period for foreign portfolio investors belatedly introduced by the previous Government to put a check on massive outflow of resources arising out of quick and easy profit-taking on portfolio investment by foreign institutional investors who enjoy 30% quota of the initial public offerings. Saifur Rahman in his anxiety to hurry through the reform process allowed foreign portfolio investors easy entry and unrestricted exit, but introduced 'lock in' period of one year when he realised his mistake. Now that Kibria has announced his decision to withdraw 'lock-in' period, he could consider introducing a nominal capital gains tax to act as a disincentive to flight of capital.

The Finance Minister deserves our gratitude for mentioning that the honest taxpayers deserve social respect and recognition and that we must give him his honoured place in the society. But he has not spelt out how he proposes to do it. The Income Tax Act needs massive reform and we would recommend setting up of a Tax Reform Commission. The Awami League's elec-

tion manifesto calls for separation of judiciary from executive. No where it is more needed than in the tax administration where judicial functions are fully subordinated to the executive authority. The Finance Minister's proposal to amend the Income Tax Act to enable departmental tax officials to become President of the Taxation Tribunal runs contrary to the avowed policy of making judiciary independent of the executive branch. Along with the proposed amendment, it should also be ensured that the administrative control of the Appellate Tribunal is transferred from the NBR to the Judicial Department and also that Departmental officials once transferred, to the Tribunal cannot return to the parent department. The Department officers are obsessed with the concept of loss of revenue even while acting in a judicial capacity and therefore in a tax dispute where substantial sum of tax revenue is involved, the appellant can hardly expect to get proper justice.

The author was the first Finance Secretary in the Awami League Government under Sheikh Mujib.

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Crossroads for Bangladesh: Need to Control Musclemen for Economic Growth

by A S Islam

RECENTLY, the Finance Minister has taken an ambitious poverty alleviation programme. Not only Bangladeshis but the whole world want us to improve our economy so that we can march ahead shoulder to shoulder with the other nations to reckon with. While launching the programme which may include in the future non-traditional items, for instance, various fields of biotechnology such as commercial tissue culture for micropropagation of ornamental, timber and medicinal plants, manufacture of diagnostic kits, energy-efficient 'chula', biogas generation plants at village, the government may have to consider side by side, underlying causes which have been holding us back from attaining our goal of economic emancipation. This write-up does not contain any new or innovative ideas but repetition of already well-known suggestions is necessary to remind those now running the country, so that the mistakes by its predecessors are not committed again to thwart the recently-launched poverty alleviation programmes.

Ask someone capable of investing a small capital to open a shop in his 'mohalla'. He would say that he would gladly give a thought to this proposal. But then who would guarantee him safety from being man-handled by extortionists once he would start earning profit from his investment? I have no answer to give to his question. A few years ago, I was myself a victim. Near the British Council, Dhaka, my wife and myself were their target. We had to give up everything we had on a gun point.

These extortionists don't spare even small establishments. One of my friends, after his return from Iraq, decided to help his near relation by providing him some money to set up a small poultry farm close to Dhaka city. When the chicks grew up and were ready for marketing, the owner was forced to share some of his merchandise with the 'hoodlum' friend says that if this continues there will be no other way for his relation than to wind up their establishment.

Musclemen are everywhere: In mid-eighties, the second floor of the western wing of the Botany department, Dhaka University was under construction. One day the contractor came running to me complaining. 'Sir, at the start of the construction I have given them what was our agreement but now different groups are pestering my workers and demanding money. Sir, I shall have to stop the work unless you prevent such unpleasant incidents to occur in the future.' My approach to the student leaders of different groups fortunately worked and the construction was completed without further hassle.

Very recently, I asked someone in Austin (where I live at present) whether he had a house in Dhaka. He said that sometime back he built a one storied house without any hitch but now he was not able to complete the first floor because of the occasional demands by the 'mastans' of the area to oblige them with what they think is their due.

Now the things have come to such a pass that for almost every tender floated by the government and autonomous or semi-autonomous bodies, the extortionist groups manipulate by force to win the bid, or let others bid in lieu of a big amount of money. How one would expect good quality work from such a group of people whose principle in life is to get money by hook or by

crook? That there is a tremendous influence of ministers over the law enforcing agencies will be clear to the readers from a comparatively recent incident in the Jagannath University college area. A policeman on duty died in the crossfire between two rival groups of students confronting each other with firearms. Thereafter, the police on duty in that area ignored request of ministers if it related to the release of a law-offender. The police officer on duty there used to say to the caller of any such request, 'Sir, very sorry, we cannot oblige you. When you cannot protect us from being killed at the hands of miscreants, how can we release a confirmed criminal?' The whole Sadarghat area became a crime-free zone for quite sometime.

It is therefore obvious that unless stern measures are taken to curb these unsocial elements for their misdoings, economic growth is bound to suffer immensely. As far as potentiality of common man and woman to do business is concerned, they are as good if not better as those in the rest of the world. The economic growth in Bangladesh was reported to be better than some of her neighbours during the period of political campaigns which sometimes forced the factories to close down. This fact demonstrates clearly that Bangladeshis are capable of increasing their earnings even under stressful conditions. This is so in spite of their running into difficulties with government and bank officials for loan sanctions and procurement of licences. Please look at success stories of the Grameen Bank where the poorest of the poor get loan to start small business or farming, without any collateral security and they prove their ability to

become self-reliant. What is amazing is that 90 per cent of Grameen Bank's clients are women who were earlier considered to be not competent to receive loans and do business with the borrowed money. Now this system has become the model throughout the world.

One of the great weaknesses of any government who comes to power in this subcontinent is self-complacency. And surrounding them, there are self-seekers who by their constant persuasions make the party head believe that everything is okay. We hope not, but once Sheikh Hasina yields to believing that her government is above criticism, the dream of attaining 'Sonar Bangla' will fall flat on the ground.

In the light of the facts elaborated above, the readers would join with me to urge upon the present government to take steps to stop wrongdoings by musclemen and those who give protection to these elements. No matter who they are, they must be brought to book regardless of their party affiliations. If the present government takes care seriously to improve the law and order, the economic growth of Bangladesh is sure to rise by leaps and bounds.

The Bangladesh government may request the UK, the USA government to study the whole structure of the police force in the country and may request them to suggest ways and means to improve upon the present system and possible source of financing such a project. In fact, the huge money that allegedly go into the pockets of corrupt members of police force will contribute substantially to meet the extra expenditure that will be necessary for the training, pay increase and extra benefits incumbent to raise the efficiency of the police in Bangladesh.

Commission could do is to maintain the merit list of all qualified candidates and then feed the cadre services from that list instead of accentuating the unemployment problem and going against declared government objective. Accordingly, it would be advisable for the PSC to recruit as many candidates as possible so that there is a conspicuous effect on reduction of unemployment in the country.

F Ahmed
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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.

Hoping against hope

Sir, I am a regular reader of The Daily Star. I would like to express my concern through your good office regarding a very learned writer's presentation under the caption 'Hoping Against Hope' which found a place on July 24, 1996 in the opinion column. The following two sweeping understatements of his, aroused my curiosity and urged my conscience to put forward my views on the subject matters - (a) 'After 25 years of independence..... cannot fight with crocodiles while living in water.' (b) India shall never be a security threat to Bangladesh..... problems of national integrity.

In my view, (a) The writer has failed to appreciate the present day trend of our world. This world is only for those nations or persons who can dare the challenges of time and brave the odds to become a winner. The rule of the game in this context is the survival for the fittest. (b) This prophetic utterance is no more credible in the light of the present day happenings around the world. There is no excuse for basking in others' problems. It is criminally complacent attitude because nationalism is yet to be ingrained in to our system of work behaviour and attitude towards other nations.

His appreciation of the present leadership of the country is timely and understandable. But advocating actions related to international relations covering trade and commerce is

not everybody's cup of tea. I would therefore like to suggest, led experts on the subject delve into it, remembering that such lavish concessions were once made by the Moghul rulers to the East India Company what resulted in the subjugation of this sub-continent for 200 years and turned the then Haves into the Have-nots of today's Bangladesh and South Asia. We are a young nation. Democracy has not as yet taken an institutional root. Our population is increasing everyday putting extra burden on our resources. Our manpower needs therefore to be transformed into human resources and assets before we could think of any generous approach.

We have potential to venture into the jungle of open market system of world economy but we should step into it cautiously and intelligently guarding our interest and keeping the intruders at bay to the best of our capability besides taking our neighbours with us in our march towards a better tomorrow. One cannot build a glass castle on a pebbly beach without ensuring due safety measures.

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Confused?

Sir, In 1991, I knew that BNP came to power with a bare hand as 100 per cent of the development budget came

Art Buchwald's COLUMN

Summer One-liners

EVERY summer people go away, and they have nothing to say to the new acquaintances they meet. Here are some of the bon mots you might drop at parties, cook-outs or while you are wind-surfing. 'We're new in town. Could you tell us the location of the nearest FBI office?' 'If you want politics, you go to Bob Dole; if you want blood, you go to Liddy Dole.' 'The Citadel keeps offering my daughter a football scholarship.' 'My son, the lawyer, smokes a pack of cigarettes a day, and he's suing the Marlboro Man.' 'I asked the Clintons if there were any good real estate investments in Arkansas, and they said that I'd be better off buying US Treasury Bonds.' 'My 10-year-old son got a 'Dear John' letter on his e-mail from a 28-year-old woman.' 'My nephew only knew that he had been downzoned by AT&T when they took away his phone and wouldn't give it back.' 'You see this pocket comb? I bought it at Jackie Onassis' auction for \$650,000.' 'Pat Buchanan is much too nice a guy to be in politics.' 'Whenever I see Ross Perot on TV, I think of Ross Perot.' 'I haven't washed my hand since I shook hands with Steve Forbes.' 'That fact that Louis Farrakhan doesn't like you doesn't mean that you're not a good person.' 'I hate to make money on the stock market for doing nothing.' 'The Unabomber makes you ashamed to admit that you're a loner.' 'Pat Robertson is much too nice a guy to sell books on television.' 'The reason I feel sorry for Queen Elizabeth is that she has such a dysfunctional family.' 'I would rather argue about abortion than baseball.' 'If you're not willing to pay a premium price for gasoline, then you should take the bus.' 'If I ever get sick, I want Dr Kerorian to be at my bedside.'

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OPINION

Flood Control Measures

OH Kabir

Our country does not only occupy a prominent place among the flood prone countries (tries but is the world affected as such in the world. Our condition has further deteriorated to commissioning of Farakka Barrage, release of, presumably, billions of cusecs of the Ganges water during monsoon and almost total stoppage during dry season by India. This alarming flood-drought situation would, believably, be further aggravated in the coming 21st century due to Greenhouse effect.

Over the past decades our authorities concerned have been holding discussion meetings and conferences, undertaking foreign tours and drawing up plans and programmes one after another - all at the cost of untold sufferings and hardships of the people through wastage of time, energy and public money; but so far no pragmatic, concrete or practical step has been taken to save the life and property of the people from the catastrophic devastations of phenomenal floods.

We have built innumerable roads, highways and bridges worth billions of dollars but our flood control measures have always remained on papers often on account of so-called fund restraint, lack of resources and foreign aid. Over the past decades needs to be considered and solved in Bangladesh perspective with our own appropriate method, ways and means and this should not be left to the mercy of planning and projects prepared in Paris, the Hague or Washington and World Bank.

How long would we be sitting idle and wasting time? Why don't we cut our coat according to our own cloth? Why don't we start flood control works with our available means and resources? Self-help is the best help. We strongly feel and believe that we would be able to save the life and property of our people lost year after year due to flood, by making the following policy decisions and implementing those simple tasks with our hard work, sincerity and sense of patriotism.

a) All river side lands up to 500 feet from the bank of the river may be nationalised, acquired for flood control works. b) All river side lands thus acquired, 500 ft wide from the river bank, may be placed under the disposal of Ministry of Land after making proper demarcation and property record thereof. c) Human habitation, construction of houses, establishment of offices, markets, shops and industries in the public sector as well as in the private sector only be allowed beyond the demarcation i.e. 500 feet away from the river banks. d) All river side lands 300 feet away from river banks may be divided into 100 feet wide and one mile to five miles long plots and may be earmarked for erecting earthen dams and making tree plantation in the private sector. e) All these plots (300 feet away from river banks, 100 feet wide and one mile or five miles long) may be leased out to local people on long term basis for building earthen dams of 10-15 feet height and plantation of trees on both sides of the dam. The lease holders may enjoy one fourth of the timber of the trees in course of time and all fruits of the trees on yearly basis for building dams, maintenance and supervision of the dams and growing more and more trees on the leased-out plots. f) The Ministry of Water Resources and the Ministry of Forest would extend all possible help and assistance to the lease holders for construction of dams and plantation of trees. g) All DCs and TNOs concerned would look after and supervise the leased out river side plots of land and attend to the problems and difficulties of the lease holders.

Where there is a will there is a way. Let us move forward and save our country and the people from the recurring devastations of flood. Slow but steady wins the race. Let us unitedly accomplish the great task of flood control in Bangladesh with dedication and hard work without further delay.

a) All river side lands up to