

# The New Budget: What It Is, What It Is Not

*In two years time, why three-fourths of the capacity already installed could not be made operational and meet the peak hour demand? Why final work orders for land based regular power stations without involving government funding could not be issued in two years?*

## Fill in the Gaps on CHT

We have watched with avid interest the passage of the two-day international conference on "peace and Chittagong Hill Tracts". Organised by the PM's office, ERD and UNDP this brought together donor representatives, conflict-resolution experts from Africa, Europe and South East Asia, representatives from Red Cross and a large number of local delegates, including, very importantly, PCJSS Chief Jyotirindriyo Bodhipriya Larma. But Larma, the tribal signatory to the peace accord and, therefore, a crucial delegate for the occasion, reportedly remained absent from the second day's proceedings.

The conference designed to garner international support and assistance for reaping the dividends of CHT peace accord could not have come a day earlier. The insurgency-ridden hill areas had *per se* remained outside the mainstream of national development process for the last two decades. Now that the tribal leadership has made peace with the government in terms of an accord that stresses human rights for the tribals and non-tribals alike all doors have flung open for the development of CHT.

Because the CHT peace accord has been appreciated abroad as a political solution of a difficult ethnic problem, as distinguished from seeking any blood-soaked military resolution of the conflict, there is a certain mental readiness among donors to respond to the CHT's special development agenda. The best way to utilise this fund of goodwill would be to draw up the right set of projects based on the natural endowment of the area. We are basically looking for undertakings as would give maximum economic returns. Doles are the farthest from our mind. The thrust areas have been identified as primary education, technical and vocational education, healthcare, communication, infrastructure and agriculture. The huge potentials for fruit cultivation and processing, bee-keeping, rubber-plantation, furniture-making and, above all, for tourism, need to be exploited on a short to medium term basis.

The relief and rehabilitation process must be completed without any let-up because this has to do with the healing of the returnees' minds. Let's do whatever it takes to ensure the wholehearted participation of both tribals and plainlanders in the development process. But both the donors' fund and the CHT people's energies would have to be channelled through proper institutions. It is unfortunate that the Regional and District Councils are yet to come into being although laws were enacted for them quite a few months ago.

## Netanyahu's Expansion Plan

Israel is up to it again. That very familiar trickery to defeat peace initiatives and utter disdain of international community. Although it is being gainsaid loudly until now by the Israeli authorities, this notion of expanding Jerusalem to its west which has been approved in the Israeli cabinet, seems hardly anything else than a highly provocative move to hark back to the days before the Oslo agreement.

It is so sinister and clinically simple. By linking it with a township which has 30 thousand Jewish population in the name of creating the so-called super municipality, the Israelis are out to change the demographic status of Jerusalem. With the clout of the Jew lobby so strong in the USA it was little wonder America's position on Israeli diableries could not transform itself beyond mere vocal criticism. Nobody knows it better than Israeli Prime Minister Benjamin Netanyahu who has been at his audacious best in his criticism of the US. Netanyahu has not only made light of US admonition of it but has also made a scarecrow of its role as a mediating authority. The aborted conference in London marked this supercilious Israeli attitude.

Israel is very committedly and consciously out to play havoc with the peace process. What Netanyahu is doing now is opening fronts; fronts to show the red herring to Israel's own responsibilities in the ME crisis. He now wants to have talks started on Golan Heights on a clean sheet which means he wants to regress on every progress that has been made since those tumultuously acrimonious days. For the USA it is just not a matter of making Israel live up to the Oslo agreement but also to show the world that the US is serious about peace in the ME.

## WC Magic on Crimes

Press reports say since the commencement of the World Cup engagements incidence of crime in the capital city has declined by 50 per cent. These also say police expect this decline to continue till the end of the World Cup fixtures in the second week of July.

The conclusion that can be drawn from this is keep the youth engaged and crime rate will fall. The fall in crime rate has been helped also by the fact that the quarry or the possible victims also keep indoors, their eyes glued to the TV screen.

But exciting diversions such as the World Cup or international cricket tournaments with Bangladesh participating are, of necessity, short-lived rarities. So, the current reprieve would soon be over. Only vastly increased training and employment opportunities could very effectively check the new inductions into the fold. That could be great work as it could decimate the gangs and make them easy prey to police.

If WC television showings are proving a boon, the frequent and at times interminable nightly black outs due to loadshedding are making us vulnerable to crimes. The easy way to curb this is not to have lingering loadshedding at night.

Our urban life is caught between aberrant youth and errant power. One is proving as incorrigible as the other. But this cannot continue. You cannot heal youth crime by police action alone. You cannot right the power situation by adhocism alone. Both call for thorough and long acting permanent solutions. Jobs for youth. And more turbines for power.

THE national budget can never be neutral. If taxes are reduced or withdrawn, the parties concerned enjoying the benefits will be happy and say so. The best budget will therefore be a no tax budget. No one will be unhappy. However, government must collect revenue through taxes and duties and incidence thereof would fall on individuals and companies.

Unfavourable reactions are therefore inevitable. Under budget 1998, computer sellers and users are happy since the product can now be imported duty free; while car sellers have gone on strike. Duties on re-conditioned cars have been enhanced.

Overall, it is a market-friendly budget. Use of computers should expand. Provided the telecommunications links are not a hindrance, the information industry should now develop in Bangladesh in right earnest. Further, certain duties and taxes on chemicals used in leather processing have been removed or reduced which should make the export-oriented industry much more competitive in the world market. In textile and certain other industries, similar fiscal constraints to growth have been eliminated.

The budget therefore responded to several immediate demand from numerous private sector manufacturing enterprises. If other conditions improve, for example, adequacy of credit (working capital, in particular) and supply of electricity, selective duty and tax reduction should bring positive results in terms of manufacturing growth by June, 1999.

In terms of performance of the economy during current fiscal year, fall in aman rice crop was partly compensated by greater outputs of following bore rice and wheat; while overall decline of the crop sub-sector was prevented by forest, fishery and livestock outputs, so that overall agriculture growth rate will be 3.1 per cent — still much less than over 5 per cent agriculture sector growth during 1996-97.

Such production variations in agriculture are quite common due to significant changes in weather conditions. At the same time, higher growth in agriculture has a tremendous multiplier effect because of its weight in GDP and total employment. Irrigation, flood control and drainage (irrigation, in particular) development can a long way in minimising such production variations induced by drought and flood; while, in case of potentialities of other sub-sectors of agriculture, it must be noted that growth of livestock is dependent on the fate of crop production and forestry growth should be viewed in the context of its sustainable yield.

There is also the question of competition between crop and fishery for land and water. A

much more integrated view of agriculture growth should take into account the urgent need to optimise public sector investment decisions for enhanced production stability, crop-livestock linkage, sustainable yield and resolution of competitive claims on resources.

In this connection, mention may be made of the budget's emphasis on development of agro-industries. Fiscal incentives are necessary for the purpose but not sufficient. A well-thought out plan for agricultural diversification should at the same time ensure adequate supplies of agriculture commodities for processing. Even import may not be ruled out. In Thailand, canning of tuna is based on imported raw fish, including from Maldives, one of the SAARC countries.

In the industrial sector, growth rate has increased from 3.5 per cent last year to 8.1 per cent this year. This is a significant achievement. Hopefully and as stated before, the fiscal incentives under the new budget will not only sustain but further boost the sector's growth rate. On the other hand, small scale industries grew at almost half the rate of large scale industries. This is a matter of serious concern. We should find out why. Does the sub-sector require any additional budgetary support?

In the domain of monetary policy, government borrowing during the current fiscal year was brought down and it is claimed that greater flow of credit to the private sector was thereby ensured. However, commercial banks' liquidity were adversely affected during the year. Government offered attractive returns to savings certificates. Consequently, there was a draw down of private deposits. Thus instead of borrowing, government resorted to mobilisation of private savings. The net effect in terms of private borrowing opportunities remained the same.

This brings out the basic budgetary problem of Bangladesh today. Government lacks the capacity to mobilise sufficient resources through taxes and duties while instead of generating any surplus for the budget, state-owned enterprises (SOEs) banks' liquidity were adversely affected during the year. Government offered attractive returns to savings certificates. Consequently, there was a draw down of private deposits. Thus instead of borrowing, government resorted to mobilisation of private savings. The net effect in terms of private borrowing opportunities remained the same.

Unfortunately, it does not address itself to the issue. Privatisation of SOEs will not only reduce the huge subsidy burden of the budget, valuable real estates owned by public enterprises can create a substantial

fund for investment on a revolving, long term basis. The public savings on account of subsidy alone is sufficient to build one Bangabandhu Bridge every year. If so, why there is no bold initiative? Unfortunately, the budget is conspicuously silent.

At the same time, Government should vigorously explore possibilities of new sources of revenue. For example, Bangladesh needs to increase its number of phones from half a million to 3 million by 2002 to approach the penetration level of the rest of South Asia. At present, Bangladesh is even behind Nepal. To catch up, she needs a six-fold increase in telephones in 4 years. This will only be possible if private sector is allowed to rapidly expand its networks, which is happening in other countries. The public revenue generation potential of the telecom sector is enormous. If 2.5 million phones are added with the average monthly bill of Tk 1000 only then government would collect Tk 500 crore in addition

to other basic infrastructure, where benefits are common to all. To begin with, a part of this fund may be generated out of local land revenue collection. Another good opportunity to generate more revenue is to extend the scope of VAT. One may not pay VAT on the retail purchase of rice but what about purchase of Misti or Ice cream or Cakes and Pastries? Misti shops are mushrooming every day and a daily sale of Tk 10 crores should imply realisation of Tk 500 crores per annum as 15 per cent VAT.

The biggest drawback in generating public revenue are organisational and management inefficiencies of public tax collection mechanisms. On the other hand, the little that is collected is partly wasted in maintaining loss-ridden state enterprises. Successful governments have simply thrown the dirt under the carpet. Now the dirt is too much. The pollution from bad money has reached a crisis proportion and the government can no longer

remain an ostrich to the situation. The budget should therefore contain a detailed plan to augment revenue through organisational innovations (for example, appoint private tax collectors), new taxes, extended scope of VAT, vigorous promotion of telecommunications and the proposed new scheme called local taxes for local development. At the same time, waste of government revenue must be speedily reduced through privatisation which again does not only mean outright sale to private parties.

The Finance Minister in his budget speech asserted that in the turbulent international economic climate and against what is happening elsewhere in the developing world, our performance with regard to export, growth, exchange rate etc., have been remarkably good. However, the world is passing through a regional (and not global) economic crisis in Asia and that also with notable exceptions. Our economy have been very little affected since our export directions are primarily Europe and North America, remittance did not fall and official development assistance (ODA) remained as before. Perhaps, certain pending Korean investment did not mature but there were invest-

ment from other sources and there was a large increase in this respect. It may be noted that so long there is no deep recession in Europe and USA, our main export markets are protected and the economy should be safe from any external turmoil.

Our major economic dangers are internal; the biggest enemies are within and not without. For example, a cause of worry is the lack of the growth of import which would imply that public revenue generated by import duties and taxes may even fall since large increase of import in industrial raw materials consist of almost duty-free items.

Finance Minister's steadfast support to enormous losses incurred by public jute mills should be a cause of concern. It would not help jute farmers since they obviate the losses by switching over to aus paddy cultivation. On the other hand, subsidy to jute export is understandable but continued support to further augment the losses of state owned jute mills cannot be supported.

The sick industry rehabilitation is a laudable initiative. However, death is inevitable since at least some or many of the sick industries may be terminally ill. Exit and entry of firms is a well established phenomenon in any free market economy and the focus of state policies may be more on the entry of the new rather than saving the old and the sick from exit.

In this connection, the three great initiatives — old age pension, employment bank and the housing fund — may not follow the traditional government approach of top first consisting of head quarter organisation, office, transport etc., put in place first before benefits reach the old man with pension, the unemployed with the job or housing for the shelterless. Eventually, huge bureaucracy installed to administer the programmes become the end result whose welfare may turn out to be more important than the old, the unemployed or the homeless.

The Finance Minister at the end of his budget statement emphasised that it is the quality of economic policies and institutions which ultimately determine the differences between growth performance of nations. Such differences are there within the country as well. Look at Grameen Bank and the Local Government Engineering Department of the government which clearly proves that qualitative improvements of policies and institutions are definitely possible. The budget offers the ideal opportunity to undertake the task of formulating quality policies and programmes for institutional innovations and change.



Window on Asia

Shahed Latif

national VAT, another Tk 500 in additional corporate taxes, and yet additional amounts of similar magnitude in license fees, customs duties, interconnection charges and payments from foreign operators for incoming ISD calls.

The agriculture sector remains largely untaxed. Land revenue based on productivity gains is now well justified to finance future development, in particular, through local government institutions who should be enabled to generate their own local resources for local development. Land tax, in the light of the gains in productivity and rate fixed on the basis of returns from the land, can be a highly progressive, almost painless system of taxation. A farmer producing one ton of paddy per acre, paying a land revenue of Tk 250 per annum would imply a taxation level of 2.5 per cent of gross value of production.

If such land revenues are ploughed back to local development, in particular, for directly productive purposes, the tax proposal is likely to become politically acceptable. The target should be Tk one million as development fund to each union council each year and such funds should be devoted to water development, communica-

remain an ostrich to the situation. The budget should therefore contain a detailed plan to augment revenue through organisational innovations (for example, appoint private tax collectors), new taxes, extended scope of VAT, vigorous promotion of telecommunications and the proposed new scheme called local taxes for local development. At the same time, waste of government revenue must be speedily reduced through privatisation which again does not only mean outright sale to private parties.

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# CHT Peace Accord: Challenges of Implementation

by Dr Mahfuzul Haque

*There is a mixed reaction about the Accord. There are many views as well against it. Whatever the case may be let the ball get moving. We are to start from somewhere. People of the Chittagong hills deserve to be well treated after two decades of insurgency and insecurity.*

SIX months have gone by since signing of the Peace Accord on the Chittagong Hill Tracts (CHT) on 2 December 1997. The Accord concluded between the Government of Bangladesh and Parbatya Chittagong Jana Sanghati Samity (PCJSS) was for "upholding the political, social, cultural, educational and economic rights of all the citizens of the CHT and expediting their socio-economic development process and preserving and developing the rights of all the citizens of Bangladesh". Although, it's too early to ascertain implementation of the accord, discussion are on how best to implement the Agreement.

The recently held two-day International Conference on Peace and Chittagong Hill Tracts at Dhaka on 20-21 June '98 sponsored by UNDP was an attempt of the government to reinforce the peace brought to the hills following the historical accord. The conference discussed the process of peace-making in the CHT, looked at the global experience in conflict resolution and considered the development agenda as well as the potentials which have been created by the Peace Accord. While discussing modalities of implementing the peace accord, it should be borne in mind that there is no blue print for solution, although there are many international models for conflicts resolution and their implementation. The accord is unique in the sense that it was concluded and also being implemented without any international intervention.

Bangladesh is perhaps the only country in the world that managed to solve the complicated internal conflict without intervention of a third party. Implementation of the accord is a long-term political process, dependent on parallel political, economic and social reconstruction. Peace-building is a holistic process inseparable from sustained democratization, security and socio-economic development. The whole process may take even a generation.

The Joint Working Group (JWG) was set up by the Government and the development partners in February this year to articulate the principal parameters and process requirements for elaborating immediate and medium-term support measures in respect of the Hill Tracts. UNDP facilitated coordination among the donors interested in supporting implementation of the Accord. A Needs Assessment Mission was fielded by the JWG to identify the short, medium and long term measures to be undertaken in the hills. The Mission noticed that awareness among the mass on the peace accord was rather limited and urged that an awareness campaign should be taken up. The Mission suggested some immediate, medium and long term needs to be addressed. Emergency re-

quirements for returning refugees have already been met by the government during the six months since signing of the Accord. The immediate short term needs to be addressed are the issues related to a) returning refugees and internally displaced people; b) peace and confidence building measures; and c) quick impact projects securing livelihood of the affected people. The medium term needs are to repair health centres, schools, roads etc. and establishment of consultative mechanism and reinforcing the three District Councils and the Regional Councils. The long term development programme requires the consultative mechanism to continue.

The government in principle accepted the recommendations suggested by the Mission. Regarding the Mission's suggestion to establish a "Trust Fund" to channel all resources to the hills, the government sought for more articulation of the fund. Moreover, it was noted that the proposed Regional and three Hill District Councils would be overseeing all development activities in the hills. Alternatively, it would mean that there could be a number of bilateral projects concerning sector-wise development activities. In order to settle the "land issue", the proposed Land

Commission, as provided by the Accord, needs to be set up at the earliest. Further to that the Regional and three Hill District Councils are to be set up quickly. There is a provision in the law for setting up of an "Interim Council" with local representatives through an administrative order, pending election. The Mission also suggested establishment of such a body as the donors were eager to see a local body to channel their resources in the hills. Establishment of the Ministry of CHT was also another provision of the Accord that needed to be settled.

In the conference, UNDP expressed its readiness to provide a team of experts to consult with the local community leaders to clearly needs and identify for a range of confidence building measures. Other international organisations like WFP and IFRCRC could undertake immediate relief programmes for ex-combatants, returnees and internally displaced persons. The Mission suggested that the quick response livelihood and basic services programme [rural infrastructure, health care, education, drinking water and sanitation, irrigation and agriculture, environment etc] may better be carried out by the NGOs. Simultaneously, UNDP supported "upland management programme

in CHT" under National Environment Management Action Plan (NEMAP) being implemented by the Ministry of Environment and Forest should go ahead without delay. In order to facilitate Government's coordination of external assistance in the Hill Tracts, UNDP has been chairing the Local Consultative Group (LCG) on the CHT.

It appears that the government including the development partners are fully on board to do something for the betterment of the people of Chittagong hills. Prior to such interventions, the following issues are to be kept in mind: a) the carrying capacity of the hills; and whether b) proposed projects are eco-friendly; c) Ethnic Impact Assessment (EIA) including that of socio-environmental assessment have been carried away; d) grassroots people are consulted; e) women groups are consulted; and f) all the stakeholders are involved in a bottom-up planning process.

Regarding the "participatory planning process" or "bottom-up process" the Government and the development partners do not agree on many points: Who are the grassroots people? How to consult them? According to the government, the democratically elected representatives and the local government bod-

ies are from the grassroots. Consulting them would serve the purpose. On the other hand, the development partners are of the opinion that besides the local representatives, powerless and poor men and women are to be consulted. In fact there is a similar model practiced recently by the Ministry of Environment and Forest in formulating NEMAP. The Action Plan took note of the people's concerns expressed in the workshops and incorporated them in the Plan.

There is a mixed reaction about the Accord. There are many views as well against it. Whatever the case may be let the ball get moving. We are to start from somewhere. People of the Chittagong hills deserve to be well treated after two decades of insurgency and insecurity. Implementation of the Accord is a long-term process, which may involve couple of successive regimes. Irrespective of the changes of government, it should be kept in mind that all the stake-holders in the hills, the tribals, non-tribals, settlers, government agencies and NGOs are to be involved during the consultation process. If it is not done, the proposed development interventions are apprehended to turn in to development disasters, bringing immense suffering to the local population.

The writer is a faculty in the Academy for Planning and Development. His PD thesis dealt with the issues of ethnicity and insurgency in the South Asian countries.

## To the Editor...

### Transfer of posting at regular intervals

Sir, During the British India days the government officials were regularly transferred after two years' posting at one station or post. Very rarely officers held a post for three years at a stretch.

There was a principle behind this administrative policy, which had several implica-

Nothing in nature is static, so why postings should be semi-permanent?

tions. Firstly, official formality was encouraged. Informality and familiarity are not good for good administration (or governance, in absent parlance). Secondly, the growth of local roots was discouraged, for objective decision-making process. Local attachments impair performance and discharge of public duty.

Another objective was to introduce some fresh atmosphere in the office through change of personnel, to nip stagnation. Change of style is refreshing within the same framework of rules and regulations. Man is a social animal, and a little variety is spicy. These changes also help in restoring personal interfacing in the office in public interest. Boredom sicken efficiency.

At present social and economic changes occur more frequently and more rapidly. Still the policy on transfers should be maintained to minimise human systems loss.

'Home' postings were discouraged (nepotism is a virus). Nowadays, no clear and strict policy on transfers is noticeable. There is a difference between flowing water and still waters. 'Statics' and 'Dynamics' are different subjects. Nothing in nature is static, so why postings should be semi-perma-

nent? It would not be a wasteful exercise to pick up the good points from colonial administration. Our civil service has to be modernised in the right mixture. After all, the British ruled one-sixth of the world for 200 years. They knew some tricks. There is no earthly reason why we cannot learn good governance. It is up to the governors.

Alif Zabr  
Dhaka

### Age limit for entry into AMC

Sir, Presently, the maximum age of doctors for applying for jobs in the Bangladesh Army Medical Core (AMC) has been fixed at 28. But unfortunately medical students can hardly complete their education including one-year intern-

ship before 28 for the following reasons:

a) generally a student passes HSC exam at the age of 19 because he/she has to spend 3 years in nursery, KG-1, KG-2 classes before he/she starts his/her class 1 education; b) after passing HSC a student losses a year before the first year MBBS course is started. Thus, when a student starts his/her first-year MBBS class, he/she is already 20; c) finally, because of political disturbances and other campus problems, not related to education, it takes a student 7 years to complete the five-year MBBS course. After MBBS, he/she has to complete a one-year internship.

Thus altogether it takes almost 28 years for students to get MBBS degree and complete internship. In this circumstances, many doctors, who are interested in serving the nation joining the Army Medical Core do

not get chance to compete because of the present age limit. One gets an opportunity to compete only if the AMC advertisement for recruitment is made immediately after a doctor completes his internship. This does not happen in most instances.

I would therefore, urge upon the authority concerned to increase the age limit from 28 to 30. It may be mentioned here that for all BCS cadre jobs the government has fixed the age limit of doctors at 32.

Roushan S Jahan  
342, Baitul Aman Housing Society  
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### BTV's transmission

Sir, Certainly it was wise of former information minister Barrister N Huda to have

started transmitting CNN and BBC on BTV. In a country of information death like ours it was like a welcome shower in a sub-Saharan wilderness.

However, a few months after the advent of AL to power, the duration of the said transmission was on the wane causing inconvenience to many hitherto used to watching CNN and BBC.

Much to the chagrine of the viewers, an unwanted transmigration has lately been effected in the transmission with BBC being transmitted for only one hour a day; and CNN? — crowded out for good!

As a tax-payer citizen of this soil, I urge that the minister concerned redress the balance as to the said transmission sooner than later.

Jamil Ahmed  
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