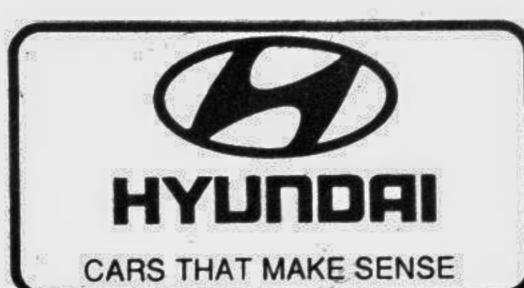
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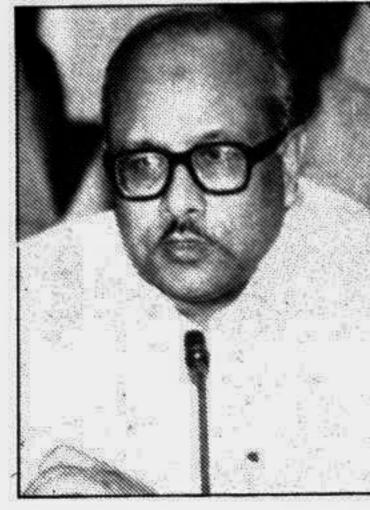
## Spend more on education, agriculture: Reform administration, judiciary

Star Business Report

While fighting corruption by public officials was at the centre stage of The Daily Star roundtable yesterday, partici-pants also highlighted the need for more resources for education, agriculture and reforms of administration and judiciary.

They said fiscal reforms through rationalisation of the tax and tariff regime would help raise more revenue. The solution lay in broadening the tax net as well as in curbing corruption -- not in rasing the rates, they said.

In one of his "devastating" suggestions, Khondker Ibrahim Khaled of Bangladesh Bank suggested introduction of public reputation rating system in government offices. "The ratings could be made open so that



Khondkar Ibrahim Khaled: Devastating proposals

people would know who is corrupt and who is not. "A stubborn policy is needed

to fight corruption," said Shah Abdul Hannan, former chairman of the National Board of Revenue.

"Why should any minister be involved in getting somebody posted at airport? Why should the NBR chairman receive phone calls from any minister?" he asked, apparently relating his own experience.

"This tadbir culture must be stopped," Hannan said, strongly criticising the administration which he termed "quite slow" to serve the people; Khaled spoke against cur rent procedures for recruitment of government officials, calling it a colonial system. He suggested appointments on twoyear contracts, renewal of which should depend on meeting targets.

He suggested a simple payment procedure in which the industrial growth was not up to tax payers would be able to pay the mark and urged the govat any bank counter or even at a ernment to look into the matter

FBCCI President Yussuf Abing transparency in tax payments, especially in VAT payment, where "there is tremendous leakage of funds. "Government revenue is being lost due to corruption by the Customs officials," he said.

He suggested inclusion of doctors, engineers, and professionals under the tax coverage.

The Baily Star pre-budget Roundtable told

"The government officials do not submit their tax returns properly," he said and called for bringing them under tax base

where applicable. Finance Secretary Dr Akbar Ali Khan warned that reforms were a double-edged knife which cut both ways and had potentials to bring both pain and benefits. But administrative reforms were a must to minimise huge public wealth

wastage, he said. He agreed with the participants on the need to spend more on physical and social infras-tructure building and on human resources development. "If we do not invest in human resources, we would be creating further underdevelopment."

Khan said protection of sick industry had become an emotional issue in the country. Ruling out any dishonesty while formulating budget documents. Khan said budget was a description and a prescription of the government activities.

"Disagreement on issues may be there in the budget but it is a compromised document between good and bad proposals," Khan pointed out.

Harun cautioned that the banking sector would face serious financial problems if the government itself continued borrowing money through floating savings instruments.

"Banking sector needs a total overhauling," he said. "otherwise it will collapse in the near future."



Dr Omar Haider Chowdhury: Local industries need support

Harun said the export and with due attention.

The FBCCI chief said many dullah Harun called for ensur- industrial units became sick because of rapid liberalisation in duty and tariff structures. "Liberalisation should have come along with reforms."

AKM Shamsuddin of Foreign Chamber said interim changes in tax structures should not be done through issuing Statutory Regulatory Orders (SROs). He suggested down-

sizing the government. He said the government should earn the trust of the tax payers who

through the year. M K Anwar, MP, emphasised on continuation of reforms package and taking lessons from recent economic debacle in many South-east Asian

would be clear that no SRO

would be issued half way

countries. "Revenue collection and giving a outline of development expenditure of the government



The Finance Secretary ... balancing between good and

government declaring a new budget," said the former minis-

He also mentioned attracting foreign direct investment and increasing savings as other major budget objectives.

Regarding protection for local industries, the former minister referred to some policy measures taken by in the neighbouring countries. "Import of all finished goods is still banned in India," he said. Anwar proposed giving some

power to the trade bodies like FBCCI for helping the privatisation process. "Otherwise the privatisation would not give positive result, he commented pointing to stagnant situation in the state-owned industries. "A significant number of in-

dustries did not run properly after privatisation," he added. Responding to a question

raised by Mahfuz Anam regarding how much truth was told in the previous budget speeches. the former minister said that the government had not lied always but it might have camouflaged something.

Dr. Omar Haider Chowdhury of BIDS stressed the need for domestic resource mobilisation to fund development work.

He said the reform programmes that were initiated have weakened and as a result various problems were emerging. As the size of the government was increasing, borrow ing of the government was going up while the domestic savings rate was declining.

He said high government borrowing crowded out private investments. Dr Chowdhury also felt that there was no option but to increase the tax-GDP ratio, still too low.

He said comparative advantage of the industries would have to be maintained and infrastructure developed so that industrial cost of production remained low.

Speaking "unsatisfactory" level of spending on education, Hannan said nationalisation of colleges must be stopped.

Replying to business leaders. Hannan said the issue of protec-tion to local industries should be an element consideration in the budget making as well as national policy planning. "But Customs duties should not be reduced at this stage to protect local industries. May be a little

Dr Zaid Bakht of BIDS said liberalisation "paradoxically increased smuggling", disputed the common notion that high tariff was behind large-scale cross-border illegal trading. "The border with India is so porous ... reducing the tariff rate is no solution to smuggling."

There were many who would try to avoid "the hassle of import" and resort to smuggling. Golam Mostafa of

Bangladesh Frozen Foods Exporters Association resented the fact EPZ entrepreneurs were enjoying better terms than their counterparts outside of the special zones. "We have to take care of 36

agencies, while those at EPZ have only one point -- the BEPZA -- to deal with.'



M K Anwar ... look at India

don't suffer such problems as power failures, he said, "We are also exporting as they are doing, but we are not treated equally."

Mostafa also slammed the government for its role on sick industries. "Let's arrange funeral for those which have no hopes. But those who have chances of survival should be treated," he said of 'sick' enterprises. "Interest waiver is not the only solution. Some fiscal measures are needed."

Mostafa said the government often formed different committees to look into the sectoral problems but none of the

Shah Abdul Hannan (extreme right) makes a point while Shamsuddin of FICCI, Editor Anam, Harun of FBCCI and Jaigirdar of DSE listen at the Star roundtable yesterday.

mented or executed. On tax collection, he said people were afraid of the tax collectors although they sin-

recommendations were imple-

cerely wanted to pay tax. He said many of the industries became sick due to disruption in power and gas supply. "They (power and gas supply authorities) are responsible for my sickness, and if I am blamed for it why aren't they?"

Dr Rushidan Islam Rahman of BIDS said allocation in agriculture and rural development sectors should be increased and sustained in the long run to create agro-based industries and generate employment opportu-

She questioned the government's claim of 23 per cent allocation for poverty alleviation through investments in rural development, water resource development, agricultural fund, food for work programme. "If 50 per cent of the population are poor, then the investment in these sectors is also divided, which means half of it is actually going to the poor," she said adding that overestimation in budget should be avoided.

She said income of the poor in rural areas eroded as seven to 10 per cent of their disposable incomes were spent for healthcare purposes. She suggested the government increase its healthcare facilities for the poor to strengthen their economic situation.

BGMEA president Mostafa Golam Quddus said he was frustrated by the government's lack of initiative for backward linkage industry for readymade garments to face the challenges of the post-2005 period.

He strongly recommended for equal facilities to those who

have industries out side the Export Processing Zones.

He said Bangladesh RMG sector was losing its price competitiveness due to payment of advance income tax (AIT), duties on textile machinery and its spare parts. He claimed Prime Minister Sheikh Hasina had tried in vein to intervene and stop collection of AIT. "See, we are living within such a bureau-

cracy where even the PM's di-

Salahuddin Kashem Khan: Spend more on human resources rectives are not implemented," he said.

Syed Nizamuddin of the World Bank said more efficient and equitable resource mobilisation were needed. He said the direct tax system was inequitable and evasion was per-

"Moreover, the tax base has been eroded by the long list of exemptions," he said and added duty should be reduced on raw and intermediate goods to rationalise tariff structure.

Dr. Zaid Bakth of BIDS said rapid trade liberalisation in

the 1990s was responsible for bilateral trade imbalance with India.

The Baily Star Roundtable

Budget 1998 - 99 25 April, 1998

He disagreed with donors argument that trade liberalisation was necessary to increase export. "But the export boom in the country was triggered by non-price factors and not by trade liberalisation," he said.

He also pointed out that liberalisation had a "displacing effect" on large industries and the impact on small industries was yet to be measured.

Matiul Islam, a former finance secretary, said at least an extra Tk 500 crore could be generated under the present tax structure without burdening people. He, however, did not elaborate.

Islant, echoing Quddus of BGMEA, said the bonded warehouse facilities could even be extended to outside the factory. "If a family is given yarn to weave a clothing, it would cre-

ate jobs and contribute to the export earning." Manzoor Ahmed of FBCCI

said budgetary and administrative reforms were key necessity. On privatisation, he said Bangladesh Shilpa Rin Sanghstha should not a candidate for privatisation. "Privatisation is needed where it is pinching."

Blanket condemnation of the entrepreneurs does not go along with the thrust on private sector development," said Salahuddin Kashem Khan. "No amount of money can

to smuggling, the government is

Fifth Five-Year Plan

save DSE," said Hannan, to which DSE councilor Onu Jaigirdar gave instant support. Enayet Ullah of Dhaka's Moulvi Bazar Babosaayee Samity blamed high tariff rates as one of the major causes for increased smuggling. "Due

losing revenue earnings, on the other hand businessmen lose competitive edge of their products," he noted.

- Star Photo

Enayet said government's import restrictions still existed on some items which also gave incentives to smuggling.

Onu Jaigirdar, a councilor of the Dhaka Stock Exchange, suggested involvement of pension fund for the development of capital market. He agreed



M A Mumin: Tax collectors eat up 500 per cent!

with the view that increasing the number of brokers was a necessity. He suggested introduction of sub-brokers like in many stock exchanges of India.

He hoped that the automation process of the DSE would be completed within June next.

Abdul Haque expressed views in favour of expanding tax network upto field level and introducing a self assessment of wealth system. He suggested making wealth assessment according to value addition not according to market value.

## Bengal's hand-crafted gold jewellery making an impressive comeback

by Jayanta Sarkar, India Abroad News Service

CALCUTTA, Apr 25: The traditional hand-crafted gold jewellery produced by Bengali artisans is making an impressive comeback in a world that has come to see too much of the machine-made, assembly-line

products. The change of scenario was evidenced once again at the recent exhibition of Bengal jewellery in Calcutta, called Sonar Sansar (the world of gold). The show was advertised by Indian embassies abroad and nearly 150 foreigners from some of the leading jewellery-making countries landed in the city to have a look at what was on offer.

Around the same time, some Calcutta jewellers joined a big Indian contingent that went to take part in an international jewellery festival in Dubai, which is hotly contesting some of the other established centres of the jewellery trade and is keen to enter the big league.

The USP of the hand-crafted Bengal-style jewellery lies in its design and distinctiveness that the traditional artisans create with their nimble fingers and mostly archaic accessories. At the end of the day it's the beauty of what they produce that makes their products stand out in the finicky world of haute

Latest trade figures underline the growing success of this brand of jewellery. During the last four years, which have been particularly fruitful for this Calcutta-based business, exports of gold jewellery from the city have gone up four times, clocking an average yearly growth of 100 per cent when for the country it was about 20 per

cent during the same period. According to Subir Sen, director of B.C. Sen & Co and eastern regional convenor of the Gem and Jewellery Export Promotion Council, the eastern region accounted for nearly two billion rupees worth of exports out of an all-India figure of about Rs. 25 billion (625 million dollars) during 1996-97.

In the year just ended India's exports came to about Rs. 30 billion (750 million dollars) and the eastern region's share too was higher at about three billion rupees.

The exports could have been higher but for some logistical problems faced in this part of the country. Gold jewellery cannot be exported unless it is appraised in the customs department.

At present there are only two

appraisers in the Calcutta customs office and if for some reason they are not around, the shipment is delayed, which proves extremely damaging for business, Sen said. An export consignment has

to undergo a cooling period of at least 24 hours because of the old-fashioned system of checking followed by the local customs. This can be avoided, he said, if modern X-ray machines like in Delhi and Mumbai airports are installed.

Still another problem is the dearth of international flights from Calcutta, Sen said. Only two international carriers take gold jewellery. The others do not have locker facilities. The national carriers — Air-India and Indian Airlines — accept export jewellery, but route it through Mumbai. This delays

the shipment, Sen pointed out. Still, Sen is confident that Bengal's traditional jewellery will find newer and niche markets both inside and outside the country.

One of the strong points of the Calcutta region is that it has remained by and large loyal to its tradition of producing mostly hand-crafted products. A beginning has been made with machine-made production, but it occupies only a small portion of the total mar-

The jewellery business in Calcutta hit its nadir immediately following the promulgation of the Gold Control Order in the late 1970s. Many goldsmiths were driven to commit suicide as the business virtually dried up. A slow climb up started after a long gap.

The break came in the early 1990s as the country went in for economic liberalisation, one of whose offshoots was the freeing of the norms for gold imports. With easier availability of the raw material, new life was breathed into this old craft which dates back to the days of the nawabs of the 18th century.

When business in Calcutta

hit a bad patch about two decades ago, many of the artisans went to seek greener pastures elsewhere in the country. A large number of them are to be found today in Mumbai, Chennai, Delhi, Surat and other places. And these are the people who have made a major contribution to setting up the hand-crafted jewellery business at these centres.

The World Gold Council has shown interest in a project being talked about by some leading Calcutta jewellers -- to set up training schools which will help preserve and transmit the traditional Bengal craft.

## Pakistan may make \$2.2b aid request to PDF

ISLAMABAD, Apr 25: The Pakistani government is considering to make an aid request for about 2.2 billion US dollars to the Pakistan Development Forum (PDF) during the 1998-

99 fiscal year, reports Xinhua. According to a report on Thursday by a major English daily The News, PDF, previously known as Aid-to-Pakistan Consortium, is scheduled to meet in Islamabad from May

12 to 13. A high level review mission of the International Monetary Fund is also expected to take part in the two-day PDF ses-

Pakistan's aid request for the 1997-98 fiscal year was 2.268 billion dollars, comprising 2.066 billion dollars as project assistance and 202 million dollars as quick disbursing commodity aid. The report quoted official

sources as saying that the

scheduled session by PDF in

May will be a non-pledging one,

main feature of the proposed meeting will be the participation of private sector for the first time.

The main items on the agenda of the meeting include good governance, social sector development, particularly education and energy sector developments. The report said that given

the increasingly constrained international environment for official development assistance after the cold war, its share of external funding is expected to continue to decline gradually. Most foreign financing of the balance of payments will have to come from private

commercial sources. In this context, the perceived higher country risk, the reduced credibility of economic policy in the light of the past experience and the recent economic crisis in the region have adversely affected Pakistan's access to international capital

#### Picard Bangladesh goes into service from tomorrow

Picard Bangladesh Ltd. a joint venture between Germany and Bangladesh in the field of cent per cent leather goods manufacturing unit, is going into operation from tomorrow,

says UNB. Water Resources Minister Abdus Razzak will inaugurate the manufacturing unit as chief guest. Ambassador of Federal Republic of Germany to Bangladesh Uwe Schramm will be present at the function as

special guest. Picard brand, a world renowned leather goods brand especially for fashion leather goods, was established in 1896 and now has manufacturing plants in Germany, Tunisia, Hong Kong and China, said a press release.

### Lanier to acquire Agfa's Copying Systems unit

Lanier Worldwide Inc. USA has signed an agreement to acquire the Copying Systems Business unit of the Agfa-Gevaert Group located in Morisel Belgium, which is a member of the Bayer Group,

Laverkusen, Germany. The acquisition will double Lanier's presence and market share in the multi-billion dollar European office equipment market, says a Lanier press re-

Agfa's Copying Systems Business unit will become part of Lanier Worldwide. Lanier provides a full line of copiers, fax, dictation and related office products and services. It operates a network of 1,600 sales and services offices in more than 100 countries and has annual sales of more than \$ 1.2 billion.

Agfa's Copying Systems Business unit, with 1997 annual sales of more than \$ 250 million, is a marketing, distribution and services business mostly in Europe, with additional activities in Africa and the Middle East.

## Food-grains production in terminal year projected at 25.12 MMT

The food-grains production in the terminal year of the Fifth Five-Year Plan (FFYP) has been projected at 25.12 million met-

ric tons, reports UNB. In the FFYP (1997-2002) which was officially released on Thursday, a Taka 86,464.29 million financial outlay for crop agriculture has been proposed with Taka 65,038.91 million investment coming from the private sector and the rest

from the public sector. Out of the total 25.12 million metric tons food-grains production, rice production is expected to be 23.4 million metric tons against the production of 18.88 million metric tons in

The wheat and other coarse

grains production has been estimated at 1.60 million metric tons and 0.12 million metric tons respectively in the terminal year of the plan. The purpose of increasing food-grains production, in ad-

dition to attaining self-suffi-

1996-97.

ciency, will be to provide nutritious food for the entire population, the FFYP says. The projection of crop production during the plan period has been worked out keeping in view the production possibilities, agronomic considerations. availability of production inputs and farmers' accessibility to resources and willingness to increase production within the

dition. Emphasis will be put on increasing yield per hectare rather than increasing cropped area and shifting from local variety to the HYVs, it says.

prevailing agro-economic con-

In 1994-95, total food-grains production was only 18.17 million metric tons as against the expected production of 20 million metric tons. This trend started improving from 1995-96 with a production of 19.14 million metric tons, the plan

says adding that the year 1996-97 witnessed an all-time high food-grains production of about

20.43 million metric tons. The food-grains production, though continues to depend on the vagaries of nature, increased substantially over the years, following the introduction of high-yielding varieties

ern inputs like fertilizer and

pesticides. But, its dependence on weather continues resulting in fluctuations in production. Wide fluctuations in production leads to large instability in food-grains prices having series of implications for household food security and also for the

with our counterparts in non-

OPEC countries," Nasseri said

referring to the deal to reduce

output which was reached in

Riyadh on March 22 by OPEC

and non-OPEC producers such

ation, it will be on a pro-rata

basis, we don't demand that a

producer of 500,000 barrels per

day (BPD) cut the same as a pro-

ducer of three million BPD," the

bility of the oil prices does not

rely only on OPEC members

shoulders. The non-OPEC coun-

tries have also a responsibility

and interest in seeing the oil

tries that could contribute to

any future joint OEPC/non-

OPEC cuts, Nasseri said.

Syria was one of those coun-

"I think the Syrians will be

cooperative and they also have

the understanding in this re-

"We feel that the responsi-

OPEC president added.

price a little bit higher

"If there is a cut, and cooper-

as Mexico.

### (HYV) and application of modwelfare of the people. OPEC may further cut output to boost prices

ABU DHABI, Apr 25: Ministers from the Organisation of Petroleum Exporting Countries may consider further output cuts to boost oil prices when they meet in June, OPEC president and UAE Petroleum and Mineral Resources Minister Obeid Bin Saif Al-Nasseri said today.

"If the oil price stays where it is now there will be a lot of talk about further cuts and we don't rule out any possibility. If it is necessary, I think this can happen," Nasseri told Reuters in an interview.

Oil prices remain in sight of nine-year lows despite a ground-breaking pact last month between OPEC and producers outside the group to have some two per cent from world supplies. "If the price (stays at) this

level or is lower than the voices for a cut will be louder," Nasseri said. It was too early to say what size of cut if any, was needed, he added. Nasseri said "cooperation

and understanding" from non-OPEC states was critical to any further rounds of cuts aimed at restoring prices.

Crude were not satisfactory.

gard," the Minister said. Current oil prices of just over 14 dollars a barrel for North Sea benchmark Brent

The fair price we would look "I think any cut in the future for ... it should be above 20 dolwill be done in the same way lars," Nasseri said.