

## Investment on the Poor

A panel discussion on the national budget, organised by the Institute for Development of Policy Analysis and Advocacy, Proshika, and inaugurated by Prime Minister Sheikh Hasina, on Tuesday, concentrated on economic growth vis-à-vis the poor's place in the process. Both the prime minister and the discussants at this gathering agreed on a very important point, which is that the poor must be allowed the fullest realization of their potential through participatory development programmes. This is also a prerequisite for ensuring social justice.

We could not agree more on that point. However, we would like to suggest a different approach to the problem of poverty alleviation. It is now an established fact that investment on the poor, particularly in our country's context, is much more rewarding compared to that on the rich. So there is no need for condescension or uncalled for sympathy for the poor, when the objective is nothing less than national development or economic growth. The definition of growth, of necessity, must take into account the overwhelming majority who have the potential to positively contribute to national development. Since there is no question of doing any favour to them and moreover it is simply good business to spend money on the poor, what is needed now is to formulate an appropriate policy and go full steam ahead with its implementation.

We are not talking about something new, the wisdom has always been there to utilise. The main challenge concerns the will to go about the business. Are we ready to go the whole hog to accomplish the job? That is the question now. As the evidence shows there is little risk in making investment on the poor, including the hard core ones, we find no reason any longer to beat about the bush with our commitment to poverty alleviation. If the return on investment in job creation for the poor proves so substantial, then quite predictably there would be an impetus to growth and creation of wealth.

Indeed there is no alternative to a rapid development of our human resources. The bottom half of our population really holds the key to our economic miracle. So can we suggest that from now on no development plan or economic project will get the official sanction if it is not friendly to the poor?

## Act of Supreme Kindness

Now this may not be in bad taste to talk jestingly about the many one-way lovers deadbeat on marrying the American girl living in Bangladesh without a visa. No doubt this pledge was in the glorious knightly tradition of chivalry and was aimed at helping a damsel in distress. But Eliadah McCord, living for four years in Dhaka jail with the Supreme Court confirming a life term on her, could hardly be bothered by any thought of suitors offering their lives on a platter. On Tuesday, now 23, she was born into a new life when she was set free thanks to a Presidential amnesty. She must have been thinking about home and parents. How does it feel to lose every hope of life and then suddenly coming back to all the possibilities of it? Like an almost resurrected Destoevsky who survived a firing squad, she must be experiencing the value of every free and living moment more than most of us mortals.

We welcome the amnesty. It has been declared very correctly at the right time — after all the judicial efforts were exhausted — and for the right reasons. Her tender age. Her best atonement for the bad thing she did, smuggling drugs into this land, was a pithy little plea — let no one commit the mistake I did. We congratulate President Biswas for his act of humanity and kindness which no doubt would touch many a heart both in Bangladesh and the US.

This is an expensive gesture, however. The Malaysians don't believe in this and their uncompromising ways with drug traffickers have kept their land comparatively free of drug abuse in a region reeking literally of pot smoking. Drug abuse is on the rise in Bangladesh and the government must take pains to ensure that the drug lords do not get a wrong signal from the amnesty. To balance the President's good deed it is necessary that a serious campaign be mounted against drug trafficking.

Eliadah is a once convicted criminal. May she lead a life that can wipe out this stigma.

## Olympic Immortals

Almost from the ashes of a Olympics-squad rejection, has risen the phoenix we congratulate in Carl Lewis. He failed to perform his way into the US sprinting team. But in long jump he landed a gold to make it to nine equaling the legendary Paavo Nurmi's tally in the twenties. This great track and field feat, however, leaves untouched Jesse Owens' four golds in one and the same 1936 Olympics. Carl is not a member of the US relay team. But his nine golds have made him look hopefully at a tenth that can be his if he is taken on the relay team.

Whether it comes about or not, Carl Lewis has decidedly made his entry into the hall of Olympic immortals.

We take the occasion also to celebrate Syria's landing its first-ever gold. Through the heroic exertions of a Christian Arab woman. The feat is made the more memorable by the fact that it was the toughest of the Olympic events for women that she won resoundingly by a big margin. Ghada Shouaa's event, the heptathlon, is but a chain of seven separate track and field items. And the perfect ease and poise with which she bested most of these events — specially the field events of high jump, shot putt and the javelin — would long be remembered.

She is only 23 and as she has said has a lot ahead of her. One is bettering Jackie Joyner-Kersee's 7291 points. We are sure she would get past that.

**T**HE recent Federal Budget has increased the threshold of pain that the common man has to endure because of the mis-conceived policies that a 'democratic' regime is implementing in horrendous fashion through an errant bureaucracy. Despite what Mr V A Jafarey claims, and Mr V A Jafarey has been making quite a number of claims to the contrary recently, the economy is in serious trouble. If it were not for our much vilified parallel economy, the same that everyone (and his/her IMF uncle) wants to document and cannot, we would be up the creek with only a begging bowl for a paddle. The Pakistani Rupee is sliding ominously against the US dollar and the country's stock markets are barely kept afloat by frequent doses of massive public sector intervention.

An economic disaster-in-the-making is not a startling revelation, nor only does it cost the man in the street more to go on living every day drives him deeper into debt. The middle class cannot afford to die even, their hard-saved life insurance may not be worth the paper it is written on, given that the Ministry of Finance (MoF) has requisitioned almost all of State Life's funds to create the instant liquidity Government of Pakistan (GoP) seems to acquire whenever an IMF deadline approaches. Creative accounting to outright fudging to maintain the financial lie that all is 'milk and honey' with respect to our economy.

Former Finance Minister Senator Sartaj Aziz made some telling points when releasing

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statistical data showing up the economic shortcomings that have brought us to such a desperate financial position. Since Minister of State for Finance Makhdoom Shahabuddin lives by the formula 'ignorance is bliss', the Atlas-like burden fell on V A Jafarey whose efforts were unconvincing because misrepresenting the truth with confidence is alien to his rather dignified persona. Rhetoric aside, the fact remains that we have to meet our debt-service obligations very soon and do not have the wherewithal to do so with our current liquidity. Without the IMF crutch we can only turn to our traditional help from our friends in the Middle East and they are about dry themselves. We have no recourse but to appeal to the 'patriotism' of the nouveau rich who have salted away much abroad from their 'pocket money' to give us a loan at a much higher rate of interest. We will need at least US\$3 billion to bail us out and tide things over during the Mexico-type financial emergency that most pundits predict is just around the corner.

Corruption is neither an invention nor has it been patented by the Ms Benazir regime. All the governments, Moeen Qureshi's supposedly squeaky clean caretaker regime included, have had their share of rascals. During Martial Law, publicity about the volume and frequency of corruption was circumscribed because of the restraint on the

print media; that nadir of corruption has only been surpassed by the present free-for-all. Furthermore, corruption is not confined to the hierarchy, it is very much present through the entire spectrum of government. In many cases those who made hay while the sun shone in the 80s have the sun still shining on them in the 90s and they are making even more hay. These stalwarts just change their liveries (loyalty being an abstract form to them) from time to time

## AS I SEE IT

**Ikram Sehgal writes from Karachi**

and are very much still running the government for their new masters as they did for their old masters without efficiency and with its usual dose of nepotism and corruption. That is the sum of the authentic statement repeatedly made by Murtaza Bhutto, himself prime suspect of conducting an elaborate 'Noora-Kushti' with his PM sister to keep justice (and the Armed Forces) away from his doorstep.

You may resent the corruption refined over the ages, it has now become an accepted part of life and you cannot do much about it. That compromises our principles for this should not be acceptable to civilized society. That fact has

mended for the sophisticated ploy of requesting the ruling couple 'to redeem their honour' by filing a suit against the errant British newspaper that spread such canards. Despite a lot of rhetoric and chest-beating about 'tribal honour' and a dramatic tearful denial, one notices that honour has become subservient to discretion, understandably the better part of valour. After all what is to be gained by denying any further what everyone knows to be the truth? Better to brazen it out and rely on a gullible public to have a short memory. The Madam Marcos example is a perfect role model to emulate the brazen face of corruption in the face

of public exposure.

Why blame Ms Benazir in isolation, blame the retired ballerinas who surround her and insulate her from what the public really think. Having served Zia faithfully whether in uniform in civil service or on deputation with international organisations, these persons obviously believe that there is no life after retirement, unlike old soldiers they refuse to simply fade away. They want to live their entire public life all over again, the second time devoted almost exclusively to the pursuit and acquisition of money and power for at least three of their future generations. Some of these retired ballerinas roundly vilified and targeted the PPP during Zia's regime, creating hell-on-earth for the party workers in whichever field their authority held sway. The pall-bearers at Zia's last rites today occupy luxury official residences and perks/privileges resembling those of an Arab Prince, while the PPP workers except for a privileged few who have come to terms with their conscience and have been accommodated are still camped outside in the cold.

During the period of serving Zia, PPP workers kept on searching for a place in the sun, today Zia's cohorts occupy the same seats of power they did under Zia while the PPP workers have their share but only in the form of a scorching sun outside the corridors of power. And what about those 'retired ballerinas' that serve

the World Bank and the IMF before retiring to become doomsday soothsayers about their country's economic shortcomings? At least people like Dr Mahbubul Haq have settled down in Pakistan, the others come here either during their holidays or on 'emerging' business. That is the sum total of their brand of patriotism.

Increasingly the last hope for this country seems to be the new found independence of the judiciary. Implementing the rule of law in a society that accepts misdemeanour without embarrassment is no mean achievement. Through the whole spectrum of society there seems to be a fresh wind of hope, courts are waking up to the fact that they have to dispense justice, not the whimsical dictates of the executive. In a third world environment, display of such independence by the judiciary not only needs courage, it requires that courage be shored up by an effective authority. Somebody has to stiffen up the judiciary's spine in the face of the threats and calamities hurled at them, the judiciary can only be strong if they are comfortable that support to them is credible. As things go today, the economy is in doldrums to the extent of comprising national security while the rule of law is not only being mocked with contempt, it is being violated at will in the face of judicial restraint. The exercise of government has become a sham devoted solely to the practice of nepotism and corruption. Where does all this leave those who have a stake in this land? Where do we go from here? And when?

## Tax Reform Measures : Some Recommendations

by Md Matiul Islam

**As far as possible, tax should be deducted at source and those disbursing or making payments for services rendered or goods supplied should be responsible for tax collection. The NBR should analyse the sources of income-generating activities and, wherever possible, prescribe methods for tax deduction at source at the full rate.**

pliance. Such a provision needs to be incorporated to ensure accountability of the taxation officers.

b) The Department's judicial and executive functions are not well demarcated. It is all under one roof, under one controlling authority. The DCT's prayer for appeal to the Tribunal against reversal of his decision should have been examined by a judicial authority within the Department and not by an executive head who has no time to go into the merit of the appeal and whose only concern is tax revenue.

c) Once the assessee's claim and contention have been accepted for one assessment year after rejection in earlier years, provision should be made for its retrospective application.

d) The NBR should have power to initiate review procedure of such cases and issue 'no contest' instruction to the Departmental representative in appeal proceedings.

### Case Study No 2

The verbal gift of the assessee of her property to her children was confirmed by an affidavit before a first class magistrate and the mutation proceedings completed. The DCT did not accept the fact of the gift for five consecutive assessment years, but finally accepted it in the sixth year. Under the Income Tax Act, the assessee would have to take her chances for establishing her claim before the appellate authorities for all the previous years.

Provision should be made which will make it obligatory for the DCT/Appellate Authorities to give retrospective relief to the assessee.

### Case Study No 3

The DCT gave formal hearing to the assessee's authorised representative. At the end of the hearing, the DCT obtained initial of the assessee's tax lawyer on the order sheet. The assessee received the formal assessment order after about three weeks and was surprised to find that the DCT had inflated his income by making fresh estimates of income from business, from agricultural land and finally through inflating his personal expenditure. In the hearing, the DCT was silent on these points and did not seek any clarification from the assessee. The DCT sprang a surprise on the assessee.

The NBR should instruct that the DCT should prepare a draft assessment order prior to the hearing and discuss the draft during the hearing with the assessee's authorised representative before finalizing it. This would help narrow down the disputed claims and counter claims of the two sides and help reduce substantially the number of appeal cases.

### Case Study No 4

The assessee's income is rentals from house property. The assessee claimed 20 days of vacancy allowance on the ground that on the expiry of the tenancy agreement the old tenant left and it took about three weeks to find a new tenant. The DCT disallowed the claim on the ground that the DCT's office was not given prior information of the vacancy. The assessee appealed and got relief.

The NBR should issue instruction that claim of a vacancy allowance in between two, tenancy up to a maximum of one month should not be questioned.

### Case Study No 5

The assessee's declared in-

come of Tk 100,000 was raised by the DCT to Tk 120,000.00 with tax implication of Tk 3000.00 only. The assessee was willing to pay this additional tax to avoid the hassle of appeal. Two things him from doing so. First, it would be an admission of concealment of income and secondly, this would become the basis of assessment in the next year if went unchallenged.

A system of payment of disputed tax claim "under protest" should be devised. Where the assessee lodges formal protest against the assessment order. But waives his right of appeal, the DCT should be obliged to reexamine the dispute in future assessment. The tax payer should not be forced to go for appeal to establish that the DCT was wrong. Where a dispute has been raised by an assessee, the DCT should reexamine the dispute during next year's assessment and decide the case on its merit. The system of assessment based on past

record should be a thing of the past.

The objectives of any tax reform measures should be to raise more resources, to reduce harassment to the honest tax payers and eliminate or drastically cut down potential for corruption. The personal tax rates are low and should not encourage concealment or tax-evasion provided we can offer reasonable guarantee against harassment and high-handedness along with appropriate incentive package. To this end, the government should give serious consideration to the proposals made here.

To encourage those with taxable income to submit tax returns for the first time and to obtain Tax Payers Identification Number, the first year's tax return and wealth statement should be automatically accepted and would not be the subject of any scrutiny. The potential tax payer would feel encouraged to come out with his income statement once he is assured that this will receive

automatic acceptance and he would be free to devote his time to his business, and profession with tax problems behind him.

As far as possible, tax should be deducted at source and those disbursing or making payments for services rendered or goods supplied should be responsible for tax collection. The NBR should analyse the sources of income-generating activities and, wherever possible, prescribe methods for tax deduction at source at the full rate.

100-200 for preparing tax returns. Retired taxation officials with good track record should be engaged as tax advisers who could operate from their places of residence. These advisers would like the IRS agents of the US Federal Government advise and assist the taxpayers.

Personal contacts between the taxpayer and the assessing authority should be eliminated or drastically reduced. This would be possible if a centralized system of submitting tax returns to the NBR is introduced. The NBR would forward these tax returns to the designated DCTs for scrutiny. The assessee need not know who is his assessing authority until summoned to appear to his draft assessment order.

There are always two sides of a coin. I have projected one side — the views of the taxpayer. A contrary view may be expressed by the tax authorities. Nevertheless, the NBR should have these recommendations examined and implemented the non-controversial ones. For others needing in-depth scrutiny and examination, government may consider setting up of a Tax Reform Commission.

The writer is a former Finance Secretary.

## OPINION

### Towards 21st Century: Government without Ministers

**M A Sattar**

would be designated as such and not as Prime Minister. It will have 4-6 other members who will be designated simply as member or "Shadashya" in Bangla, of the "Sharkar Parichalona Parishad" and not as minister or "montri". All these 5-7 members will act as one body and they will sit in one room around a round table. This body of 5-7 will run the affairs of all the departments of the government through their respective secretaries, collectively. They will take all decisions by consensus; no note of dissent will be accepted — the dissenter either wins the others over to his point of view or he is won over by the others to their point of view.

In Bangla, a minister is called "montri". This Bangla word, irrespective of its dictionary meaning, conveys the impression that "montri" is one who gives "montrana" (advice). In early monarchies, a montri's job primarily consisted of giving "montrana" to the Monarch/King, thereby helping him (the Monarch/King) issue necessary "formans" (decrees). In a parliamentary form of government, however, a montri does not give "montrana" to anyone. In the modern democratic setup, a "montri" is charged with the responsibility of managing the affairs of some specified areas of functions of the state. In this context, the designation "montri" does not appear to be compatible with the functions performed by him.

The following suggestion is given, keeping in mind that the present government is expected to take the country to the 21st century. The present trend in large business organisations is to make policies and take decisions at the highest level collectively, rather than individually, through boards. Even the chief executive officer of a business organisation prefers to take decisions collectively through a management committee these days. This trend is, no doubt, in keeping with the ideals of democratic norms and values.

My suggestion is that the present ministries should be abolished. This abolition, ipso facto, will dispense with the need for a minister. In place of ministers, there should be a small cabinet, which may be called "Sharkar Parichalona Parishad" in Bangla. The Parishad will be headed by the "Sharkar Prothom" (head of the government) and she/he

consensus).

5) It will reduce grumbling among the MPs/voters for not being made a minister or for not getting a minister for their district.

Needless to mention, the Parishad will have one/two private secretaries who will maintain diaries for follow-up of decisions taken by the "Parishad" and for keeping record of movement of files. The office of the "Parishad" will, of course, be furnished with computer, photocopier and telephone/intercoms to all the secretaries.

It may appear to be difficult for a "Parishad" of 5-7 persons to supervise and monitor the activities of so many departments, particularly when they are supposed to act as one body. The task will be made easier when the departments are evenly allocated to each day of the week. For example, the jobs/files of the Finance, Health and Family Planning, Forest and Environment, Livestock and Fisheries will be looked into on Saturdays, those of Industry, Commerce, Planning Communications on Sundays, so on and so forth. This way, all the members of the "Parishad" will acquire in-depth knowledge about all the departments of the government and as such they will be able to see the picture of the government in its entirety which will help them take measures when necessary, in the best interest of the country.

At the close of every month, each secretary will send a report, within 7th of the following month, to the "Parishad" showing the progress of implementation of each decision taken by concerning his department.

This system of running the affairs of the State through a small "Parishad" as suggested above, will have to following merits:

1) It will reduce cost of keeping so many ministers.

2) It will do away with corruption and underhand dealing.

3) It will ensure transparency and reduce "tadbir" drastically.