

FOCUS

BUDGET 1997-98

Good Features Overshadowed by Inappropriate Measures

by C K Hyder

The budget is not just a routine exercise; it is inextricably linked to the country's development, and hence it should constitute an integral element of the country's long-term development

It is impractical to expect universal approval to any national budget but the recently announced budget for 1997-98 has attracted more criticisms from different quarters, including trade and industry, than approvals. Any budget is judged as to how it has attempted to balance short-term economic necessities and medium- and long-term requirements for growth. From this viewpoint, the 1997-98 budget clearly shows a conflict and as such, it remains controversial. Yet, there are several encouraging features of the budget for which the Finance Minister deserves credit. Let us point out the omissions.

In the preview to the budget, we expected some explanation for the disappointing performance of the industries sector, the most dynamic sector in the economy, and a policy direction to arrest the deceleration. The same is true of the other non-agricultural (services) sectors all of which depicted double-digit growth only two years ago. A sharp deceleration in their growth, therefore, cannot but be a cause of concern for the sustained growth of the overall economy. After all, agriculture, which has been the major source of growth in FY 97, cannot, in view of its unpredictability and extreme dependence on the forces of nature, be relied upon as an engine of growth for all time to come.

That inflation has remained under control is a good news but credit for that goes to low agricultural prices (resulting from better production in both crop and non-crop sectors) rather than to success of monetary policy as has been claimed in the budget speech. Tight money policy was not in fact pursued to hold inflation under check but it was the inevitable outcome of increased government borrowings from the banking sector which created the liquidity crisis in banks and forced a credit squeeze for the private sector.

For the purpose of transparency, these developments should have been highlighted in the budget speech. Likewise, there is no mention of the poor revenue performance in the last fiscal year and its causes, the poor utilisation of ADP, the magnitude of the budget deficit which resulted from the shortfall in revenue and external aid, the performance of the external sector, in particular the sluggish import growth which is indicative of a poor performance of the productive sectors of the econ-

omy. What is more surprising is that there is no reference whatsoever about the Fifth Five Year Plan due to start on July 1 even though the FY 98 ADP is an integral part of the Plan. It should be kept in mind that the budget is not just a routine exercise; it is inextricably linked to the country's development, and hence it should constitute an integral element of the country's long-term development strategy. Unfortunately, not even a passing reference has been made in the budget to the strategies and priorities conceived in the Fifth Plan.

Nevertheless, the Finance Minister deserves credit for giving a definitive policy direction reflecting the political commitment of the party in power, alleviation of poverty and creation of employment opportunities. In fact, creation of implementation opportunities has been singled out as the foremost medium and long-term priority of the government. The strategies to be adopted for that purpose are: i) expeditious implementation of the ongoing economic policy reforms, ii) maintenance of macro-economic stability with a view to creating a congenial environment for investment, iii) promotion of the private sector, iv) development of export-oriented industries as a strategy of export-led growth, and v) human resource development. There is hardly any dispute about these strategies but questions have been raised about whether the tax proposals and sectoral allocations in the budget will enable a smooth attainment of the desired objectives.

The Finance Minister deserves special appreciation for his proposals for superannuation allowance for the aged, a housing fund, and an employment bank. True, the allocation for the superannuation allowance, as for the housing fund, is small compared to the need, but these are welcome first steps. While budgetary allocation should be increased significantly for both, and an effective mechanism devised for an efficient management of these schemes, care must be taken to ensure that these are used objectively, and do not become instruments of political patronage in the hands of the government.

The proposal for setting up an employment bank is in line with the government's priority for expanding employment opportunities but its feasibility needs to be carefully assessed. To our knowledge, there is no

example of such a bank anywhere in the world from which lessons can be drawn for Bangladesh. The experience in this country of extending self-employment loans by NCBs has not been very happy either.

Moreover, it is open to question if a bank with just one single objective can be viable in the long run. Opening special windows at designated commercial banks may be considered instead. Also, care should be taken to ensure that such loans are available for learning new skills for which there is proven demand in local as well as in international job markets.

Even though the industrial sector growth has decelerated considerably in the past year, the budget has proposed nothing to improve the sector's performance

The emphasis on education and human resource development is praiseworthy, and so is for rural development and the development of rural infrastructure, all of which would contribute to eliminating poverty. The allocations for these sectors, however, appear to be insufficient and may in fact be lower in real terms than in the past year, if the inflation rate is taken into consideration. The allocation to science and technology is a paltry 0.3 per cent of the total budget which is too little to raise the country's technological capabilities to face the challenges of the 21st century.

The Finance Minister deserves appreciation for allocating about 23 per cent of the budget for poverty alleviation. Similar provisions were made in the last year's budget, too, but in the budget speech there is no mention of how far the past measures have been successful in reducing the incidence of poverty. The general public policy would like to hear if the

governmental poverty alleviation measures do, in fact, benefit the target groups.

A positive aspect of the Finance Minister's speech is his commitment to do away with the present artificial distinction between the revenue and the development budget. Recent researches show that under the prevailing budgetary practice of the government, a sizeable amount of ADP expenditure (as much as 36 per cent) is, in fact, made up of revenue expenditure, which thus overstates the size of the ADP.

There are several other good features of the budget but these are overshadowed by some visibly inappropriate, albeit ill-advised measures.

There is nothing wrong with increased pay and allowances to the civil servants. This, in fact, is necessary to ensure an efficient, accountable and corruption-free administration. The additional budgetary implications for the pay award should, however, be avoided by an appropriate downsizing of the bureaucracy. This can still be done if the government is seriously interested in reducing the size of the government as recommended by the Administrative Reorganisation Committee as well as by the Pay Commission. Pending such downsizing, the recommended increase in pay and allowances ought to be implemented by

Regarding revenue mobili-

sation, extending the same treatment to NBRs as to residents for purpose of income tax assessment may act as a disincentive to inward remittances and also reduce tax collection.

Giving tax exemption to black money, if it is invested in setting up new industries, is ethically unsound as it gives opportunities for money laundering. The proposed measure tantamounts to condoning ill-gotten wealth and income, and may encourage rent-seeking activities.

There is a lesser reliance on non-tax revenues than two years ago. In 1994/95 budget, non-tax sources accounted for 21.8 per cent of total revenue. The proportion has come down to below 18 per cent in FY98. Because of the lamentably poor performance of SOEs they hardly contribute anything to the public exchequer in the form of profits and dividends. More disturbing is the inability of sector corporations to meet their debt service liabilities. The shortfall in respect of interest payment by these autonomous bodies has been estimated at Tk 3147 crore for FY98. This shortfall is indirectly a subsidy for the budget, and its magnitude is almost 5 times the amount of revenue the Finance Minister has proposed to raise by imposing new taxes and tariffs.

Allowing tax credit for investment in saving certificates may affect the capital market

and discourage investment and curtailment of the PSI system of customs valuation may increase harassment of the importers.

Besides, there are several inconsistencies and contradictions, particularly relating to tariff measures. The Finance Minister extols the virtues of trade liberalisation but at the same time, the maximum import duty is reduced by as little as 2.5 per cent. Even this small reduction in maximum duty is cancelled out by the imposition at a general Infrastructural Development Surcharge (IDS) of an equivalent rate.

FFW programmes have employment - creating potentials, and allocation under this head whether under the ADP or in the revenue budget should have been increased considerably

Again, the Finance Minister accuses the past government of pursuing a faster pace of import liberalisation which allegedly brought serious distress to local industries. However,

instead of extending adequate protection to the distressed industries, he has imposed duties on their imports which would have the effect of further reducing the level of effective protection for these industries.

In fact, even though the industrial sector growth has decelerated considerably in the past year, the proposed budget has proposed nothing to improve the sector's performance.

On the contrary, some of the revenue measures, in particular tariff on the import of essential industrial inputs, will cause incalculable damage to industrial enterprises by raising their production cost and thus making them uncompetitive. The blanket provision of imposing the IDS on all imports will aggravate the problems of the import dependent industries further.

Extending the VAT net to cover electronic products, small service suppliers, small and cottage industries etc., will raise prices of products particularly used by the poorer section of the people. Likewise, the doubling of the turnover tax will affect the small producer, manufacturer and service providers.

The agriculture sector has been the major source of growth in the past year but ADP allocation to this sector has been drastically cut in the proposed budget. The provisions of Tk 100 crore rural credit fund and Tk 1000 crore credit programme for the serial sub-sector are well-intentioned but they are not substitute for ADP outlays. Increased allocation to enable greater R&D effort in agriculture, particularly for improved crop development technologies is, therefore,

strongly recommended to achieve a sustained growth of the agriculture sector.

The budget has not provided for anything to encourage exports even though the government is committed to pursuing an export-led growth strategy. No new incentive has been given to the export-oriented industries. On the contrary, the higher import costs due to fresh duties and the infrastructure development surcharge imposed on all input imports (except those that are imported under back-to-back L/Cs) will raise production cost and make exports uncompetitive in international markets.

There is a clear commitment of the government towards creating new employment opportunities, but in the proposed budget the allocation under food for works programme has been drastically reduced. FFW programmes have employment - creating potentials, and allocation under this head whether under the ADP or in the revenue budget should have been increased considerably.

The writer is Secretary-General of Metropolitan Chamber of Commerce and Industry, Dhaka

Privacy Shrinks as Internet Expands

THEY appear on computer screens as a garbled line of letters and symbols. Yet for those who understand their significance, these information "cookies" symbolise one of the biggest drawbacks of new communications technology: the erosion of personal privacy.

The explosion of popularity of the Internet global computer network has brought a corresponding rise in the number of people able to spy on others. The snoopers' abilities extend beyond "prying into electronic

Spreading the Net

• The Internet - the fastest growing activity in the world

• The Net is a system which allows rapid transfer of information between computers. It started in 1969 as a US military communications project and became an academic exchange network in the 1980s. It was then rapidly adopted for public and business use. Since 1988, it has doubled in size every year

Number of Net users Number of home pages

1995: 1m 1997: 40m 1993: 130,000 1997: 30m

95% of Internet sites are in industrialised countries

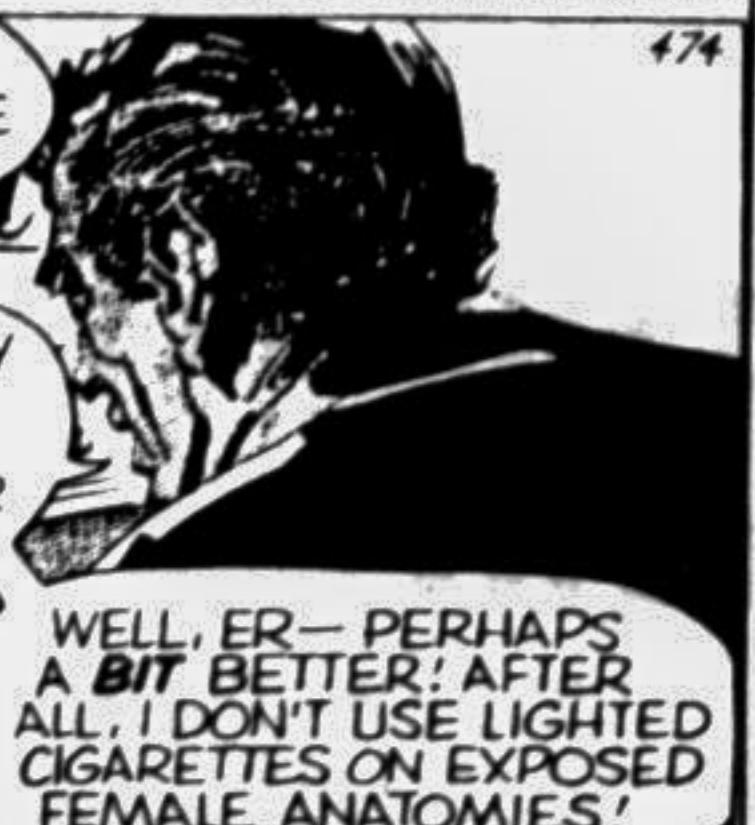
*** On which users publish their own information for access by any other user**



by Jim Davis



JIM DAVIS 229



DRAWN BY JOHN MCCLUSKY

visited. This information can be sold to advertisers and other companies without the user's knowledge.

In some cases the spies can even secretly access private files — such as personal financial information — stored on the computers of Internet users without leaving any obvious traces.

"Some people who think they are surfing the Net are actually swimming in a fish bowl," warns Marc Rotenberg, director of the Electronic Privacy Information Center, a non-profit consumer group in the United States.

Rotenberg's Center recently released a survey showing that as many as half the Internet's 100 most popular World Wide Web sites collected personal information from users who clicked on their home pages (documents published by Web users that can be accessed by other users).

Twenty-three of those sites contained cookies, the nuggets of information which can be planted in users' computers and used without their knowledge. These cookies are then stored on the users' hard-drives, enabling the Website to keep track of how often it is visited by a specific individual.

More seriously, say privacy advocates, the undisclosed planting of cookies enables Website managers to track all the Internet sites users have

have found their new link-up may also allow them access to the computer of a neighbour using the same service. The electronic intruder is able to implant a virus or delete a file without leaving a trace on what has been described as a new version of an old-fashioned telephone party line.

These invasions can usually be prevented. Netscape has corrected the flaw in its system and cookies and cable leaks can be de-programmed by savvy users.

Similarly, paying by credit card at a restaurant which records each order on a computer links that account number to a specific meal, allowing the information-gatherers to determine a consumer's favourite foods. Lists of people who like specific dishes can then be sold to companies promoting those items.

In one worst-case scenario, a Texas woman who filled in a survey offering discount coupons and free samples in exchange for information about her buying habits was terrified to receive an obscene letter weaving intimate details of her private life into a threatening sexual fantasy about her.

The woman later discovered the writer was a convicted rapist and burglar who had obtained the information, together with her name and address, when he was serving time in a Texas jail where unpaid inmates entered the survey results onto computer tapes.

The woman is now suing the information-marketing company, which contracted the work out to the prison, for loss of privacy. Millions of others, however, may never know if their personal records have been breached on or off-line.

The writer is a former southern Africa correspondent, now based in Boston.

Metropolitan

Activities of anti-liberation forces condemned

The Sramik Krishak Samajbadi Dal has said that the forces which opposed the independence of the country in the name of religion have once again started conspiring against the very spirit of independence, reports BSS.

Adopting a resolution at a meeting of the central committee on Tuesday, the party observed that the known forces against independence of the country have also started conspiring against the symbol of Liberation, shikha chirantan, by capitalising the institution of Miladunababi.

Bangladesh Nari Progati Sangha in a statement has expressed its strong condemnation against the utterances of the Jamaat-Shibir elements, threatening to extinguish the shikha chirantan forever.

The organisation also strongly protested the incident of bringing down the national flag by the anti-liberation forces in Kumira Girls' College in Sathkhira district.

In a statement, Nari Progati Sangha said that the threat of the anti-liberation forces to extinguish shikha chirantan.

Present true history of country

Water Resources Minister Abdur Razzak called upon the newsmen to present the country's true history so that the anti-liberation fundamentalist forces could not mislead the future generation by using propaganda, reports BSS.

Addressing a function on the completion of 26 years of publication of The Daily Janmabhumi — a Khulna-based Bengali newspaper — and the "Ruma Memorial Award" distribution ceremony at the Khulna Press Club auditorium yesterday.

The role of newspapers is very important in building a nation and establishing social justice," he said.

Referring to repression on journalists in the past the minister said the present government is sincere in ensuring freedom of the press and it has already created a conducive atmosphere to this end.

Presided over by president of the Ruma Memorial Sangsad and news editor of The Daily Janmabhumi Wadudur Rahman Panna, the function was addressed, among others, by whip of the Jatiya Sangsad S M Mostafa Rashidi Suja.



A formal talks between Bangladesh and Italy were held at the Ministry of Foreign Affairs yesterday. Minister of State for Foreign Affairs Abul Hasan Chowdhury and the visiting Italian Deputy Foreign Minister Patrizia Toa led the sides on behalf of their respective countries.

Chehulum

Chehulum of Babul Chowdhury, a renowned politician, social worker and a cultural activist of Brahmanbaria will be held at his 181, Elephant resident (opposite to Hatirpool Bazar) tomorrow after Asr prayers.

He died on Tuesday in the city. He was 53.

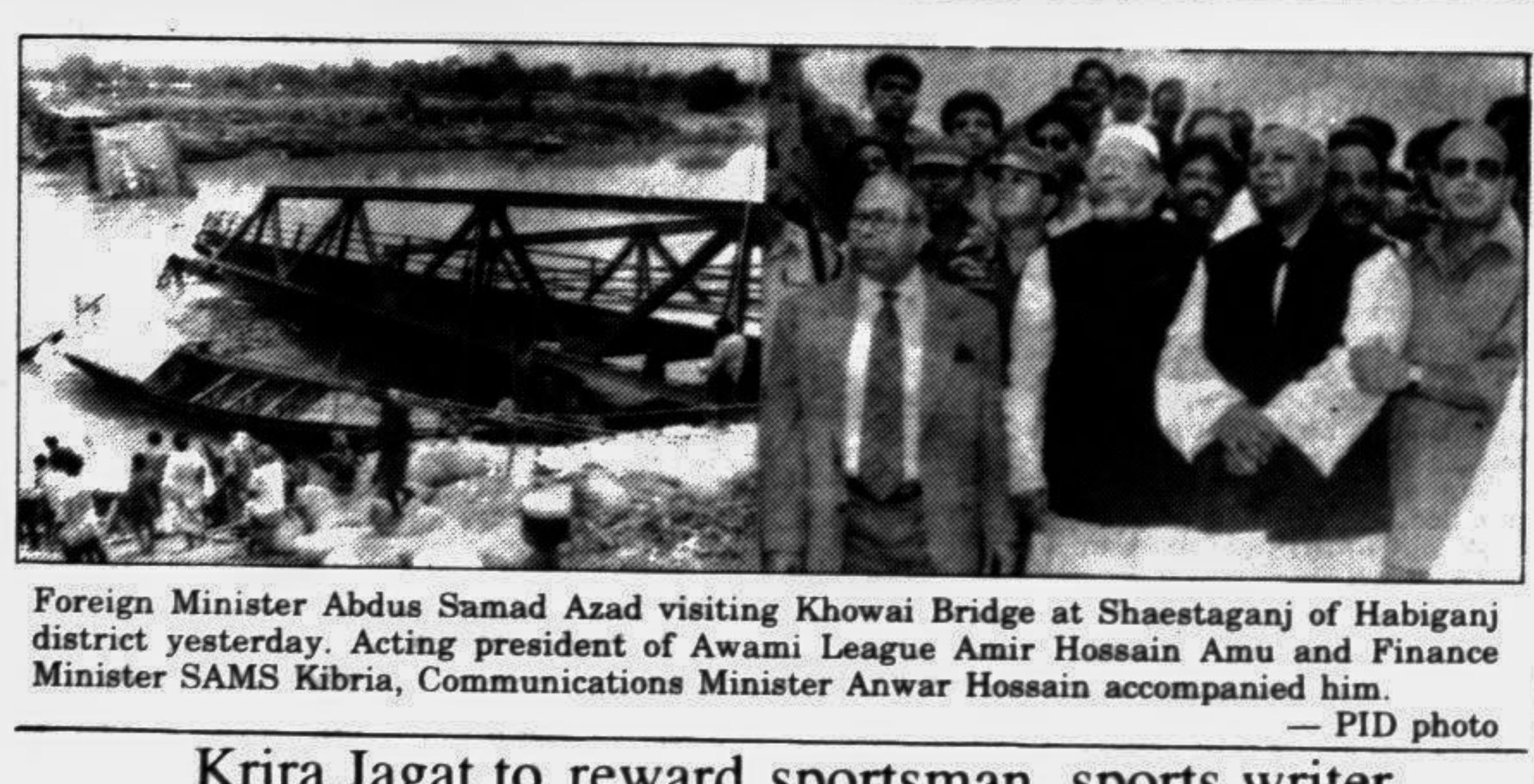
Qulkhwani

Qulkhwani of ABM Shamsul Alam, a former banker and a businessman will be held at his 181, Elephant resident (opposite to Hatirpool Bazar) tomorrow after Asr prayers.

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Foreign Minister Abdus Samad Azad visiting Khowai Bridge at Shastaganj of Habiganj district yesterday. Acting president of Awami League Amir Hossain Amu and Finance Minister SAMS Kibria, Communications Minister Anwar Hossain accompanied him.

— PID photo

Kira Jagat to reward sportsman, sports writer

Kira Jagat a national sports fortnightly from now on will reward a noted sportsman and a renowned sports writer and journalist every year acknowledging their contribution in the development of sports in the country, reports BSS.

Each of the two will get Taka twenty thousand.

It was disclosed in a function held in observance of the 21st anniversary of publication of "The Kira Jagat" at the National Sports Council yester-

day.

State Minister for Youth and Sports and Cultural Affairs Obaidul Quader, also the chief patron of the sports fortnightly, while speaking as chief guest in the function lauded the role of "Kira Jagat" in giving proper directions for the development of sports in the