

Editorial

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AL's Year of Reckoning

WAMI League's four years in office come to an end today marking her entry into the final year of the term that began on this day in 1996. Stepping into the last year of a given tenure is significant because of the unfinished agenda crowding in and the ruling party trying to put its best face forward before a forthcoming election. At the same time the party could be in a self-possessive mood running the affairs as if in a myopic campaign-style distributing favours and nurturing vote-banks. All these generate interest in the terminal year of the government's term. Furthermore, after a long-drawn-out political wilderness the party had cooled its heels in, it came to power, so that it provided both an opportunity and a testing-ground for the AL to prove the merit of its resurrection.

That said, we look back on four years of AL's achievements and failures only to find in the end that while it began well and picked up some laurels at the mid-term point the last two years saw the party getting increasingly mired in partisanship.

The AL government's list of achievements is impressive in some respects and quite miserable in others. Ganges Water Treaty, Chittagong Hill Tracts (CHT) Peace Accord, good agricultural extension policy strengthened by subsidisation, flood aftermath management with sustained food distribution among vulnerable groups and expansion of the social safety-net. It was at the PM's instance that Deshbarish Mukho-Mukhi (face to face with people) programme was started over BTV and she introduced the Prime Minister's Question Hour in parliament. She had the parliamentary standing committees headed by MPs instead of ministers which was the practice before. This meant that even opposition MPs could lead the bodies.

On the foreign or regional policy plane, the AL government took steps for sub-regional and inter-regional groupings, the PM took an important initiative to visit New Delhi and Islamabad following nuclear tests in India and Pakistan and Bangladesh's role in UN peace-keeping missions increased.

On the negative side of the AL rule one could cite a number of pitfalls, but to our mind, the principal folly of the AL government has been its self-righteous behaviour in which all virtues were arrogated to itself and all vices to its opponents. Politically a most vicious partisan atmosphere was created that permitted no accommodation of the opposition which resulted in a highly diminished parliament. The political idiom soured, the air got ripe with vindictiveness and vendetta and there has been repression and cornering of political opponents.

What provides sinews to a country's overall democratic culture is the practice of inner party democracy within the major political parties. This is where the Awami League could take a lead being a party with rich traditions going back to early fifties.

Then the party has failed to meet its commitments to reorganising the civil services, separating the judiciary from the bureaucracy and providing autonomy to the electronic media. Theoretically it restructured the local government system but the process of election to the various tiers could not go forward.

However AL government's biggest failure remains the law and order situation. Political patronisation of the criminal elements reached a new height and civic life remains mired in fear and intimidation. AL will have a lot of fence mending to do if it wants to recapture its electoral mandate.

Friday Mailbox

Urdu writings on Asad Gate

Sir. It is thirty years since we have achieved our independence at the cost of millions of lives. And it is an undeniable fact that in 1969, the sacrifice of student leader Assaduzzaman sparked fire that engulfed the Pindi Empire. The news of his death shook the entire country. The death hastened the process of our struggle towards independence. The grateful nation overnight named Ayub Gate as Asad Gate. For doing that no official instruction or gazette notification were required.

Recently, 21st February has been recognized as the International Mother's Language Day acknowledging the supreme sacrifice of our people upholding Bangla as our mother tongue. Unfortunately, to my surprise there are still writings on the Asad Gate in Urdu (the contents are Greek to me). Didn't anybody in the last thirty years notice it and feel the necessity of erasing this Urdu writing? This is an outright humiliation to our national heroes and to our mother tongue.

I would therefore request our city fathers and all concerned to take effective steps to erase the Urdu writings immediately from Asad Gate and convert the gate befitting the national hero Asad (similar to Jahangir Gate). This should of course include renovation of the Gate, spot lighting, removal of all sorts of shops from adjacent areas, shifting of bus terminal and planting of trees.

21st February is not that far away. The city fathers should rise to the occasion.

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New trend in local politics?

Sir, BNP, with its back-to-the-wall stance one year ahead of the next general elections, may be starting a new trend in local politics by going in for R&D and system analysis, in its new restricted office in Banani (reported in DS June 15).

What the country needs is one big shift from charismatic leadership, surrounded by sycophants of various vintages, with their myopic, subjective visions. The rule-of-the-thumb politics has to go, for the good of the country. Decisions based on the hunch feeling has to go, in this fast-moving world.

Political parties must be equipped with think tanks to expose the unpalatable truth. For processing, past data are required, but decisions on the present and future actions must be topical, and based more on national than party interest. Such accommodation needs a broader playing field than petty party interests.

The local leaders forget one eternal principle:

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I have, for some years, retired from the annual ritual of budget debates. This is largely because most debates have nothing new to add. If the respective speakers, the Finance Minister, his opposition counterpart, the hatters and wailers from either party, my economist colleagues and indeed the media were to store their observations on the budget made over the last 10 years in their computer memory, they could easily reproduce their comments on the present budget at the press of a button. All that will be required will be some reversal of names and changes in some numbers, to update comments on the latest budget.

The standardised response to the budget is not surprising since the format for the budget itself has remained unchanged since the days when Mohammed Shoaib was the Finance Minister of Pakistan in the early years of the Ayub regime at the end of the 1950s. The same set of Finance Ministry officials, led by the budget wing of the Ministry who prepare the budget, have been schooled in the same tradition of budget-making set by Ghulam Ishaq, the then Finance Secretary four decades earlier, which has been carried on over the years down to the present.

The inherited tradition of budget making was designed to give a one-dimensional picture of the state of the economy, usually favourable to the government. In the Pakistan period the government was anxious to proclaim the successes of their economic policy and their largely imaginary achievements favouring East Pakistan. In the post-liberation period we are also anxious to show how well the economy has fared under a government and to proclaim what the government has done for the poor. There is little scope for transparency or objectivity in such an exercise. This initial exercise in public relations constitutes the first part of the budget speech of the Finance Minister. The second part of the budget speech comes after a 25-minute prayer break where the Finance Minister presents the new fiscal measures of the government.

Interestingly enough, over 40 years, no Finance Minister has felt the need to relate part 1 and part 2 of the budget presentation. This may have been more comprehensible in the days of Shoaib, when they did not know better. In the year 2000 the world of budget making has moved forward to take account of the demand for accountability and transparency in an age of democracy. Budgets, today, are not meant for the exclusive debate of the Bangladesh Economic Association. They are supposed to explain to both MPs un schooled in economics and unlettered voters what is exactly happening to the economy, why it is happening, what the government did to influence the economy last year, how the money spent under the budget was utilised as well as its direct outcome, what it plans to do in the coming fiscal year, and what may be the predicted outcome of their fiscal expenditures.

A technical assistance project of the British government under execution for the last 7/8 years was designed to introduce more transparency into the budget and should have equipped the Finance Minister to answer most of the above questions. I am told the reform

The Pot Versus the Kettle

Budget Time Shadow Boxing

by Rehman Sobhan



If the government is sincere about validating its claim to have spent a large part of its budget on poverty alleviation, it should have spelt out within the budget document exactly how much was actually spent on projects specifically targeted to poverty alleviation and should have itemised these projects.

project has made our traditionally opaque public accounts more transparent, at least to the Finance Minister. But, regrettably, no similar transparency appears to inform the budget just presented before parliament. As a result the budget remains as obscure a document to the general public as it was in Shoaib's time.

In practice, budget documents do give a great deal of information but this is locked up in the voluminous supporting documents put on the table of the MPs which very few actually read. If they did, they would find interesting information such as the fact that 41 per cent of the revenue budget is spent on paying salaries and allowances to government employees that 38 per cent of the ADP was made up of current and not development expenditure whilst another 41 per cent of the ADP was spent on construction work and another 19 per cent on import of equipment and machinery (figs. relate to FY1996/97 budget). It is not clear what part of the salaries paid, buildings constructed or machinery and equipment imported, actually accelerated development or alleviated the poverty of a poor person, or what part ended up in the pockets of contractors, or provided rental income to public functionaries. The truth is that even the Finance Minister is not privy to the information necessary to answer these questions.

If the government is sincere about validating its claim to have spent a large part of its budget on poverty alleviation, it should have spelt out within the budget document exactly how much was actually spent on projects specifically targeted to poverty alleviation and should have itemised these projects. This statement should make clear what part of these expenditures directly reached the poor as distinct from paying salaries to public employees, construction costs and related transaction costs. More to the point, the Finance Minister should spell out how many households were actually taken above the poverty line as a consequence of these budget expenditure during the previous financial year. Correspondingly we would like to know how

much of the new budget will reach the poor and with what expected outcome, so that the Finance Minister can then be made accountable for these commitments during the year.

Such exercises in modern budget parlance are known as performance budgeting where the budget format can relate each item of expenditure to a measurable outcome, which is used as the yardstick for measuring performance, both by the Finance Minister as well as the public. Such exercises in transparency, however, assume, that Mr. Kibria and Mr. Saifur Rahman actually want to project transparency in the presentation of their budget. Mr. Shoaib neither wanted, or needed to be transparent because he was only accountable to a military dictator. A Finance Minister accountable to an elected parliament may feel more obliged to change the format for budget making to make it more transparent. If a Finance Minister so desires, he can always invite the professionals of Bangladesh to work with the officials of the Ministry of Finance to assist him. It is suggested that in preparation for such an invitation, the BEA, CPD or BIDS or all acting together, could take the initiative in designing a format for the Finance Minister, to prepare a more transparent budget which could be used from the commencement of the next parliament.

In the absence of any innovative thinking associated with the budget the one issue which has captured the attention of the media if not the public, is the budget deficit. My economist colleagues seem to be particularly exercised by the size of the budget deficit and the part to be financed by bank borrowing. Whilst such professional discussion is appropriate since it remains largely speculative since there is no available empirical work to guide such a discussion. This discussion is not helped by the uninformed rhetoric about deficit financing emanating from political and other public platforms, which remains part of the annual post-budget rituals.

To provide some perspective to the debate on budget deficits it should be appreciated that a

least developed country (LDC) such as Bangladesh always runs a deficit for structural reasons. This deficit was designed to account for the inflow of foreign aid. The larger the inflow, the bigger the deficit. Thus a large deficit between public revenue and expenditure merely reflected the willingness of donors to channel more or less aid to Bangladesh. The narrowing of Bangladesh's deficit in the 1990s was the outcome of a decline in aid commitments by donors as well as a decline in disbursements which has left us with an aid pipeline of close to \$7 billion.

Mr. Kibria's preplanned move in this new budget to finance around half the deficit in the ADP through bank borrowing reflects his unwillingness or inability to draw down the aid pipeline more substantially to cover the deficit. It seems that it has become politically respectable to show that aid dependence in financing the ADP should be reduced. The economic rationale for this is, however, less certain if we actually have \$7 billion of aid in our pipeline. Efficient governance would suggest that we reduce the aid in the pipeline as rapidly as we can through more efficient utilisation of aid. Keeping aid unutilised in the pipeline for years to come is not a sign of self-reliance but of weak governance.

In an election year it is understandable that the Finance Minister would prefer to resort to bank borrowing rather than to raise taxes. However, this move is not without economic and political risks which would be exclusively borne by the ruling party at the polls. If Mr. Kibria has got his sums wrong such deficit financing would lead to upward pressure on prices which may turn out to be particularly costly to a ruling party at the time of elections.

Thus, if Mr. Saifur Rahman indeed believes that Mr. Kibria has got his sums wrong and Bangladesh will be fit for a bout of inflation in the present fiscal year, as a loyal BNP member and prospective Finance Minister, he should remain silent on the subject and encourage Mr. Kibria to persist with his deficit financing since this will work

to the benefit of the BNP in the next election.

In practice, however, it is also possible that Mr. Kibria has correctly calculated that a dose of deficit financing could be non-inflationary and could, in the process, give a boost to the economy. Most of my fellow economists appear unduly preoccupied with the evils of deficit financing and macro-economic stability. This doctrine has been pushed by the IMF which has for many years been captive to the monetarist school of economics preached by the Chicago school under the inspiration of Milton Friedman. This IMF approach is challenged by the Keynesian school of thinking which has traditionally argued that a discreet dose of deficit financing can have a beneficial effect on an economy which has been less than buoyant in the last year. I broadly support a discreet dose of deficit financing so I am less exercised than my colleagues about its use by the Finance Minister. How large a dose is tolerable will depend on the state of economic activity during the next year in the commodity producing sector, particularly of foodgrains, the level of private investment demand and the liquidity in the banking system. Last year the extent of bank borrowing in Bangladesh rose but the rate of inflation declined. This moderated inflation rate owed to good crops which kept foodgrain prices stable and also to weak investment activity. In such circumstances, to leave money idle in the banking system is not only deflationary but bad economics.

The issue of public borrowing crowding out private borrowing is another shibboleth of the IMF. If private demand for credit is robust this will impact on bank liquidity. In an economy experiencing intensive credit demand either the government or the private sector will have cut down their spending if inflationary pressure is to be moderated. In an election year the government would wish to avoid such a choice. In such an event it is easier for the government to print money to sustain its borrowings. But the government can only afford to create money if the level of economic activity.

particularly the level of food availability, provides them with a cushion to do so. Unless Mr. Kibria has become a secret enemy of the Awami League, I cannot see him willfully pushing the economy into an inflationary spiral in an election year. The moment there is any pressure on prices he can ration credit to the private sector and/or impose curbs on public expenditure which in all likelihood will be on the ADP side of public expenditure. Donors have publicly stated and the Finance Ministry privately believes, that there is a great deal of fat in the ADP which can be trimmed if any inflationary pressure emerges during the year. The evidences presented by me in this paper confirms that the belief that the ADP is exclusively an instrument of development is based largely on ignorance about the wasteful ways in which the ADP is spent.

It should be kept in mind that in an election year a government will tend to be more inclined to keep as much of its expenditure options in its own hands so as to maximise political returns from this spending. This means protecting public expenditure, whether current or in the future, as far as possible at least in an election year. In such a situation if there is any pressure on liquidity and prices as a result of bank borrowing by the government it is most likely that the private sector will be compelled to pay the price of monetary contraction.

Rather than leave such discussions on the outcome of deficit finance to largely speculative as distinct from informed analysis such questions could easily be answered if the Finance Ministry, had at its disposal a serviceable economic model to enable it to compute the safe limits of deficit financing as also the outcomes of monetary and fiscal policy interventions. Such models are not very complex in design and are used by many Finance Ministries around the world.

The operative issue for Mr. Kibria will be to see that deficit financing remains non-inflationary, that it can be regulated if it becomes so and that it is used to enhance the productivity of the economy and not entirely at the expense of the private sector's demand for investment. Here my emphasis is on the word productively as distinct from the ADP. All such measures to improve transparency will require a quite different approach to budget making on the part of the Finance Minister. Until such a time when such instruments for improving transparency in budget making are available to assist Mr. Kibria and Mr. Rahman much of their exchanges are likely to be largely rhetorical and thus, a form of shadow rather than real boxing. As a result, the public will remain condemned each year at budget time to hear the pot calling the kettle black.

If the Birds Have Fled the Cage

When fathers help their sons to escape justice because it will save them embarrassment and help win elections, it gives us more than a glimpse of their dubious minds. And we owe it to the sons who are unfolding their fathers' deceit in the layers of their own destiny.

ALMOST all newspapers have reported that the birds have fled the cage. According to one report the three alleged killers, who are the sons of three ruling party lawmakers, fled the country, one for India, one for England, and another for USA.

The news of this great escape coincided with theatrics of an MP in the parliament last week. Father of one of the escapers, he gave an emotionally charged speech and the Chief Whip of the ruling party and other MPs rushed to console him. What he said sounded perfectly logical. There is no law to punish the father for the crime of his son. Then he complained that the police and the press were harassing him and his wife for the alleged crime of their absconding son.

But according to one DB official quoted by *The Daily Star*, the son of this aggrieved MP is now staying in Delhi and "maintaining links with his parents by telephone". Then who is telling the truth between the press, the police and the parent? Is justice for the family of the victim of three fugitives going to be subsumed in the thicket of verbiage amongst these three sides? Is it going to boil down to a foot-dragging, which will eventually send this whole issue to the cold chamber of public interest?

In all likelihood, the answer is yes. Many murder mysteries went to the oblivion in the past and some never got started with an investigation. The young man, whose mangled body was found in Bhojdhara Shaha Street one fine morning

last week, has not been even identified. That is possible in the scheme of life when some are not recognised alive and others dead. But neglect of justice is a deadly thing that diminishes the dead and living alike. In *The Third Line*, Harry Line peered down from the top of a Ferris wheel at the dotlike people below, and asked who would really care if one of those dots were to stop moving. When one man kills another and this gruesome act is shuffled into forgetfulness without some kind of reckoning, both the killer and his victim are reduced to dots which do not matter.

Because, even if the glib talking MP may not want to understand, society is a map of interconnectedness and if he is powerful today it is because of that interconnectedness, which coalesced the strength of plurality in the prerogatives of elected office. It is for that same interconnectedness that the son killed another man emboldened by the power of the father derived from his constituency. After all sifting of reasons, it seems unlikely that his son could have left the country without telling him and has not been in touch with him ever since.

If that is not true, either the murderous son has pulled a fast one on the father, or his momentous father has pulled a fast one on the rest of us. It reminds one of the Dobu Islanders of Melanesia, who habitually practised deceit on everybody and exult in the craft of treachery. Anthropologist Ruth Benedict, who chronicled the ways of the Dobu tribe in

he is being eclectic. He wants to enjoy the privilege of power without sharing its attendant accountability.

That is a sad thing to hear from a public representative. He is supposed to be the point man for his electorate who will

Patterns of Culture, noted that, in their eyes, a "good" and "successful" man was one who has cheated another of his place.

May be the sons who have escaped and their evasive fathers are contributing towards the expansion of the island of deceit, which already encircles us. The newspaper, which was the first to report that the sons had fled the country, also

mentioned that the son of another MP, who was implicated in numerous killings and land grabbing in the city, was going to leave the country for USA in the following week. Suddenly, it seems that fathers are busy sending away their embarrassing sons.

Never mind, elections are coming again and politicians are doing a little bit of house-cleaning in order to look adorable to their voters. An obscure copy editor at the New York *Herald Tribune* coined the phrase Credibility Gap 35 years ago to jazz up a headline over a story about LBJ's Washington. Nothing is more crucial during the election time than this Credibility Gap, which can open a fatal fissure between candidate and his constituents.

which, unfortunately, is in a micro minority, judging by the poverty and illiteracy levels, and the huge number involved (above 50 million, distributed to a thousand to the square mile). The political analyses available to the electorate is more polarized than neutral, core stuff. There is hardly any suitable infrastructure for keeping the voters well informed. Audio-video coverage is limited and controlled, and the print media penetration is comparatively low due to economic and social reasons.

That brings up another important mindset: the market has no price or place for neutral stands. Unless tribalism in the politics of the new millennium, the front student cadres of the political parties are being encouraged in a way which is disconcerting for mature observers. How the internal synergy would be dissipated? There are many bottled-up ar-

The Options before the Electorate

by A Husnain

Before that it is necessary to determine whether the days of one-party rule is over, in the changed global village concept, and breaking down of the communication barriers. Looking around in the region, and outside, it is clear that long-duration one-personality semi-hemi-democratic rules are disintegrating. After the integration of West and East Germany in the 1990s, now the latest development is the initiative taken by North and South Korea to try to come closer, because cultural bonds are stronger than political ideologies, and hungry stomachs have greater veto power.

The other option is to vote for a third force or platform besides the two major political parties. Such a choice is not yet available, but the time appears to be ripe for the emergence of a third group, which can inject