

A budget for election season

Overall, a risk-prone venture

AN optimist is one who peers at the moon through the goal-post while a cynic sees the muddy patch on the ground. We are afraid, such conventional water-tight definitions of optimism and skepticism will have to be set aside when we are into analysing the merits and demerits of the budget proposals for fiscal 2005-06 unveiled by Finance Minister M Saifur Rahman. The pros and cons being somewhat overlapping and indistinguishable, they do not yield a coherent and balanced evaluation and understanding of the budgetary texts.

There is nothing wrong with a budget for the penultimate year to the next election being oriented to polls, provided, of course, it's the whole electorate and its collective interest that are sought to be served. In theory, the BNP-led coalition government must be aiming to endear itself with as many voters as possible eyeing beyond their traditional vote banks. But in practice, given the public spending pattern being envisaged with non-development expenditure projected at an all time high level of Tk 38,082 crore compared with development expenditure at Tk 26,554 crore, a spoil system could set in irreversibly. That's where, ironically, a budget intended to serve the electoral agenda of a ruling party might well recoil on it.

The budget is almost pipe-dreamlike ambitious. Knowing full well that revenue collection grew by 11 percent in the outgoing financial year falling way short of the targeted 17 percent, the finance minister has still set the target for the forthcoming fiscal year at 17 percent itself. In a pre-election year this could be a tough ask, all the more because the revenue collection machinery remains as deficient as before. To finance the ADP our reliance on foreign aid is estimated to be at 48 percent which somewhat explodes the myth that our dependence on external assistance is 'decreasing'. Foreign aid disbursements to back up the budget and as balance of payment support, from IDA and IMF respectively, are linked to conditionalities which are likely to become tougher in future on current reckoning.

The increased allocations to education, health and agriculture sectors are welcome, especially having regard to the fact that the thrust has been given on development of rural Bangladesh. One would expect that a modicum of reduction in urban-rural income gap will be flagged off.

The proposed support measures for agriculture sector, such as, the doubling of subsidy on fertiliser, free distribution of fertiliser and seeds to flood-affected farmers and extension of bank credit to farmers at low interest rate, deserve special mention.

It is the Tk 46 billion worth of social safety net that is the hallmark of the budgetary dispensation. The Tk 500 million fund for the rehab of seasonally employed, Tk one billion special fund for employment generation among the hard core are proposals that should be adopted in toto. The other employment generation provisions of the budget like those for urban infrastructure development initiative and massive rural road construction project will engage a lot of people in gainful activities. In the absence of a strong local government system it would be difficult to ensure a wholly non-partisan utilisation of the funds and allocations.

The proposed income tax rebate on donations for educational institutions and public welfare institutions which is in vogue in many countries of the world is a significant decision in that it will create a space for corporate social responsibility of the private sector to come into play. Consequently, the prospect for endowment fund for research and educational institutions will grow.

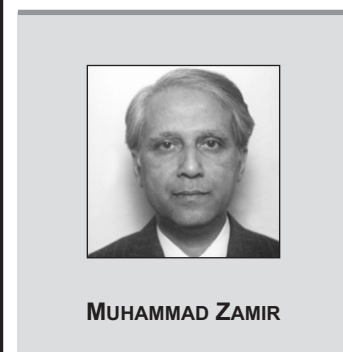
In the context of the global free trade regime, further reduction in import duty on raw materials which the BGMEA and chamber bodies have already moved for may be considered favourably before the budget is passed. Together with the export subsidy, this could help the industries cushion off shocks in the competitive trade environment.

There have been two surprise elements in the budget: the continuation of tax holiday and the extended offer of amnesty to black money-holders allowing them to whiten their undeclared earnings in another year's time on payment of 7.5 percent tax on them. One is likely to surmise that some such money could come of use in the next general election. Honest businessmen and industrialists might well despair of such legitimisation of black money asking themselves what incentive they have to pay 32-40 percent in corporate income tax when possessors of undeclared incomes can hold their head high by paying 7.5 percent tax on their accumulated black money!

The budget proposals per se do not guarantee quality public spending, so that institutional levers and corruption fighting apparatuses will have to be fully employed to ensure that there are cross-party beneficiaries of the budgetary allocations.

The bottom-line is good governance again.

Hindrances to foreign direct investment



MUHAMMAD ZAMIR

FOREIGN Direct Investment and trade are considered by most in the contemporary world as being better alternatives to dependence on foreign aid. Bangladesh has also been attempting to get on this bandwagon. Our planners have been watching with care the thrust generated in China, India and Thailand. It is this factor which persuaded our Prime Minister to undertake her latest trip -- to Vietnam. This has not been her only trip to the East. Another is planned for July to Japan.

Our Ministry of Foreign Affairs, on more than one occasion have emphasised on the need for Bangladesh finding partners within the ASEAN and also in the Far East. We have also reiterated the importance of sub-regional cooperation, be it within BIMSTEC or the Kunming initiative. This aspect was particularly highlighted in the recently concluded BIMSTEC meeting in Dhaka.

So far so good. Unfortunately, the problems arise after that. Various factors emerge that tend to impact on our potential to attract FDI. These elements tend to reduce our attractiveness as a destination.

We have come a long way. We have taken steps forward. Nevertheless, many more need to be taken.

JETRO (Japan External Trade Organisation), a trade and investment promotion organisation under the Japanese Ministry of Trade, Economy and Industry has just concluded their 'Investment Related Cost Comparison' survey of 21 major cities in Asia. Mr Sotaro Nishikawa of JETRO has explained that the 'purpose of this survey is to provide relevant information to the potential Japanese investors who are considering overseas investment and need to know in which country the investment cost is high

or low.' What he has not said is that such a survey is also carefully read by other prospective investors from Australia, the ASEAN and Europe.

The survey reveals comparison based on 34 cost-components e.g. wage for workers, salary for engineers, salary of the middle-management personnel, cost per square meter of land area, rental fee for office space, telephone charge for a fixed telephone, charge for a mobile phone, hourly fee for using the internet, availability and sustained measure of access to utilities

tors in order to attract them to Bangladesh. One would hope that the Board of Investment has taken note of these aspects and sent out a circular communication in this regard to our various embassies abroad.

Our Foreign Minister, himself from the private sector, would also do well to convene regional meetings of our envoys. This should be done not only in the USA and Canada but also in Europe. Similarly, steps should be taken to have an envoy's meeting in Tokyo during the

world, have seen the turn-around that has taken place in India after that country gave special emphasis to Information Communication Technology (ICT) as a thrust sector. We have also given importance to this area but it has been insufficient. We have to drastically improve the situation by providing low cost high speed internet service to the people in general. We also need to reduce the cost of connection fee and the time required to get a telephone connection. We have to understand that giving a phone is creating a

stable supply of utilities, particularly electricity. One has to remember that any investor will attack great priority to this sector. It is important for him because otherwise it means additional cost on repairs or unused production time. It would possibly be advisable in this context to permit Bangladeshi or foreign investors to establish special power grids near the various EPZs. Priority should be given in this regard. Any excess electrical energy can then be passed on to the national domestic grid.

cancelled suddenly or the policy is changed unreasonably.' This is also an area where we have suffered because of polarisation in our politics. We have to overcome this attitude and learn from the experience of India. In this regard, I am constrained to point out that the government is not doing itself a favour by delaying the implementation of the special Korean EPZ in Chittagong. This is something which we need. We should facilitate the setting up of this Korean EPZ. It will attract others from East Asia.

In many cases, in countries like Vietnam, Thailand, Malaysia and Singapore, there have been jointly funded infra-structure projects between their public sectors and foreign private sectors. These are working there. It can also succeed here. However, in our case, we need to show to the foreign investors that we have a sound financial management and public financial accountability. Our government has to demonstrate that the government remains open in matters of its expenditures, enforces sound internal controls and follows improved accounting, auditing, financial reporting and procurement standards. This is essential for aggregate fiscal balance.

Lastly, investors must feel that they are secure. This is not happening all the time. We have read reports about mastaans threatening foreigners and demanding tolls. This must not be permitted to happen.

The government has a long way to go. They must recognise that attracting foreign investment is a bi-partisan affair. Our interest would probably be best served if the Board of Investment created a small Committee consisting not only of representatives from the government but also from the Opposition, the media, the foreign trading community, foreign banks, foreign investors and the apex Chamber bodies. This will be the only way to obtain a comprehensive and holistic picture of what needs to be done on a continued basis.

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and cost of electricity, water and gas, the ease of movement of container freights, cost of automobiles and petrol, percentage of corporate tax, percentage of personal income tax, percentage of VAT, etc. Readers will agree that these factors are technical but most vital for decision-making within the investor community.

The survey indicates that the investment cost in Bangladesh has become a little cheaper than before. Apparently, it is not because we have become more efficient. It is due to the devaluation of our Taka against the US dollar (while the costs for most services have remained more or less the same) and also the US dollar's devaluation against the euro, the yen and the pound sterling. We have in this regard also acquired a slight edge, because the currencies of most of the other Asian countries have strengthened against the US dollar. One could say that we have gained through negative advantages.

It has also been revealed in this survey that we have other favourable points -- the wage of workers, office rent, rental of industrial estates, water and electricity charges, monthly basic cost for fixed telephones, rate of personal income tax etc.

There are very important points and need to be widely publicised among the potential foreign inves-

Prime Minister's forthcoming visit to Japan. It will also be useful to have investor potential meetings along with such envoy's conferences. These investor conferences could also be participated by representatives from foreign companies who have already invested in Bangladesh.

Such meetings should also stress on the fact that JETRO feels that procedural aspects like work permits for foreigners have also been simplified. This is important because shortening of the approval period reduces investment cost. Apparently, the re-introduction of the 'visa on arrival' policy has also been welcomed. These are business friendly initiatives that need to be underlined.

The survey has also identified many disadvantages that need to be redressed if our competitiveness as a destination has to improve.

Some of these factors are technical in nature. Others include areas of governance.

It appears that compared to other Asian countries, Bangladesh is less competitive in areas like monthly basic payment for broadband (512 kbps), internet service, new connection fee for fixed telephone line, new connection fee for ISD mobile phone, container transportation cost, cost of passenger cars, rate of corporate tax etc.

We, as well as the rest of the

customer. The more the better. In this context, we also have to improve the efficiency of the telephone sector, particularly its maintenance and management. It is riddled with corruption and that tends to affect efficiency. The billing and collection of revenue systems also need to be improved.

After this comes ports and shipping including container transport. We have an inherent disadvantage. Large container ships cannot come to Chittagong Port due to shallow draft. This necessitates transshipment of containers in Singapore or at Colombo. This in turn raises cost for the investor. In addition, corruption at the Port and unnecessary delay in transporting containers inland also act as detracting factors. The government has to seriously look into the possibility of expanding and deepening the channels to the Port. This will require huge resources, but I am confident that this will be possible if the entire task is given to a company created for this purpose in the private sector. Mobilisation of funds will be available from those investing in the various EPZs, both in Chittagong and elsewhere in Bangladesh. They will participate because this will facilitate the export of their products.

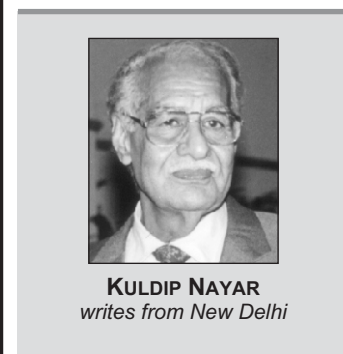
Bangladesh also needs to improve its infrastructural facilities. This will facilitate the providing of

I will now come to some other factors that need attention. The foremost among them is corruption. Investors are always wary of excess cost arising out of this element. They study the report of international rating agencies and also those published by civil society representatives like the Transparency International. Bangladesh continues to suffer in this regard. The latest survey by the Transparency International has indicated that government employees and officials of important sectors -- education, health, land administration, police, judiciary, power, taxation and local government are all involved in serious corruption. The have also identified earlier officials of the customs and taxation departments as being equally responsible.

Such reports create negative perceptions. Added to this has been the problem of lack of law and order. That contributes towards a feeling that governance is weak in Bangladesh and that administration is politicised. We have had several comments from envoys of friendly countries expressing their constructive concern in this regard.

After this comes the question of continuity of government policies. JETRO has very correctly pointed out that any foreign investment is usually made on long-term consideration, and therefore, 'it is never desirable that an on-going project is

Advani's finest hour



KULDIP NAYAR
writes from New Delhi

THIS was his finest hour. BJP chief Lal Krishna Advani wanted to turn a new leaf in the history of relations between Hindus and Muslims in the subcontinent, different from the past frozen in animosities and bitterness. He hailed Qaide Azam Mohammad Ali Jinnah as 'secular.' Advani even 'regretted' the demolition of the Babri masjid which he watched going down brick by brick.

Advani, a hardliner, probably thought that he and his party could alone initiate a new process of understanding between the two communities, nay between the two countries, to usher in an era of peace. He courageously enunciated his views, knowing well that in the process he might destroy himself. Yet, this was the way he felt, not emotionally but thoughtfully. But he should have known the RSS -- he is its product. It has only anti-Muslim as its ideology. It cannot change because it has lived since 1925, the year it was born, within the walls of bias and prejudice that it has built.

When Advani said, "Jinnah was a great man who had espoused the cause of secular Pakistan," the BJP chief tried to remind the Islamic state that its founder wanted secularism to be its ethos. For Advani, who had plugged a communal line all his life, it was a big departure. In a way, he raised the perennial question: Why religion and politics were mixed in Pakistan or, for that matter, in India?

I expected a discussion on those lines. But the RSS parivar, dyed

in the Sangh parivar was more than he expected. That explains why he wrote his resignation letter in Karachi itself. But there was no doubting about his genuineness in saying what he did.

Probably, Advani, who built up the BJP after the erstwhile Jan Sangh members parted company with the Janata in 1980, felt that his party could not make headway with the anti-Pakistan posture which took the shape of anti-Muslim sentiment. (Muslims in India consti-

weak center. In his personal report No. 41, Mountbatten recorded on April 24, 1947: "I am still doing everything in my power to get the Cabinet Mission Plan accepted. But Jinnah and the Muslim league leaders are convinced that Congress have no intention whatever of complying with the spirit of the Plan."

Jawaharlal Nehru sabotaged the plan when he said that Assam could opt out from the group to which it was allotted in the three-group

Jinnah said: "You are free to go to your temples. You are free to go to your mosques or to any other place of worship in this state of Pakistan. You may belong to any religion or caste or creed; that has nothing to do with the business of the state. You will find that in course of time, Hindus will cease to be Hindus and Muslims would cease to be Muslims, not in the religious sense, because that is the personal faith of each individual, but in the political sense as citizens of the state."

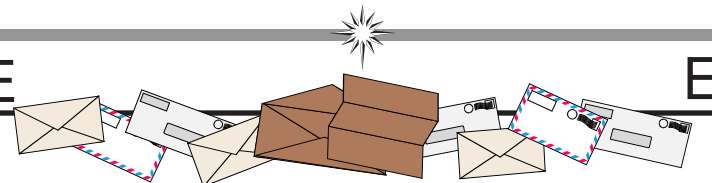
there. This is one way of sabotaging the peace efforts. I think the matter was settled once and for all, if there was any doubt, when Prime Minister Atal Behari Vajpayee traveled by a bus to Lahore and wrote in the visitors' book at the Minar-e-Pakistan that the integrity and prosperity of India depended on the integrity and prosperity of Pakistan. (The minaret is located at the place where the Pakistan Resolution was passed in 1940).

Advani is lonely today. Even the best of his supporters, the younger lot whom he groomed, are quiet. This should awaken Advani to the realities of today's politics in the country. Power is with the chair. Once you lose it, even the best of friends shun you. However, his acceptance in the country has increased. He should be satisfied that he has won hearts in Pakistan where he was demonised. In the process, he has made even the hardliners in that country think that if Advani can change, the entire edifice built on differences between India and Pakistan, between Hindus and Muslims, can be pulled down so that two communities live in harmony. After all, they have lived together for centuries.

It would be a pity if hardliners in India were allowed to have their way at a time when the desire for peace with Pakistan is strengthening. All that the BJP leaders have to realise is that India's ethos is secularism, not Hindutva. In the same way, the Muslim leaders in Pakistan have to recall that Jinnah did not want religion to be mixed with politics.

Kuldip Nayar is an eminent Indian columnist.

TO THE EDITOR TO THE EDITOR TO THE



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Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words. All letters will be subject to editing.

Paper bags and public health

Polythene is a vital cause of environmental pollution. But in our country, it is a thing of the past now, as the production and use of polythene bags have been banned.

Before a couple of years, it had been a familiar material to carry shopping items. After its prohibition, as alternative, the production of paper bags and pouches has increased. Our people have also received these happily and consciously. We use them to carry, along with many things, many food items for example, rice, murti, chira, sugar, unpacked biscuits and many kinds of street-restaurant foods.

But how many of us think about the place or quality of the materials that are used to make the bags?

If we walk through any alley in an urban area, we can see many rows of paper made pouches and bags are getting dried on the path. Having been prepared in dirty and dusty place,

these packets get ready to be served to the grocers' shops. We can also observe, some one is dusting off empty cement bags. These bags are also used to make pouches. But, are the cement bags properly dusted off?

Then, are we not consuming food full of unhygienic materials? Are they not casting a great threat to the public health?

There is another fact, and that is the weight of a pouch. A pouch made from used cement bag is not less than 50 grams. The makers of it can easily increase the weight adding more paper and sand under it.

It is right of a consumer to get fresh food in a healthy pouch and in correct weight. Authorities concerned should note this.

Mahmud Kabid
Jahangirnagar University

The terrible mishap

It seems that every year, especially when the rainy season comes, we see

rescuers salvaging floating human bodies in the river! I think the readers have understood what I want to deliver about. Yes, it is launch disasters, which the terrible phenomenon. It is the nightmare of launch disasters, which has damaged several other lives besides the direct victims. It's that of their kiths and kins. We have seen the pictures of their sorrows and weeping for their loved ones.

Has it become a part and parcel of our life? It may be. But the distressing phenomenon has become more aggressive in the recent four or five years. The greedy launch owners operate their vessels, loading extra passengers for money. Yet, we have not seen the authorities concerned to take any positive actions.

Ours is the land criss-crossed by rivers and canals and, of course, the main transport system is water vessels. The ordinary and poor people travel by water craft as the transportation is cheaper in cost. So we can't do away with the system, nor we, the human

beings have any control on nature and weather. Bad weather can hit anytime and natural calamity is common. So the launch owners and staffs should be careful and conscious to control on their side and the authorities mindful.

Md Zayed Hasan
Bashabo, Dhaka

Tea for Pakistan

The milestones in history solve problems, not linger it. Once Bangladesh was created in 1971, we started living our own way. It also means that our export markets should not be very much politically sensitive (earning foreign exchange without compromising principles).

Pakistan imports 120 million kg of tea, the majority coming from another continent, from far-away Kenya; while the share of Bangladeshi tea is less than 10 percent (news item, DS, May 30). High cost of transportation has been cited as one of the reasons for the setback in trade.

Biman is having a lean time. It could offer cheap-chartered cargo flights for tea from Bangladesh to Pakistan for a few months during the tea export season. The return flights should not be a problem, collecting items from neighbouring countries. Sea shipments are getting out of date in this global village (air freight, volume and frequency matters).

The Pakistan tea team was in Dhaka recently. It is a good gesture, offering cups of tea, to be followed by more cups at Pakistani homes for the rest of the year. Fly in the tea-cup? It is a much smaller nuisance!

Alif Zabr,
Dhaka

Caretaker government

Thanks to Messrs Tifomas Gomes and OH Kabir for their thoughtful letters on the subject (DS 13.5.05). To my mind, the system of caretaker government (CTG), which is unique to Bangladesh, is undemocratic, nay, antidemocratic. It

institutionalises distrust and hinders the growth of democratic culture and spirit. It may be recalled that there was no CTG - and of course no governmental attempt of rigging - when the ruling Muslim League was wiped off from the political arena in 1954 provincial election and the Awami league won a sweeping victory in 1970 election under a notorious military regime (massive rigging was reported in 1973 election first).

Awami League was very happy with and full of praise for the CTG system when they won the first election under it but rejected the result of the next election when they lost and are now demanding reform of the system without which they would boycott and resist the upcoming general election. Such a stand by the major opposition party is very unfortunate and hardly justifiable. What is necessary to ensure free and fair election is to reform the Election Commission to make it effectively powerful and independent. There is no valid reason for reforming the CTG

system. The idea of appointing a Chief Adviser who is "acceptable to all" is too idealistic to be practicable. And raising questions about the integrity and trustworthiness of the would-be Chief Adviser only but manifests our culture of distrust and narrowness.

To conclude, it is hoped that democratic values will take root with social progress and CTG system will be abolished in the near future. Till then the politicians should uphold democratic spirit and solve all issues through friendly dialogue for the sake of the nation's survival.

MA Hashem
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To be smart

Since I have read many letters about smartness, I can't concur with them, who wrote about only improving our English pronunciation. I believe that smartness is not all connected with right pronunciation; yes its a manifest important factor.

Writing is a big problem in our country. Most of the people don't use proper language and thus write very badly or poorly including with spelling error, grammatical error and more. Such writing -- marred by errors and inconsistencies -- is not only disturbing and distracting, it also diminishes one's interest in reading on. How can we call them smart?

Why it's so difficult to express ourselves clearly writing in English? Fortunately we got a native American as trainer, things changed dramatically within a short time. It's better late than never.

In my opinion, they are smart when they are good in writing, speaking, reading and listening in the language. However, everything depends on practice.

De facto, the art of writing is one that must be practised diligently and crafted with a lot of care. Our education system should look afresh.

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