

Budget and brutalised public psyche

ATIUR RAHMAN

THE honourable Finance Minister M Saifur Rahman placed the largest ever budget of Taka sixty-four thousand and five hundred crores in the parliament the other day. The budget has been largely criticised by economists and the opposition alike for its in-built populism, non-realism and of course, compromise on ethics. The budget, however, has also been appreciated for recording a respectable growth rate (5.5%) even in a good year, double digit export growth despite MFA phaseout, higher growth in agricultural credit and import of capital machinery. The buoyant remittance flow has also been pointed out as a positive feature of macro economic management. However, the failure to implement public investment programmes as reflected in poor performance of ADP, poor revenue collection effort, stressed balance of payment as growth in import outpaced export growth, rising consumer price index (i.e. higher inflation) particularly of food, deepening governance crises have culminated in a very scathing attack on this year's budget. Indeed, if things continue like this, the critics of this year's budget are wary about the future of so called macro economic stability. Early signs of macro instability as expressed in terms of rising consumer price index, volatile exchange rate particularly the non-availability of dollar to the L/C openers and, of course, downs and ups in interest rate can indeed turn into a full blown crisis if the confidence in governance style of the present government continues to erode in the coming months. Surely, there are serious crises in politics in Bangladesh with no sign of national consensus on any aspect of it. The parliament is not functioning. The donors are nervous about the growing divisiveness in politics and society including acute politicisation of administration. The Anti-Corruption Commission has not been kicking and people don't have much faith in this much awaited body.

Given this poor governance perspective it is not surprising that this year's budget has been scrutinised and criticised very strongly by both the opposition and civil society. The major criticisms against this year's budget were focused on the following issues:

Lack of realism: The capacity to deliver by the existing state machinery has always been questionable. This capacity has been further eroded due to on-going politicisation of administration. The government officials do not want to take any risk given the prevailing political highhandedness. So they are not up and doing for project implementation. Despite this govern-

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Finance Minister Saifur Rahman presenting the proposed Budget in the Parlement

nance weakness the finance minister has planned the largest ever budget for Bangladesh. Mobilisation of both domestic revenue and foreign assistance could be undermined because of the low capacity of the government machinery. The implementation of development projects will be facing similar problem because of the low capacity of the government structure as well. The foreign aid envisaged may not be forthcoming also because of the governance crisis. The conditionalities (i.e. reduction in corruption, containing terror and increased transparency etc.) that are creeping in may pose as a big barrier to the offtake of foreign aid and it may get stuck up in the pipeline which is already greatly bulged. This year's budget has been highly over ambitious both in terms of mobilising resources and utilisation of the same.

Fear of leakage: The critics have been concerned about the scope of leakages of public fund that seems to have been 'deliberately' kept in the budget. The allocations made for Gram Sarker, block grants, local infrastructure under the aegis of Local Government Ministry have been pointed out by them as the potential areas of political patronage distribution and misuse.

Investment stagnation: Definitely there has been stagnation in public

investment leading to similar outcome in the private sector as well. Recent squeeze in credit for the private sector to contain pressure on balance of payment by raising interest rate and L.C. margin indicates that the private sector investment too is under pressure. This will have negative impact on both growth and employment.

Faster revenue expenditure: The interest of the government in not cutting the coat according to cloth is an ominous development. The faster growth of revenue expenditure compared to slower pace of ADP implementation speaks volume about the non-productive stance of the budget. The finance minister has not spoken even a word about cutting down of expenditure and wastage which otherwise speaks volume about the 'intention' of the government. No doubt critics have termed this budget as 'election budget' which essentially means distribution of public money to the politically chosen clientele for appeasing them. Some of the critics, therefore, termed this to be a prescription of fiscal indiscipline and disorder.

Paradox: While the national savings is about 26 per cent of GDP and if you add foreign aid with this, the investment rate should have gone much higher than the current figure of 24%. Where is then the

money going? In other words, are we squandering our hard earned money for non-productive activities? The budget has not focused its attention on this vital question.

How to implement agricultural subsidy: The agricultural subsidy does not reach the real farmers. Last year this subsidy was Taka 600 crore. Yet the price of fertilizer did not come down during the sowing season. The farmers did not get water from the pump owners at a lower rate either. That means the agricultural subsidy has gone to the middlemen only. Unless we can design a proper delivery mechanism, this kind of subsidy will not reach the poor farmers. No doubt, the agricultural growth rate has been dismal last year.

Apathy to the ICT sector: The taxholiday has been withdrawn from the software industry. Instead ten percent tax has been imposed on its earning. If you are providing incentives to agro-processing, poultry, garments why then the software industry be treated in such a step-motherly manner? This is still a growing industry and deserves to be nurturing. It may not have earned enough export earnings but it is still contributing to our domestic economy. Allow this industry of 21st century to flourish. In the same vein, while fully appreciating the finance minister's con-

cern about high call rates of mobile phones, we feel that the tax imposed on sim card be removed. The former is a governance issue which deserves to be addressed separately. The mobile phones are used by ordinary people as well. The youths are deep into its use. Again, this is also part of the burgeoning IT technology. So the budget should not raise a barrier to its expansion.

Token social safety net: While it is appreciated that the present government has been continuing the social safety net programmes introduced by the earlier government, the amount per capita given to the extreme poor (Taka six only per person per day) is still paltry and tends to be a token. A poor cannot even buy half a kilogram of rice with this money. So there is a point in raising this amount to a respectable level. The number one MDG related to reduction of extreme poverty and removal of hunger cannot be achieved by such a 'token' allocation.

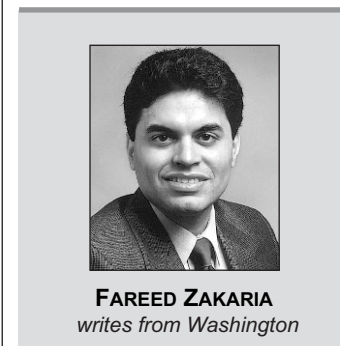
Local government undermined: The implementation level of ADP could have been higher if local government, particularly Union Parishad were given higher level of allocations. They deserve more from the budget. There is an imperative of strengthening the capacity of this LG institution.

Unethical: The whitening of black money paying income tax at a rate 7.5 per cent only income tax while even the lowest tax payer would pay 10 per cent of his/her income as tax sounds unfair and unethical. The black money earners may have political strength but they do not deserve this pat on their backs. This will only encourage corruption and breakdown of norm of social justice. No doubt this proposal of the FM has been criticised most by many. This has given a bad signal to those who are supposed to be chased by law enforcing agencies, particularly the ones engaged in Anti-Corruption Commission.

One can add here many more criticisms of the budget. Unless the Finance Minister is willing to hear what the critics say, particularly in the absence of a vibrant parliament, this year's budget may add more fuel to the on-going political agitation. It is high time that the government takes seriously the points raised by the critics of the budget and address the weaknesses. If the FM can respond positively, some of the frustrations unleashed by the budget may ultimately be modulated and help alleviate the brutalised public psyche.

Atiur Rahman is an economist.

How to change ugly regimes



FAREED ZAKARIA writes from Washington

AS you read about yet another Iranian "election" - in which candidates have been carefully vetted by the ruling mullahs - keep in mind that the real story in Iran is that the government has tightened its grip on power in recent years. Despite an unhappy population, the mullahs have shut down newspapers, persecuted non-governmental groups and imprisoned opponents. An interesting contrast in the same region is Libya, surely the strangest country to be taking baby steps toward reform. Once a key sponsor of terror, it is now opening up its economy, welcoming tourism and trade, presenting economic-reform plans and even talking about political changes. While all these steps are small and easily reversible - Libya is still ruled by a wacky megalomaniac - there is some real movement here. What's striking about these two countries is that we have had different policies toward them. Simply put, we have tried regime change with Iran and conditional engagement with Libya.

It isn't just these two countries where you see this pattern. For almost five decades the United States has put in place a series of costly policies designed to force Cuba to dismantle its communist system. These policies have failed totally. Contrast this with Vietnam, also communist, where Washington has adopted a different approach, normalising relations with its former enemy. While Vietnam remains a Leninist regime in many ways, it has opened up its society, and the government has loosened its grip on power, certainly far more than that of Fidel Castro. For the average person in Libya or Vietnam, American policy has improved his or her life and life chances. For the average person in Iran or Cuba, U.S. policy has produced decades of isolation and economic hardship.

Don't get me wrong, I think the regimes in Tehran and Havana are ugly and deserve to pass into the night. But do our policies actually make that more likely? Washington has a simple solution to most governments it doesn't like: isolate them, slap sanctions on them and wait for their downfall. As Richard Haass argues intelligently in his new book, "The Opportunity," regime change has become a substitute for an actual policy toward countries

Think of Iraq before the war, which is a rare case where multilateral sanctions were enforced. As we are discovering now, the sanctions destroyed Iraq's middle class, its private sector and its independent institutions, but they allowed Saddam to keep control. When the regime was changed by war, it turned out that nation-building was vastly more difficult because the underpinnings of civil society had been devastated.

like North Korea and Iran, with which we have serious security problems. Rather than tackling the issue of North Korean nukes, we're waiting for the country to collapse. We might be waiting awhile.

Critics could argue that I'm forgetting the many surprising places where regimes have fallen and freedom has been given a chance to flourish. Who would have predicted that Ukraine, Georgia and Kyrgyzstan would see so much change in the past year and a half? But these examples only prove my point. The United States had no "regime change" policy toward any of these countries, and it had relations with all of them. In fact, these relationships helped push the regimes to change and emboldened civil-society groups.

Ah, you might say, but these regimes were not truly evil. Well, what about Mao's China at the height of the Cultural Revolution? Nixon and Kissinger opened relations with what was arguably the most brutal regime in the world at the time. And as a consequence of that opening, China today is far more free - economically and socially - than it has ever been. If we were trying to help the Chinese people, would isolation have been a better policy?

I realise that it feels morally righteous and satisfying to "do something" about cruel regimes. But in doing what we so often do, we cut these countries off from the most powerful agents of change in the modern world - commerce, contact, information. To change a regime, short of waging war, you have to shift the balance of power between the state and society. Society needs

to be empowered. It is civil society private business, media, civic associations, non-governmental organisations that can create an atmosphere which forces change in a country. But by piling on sanctions and ensuring that a country is isolated, Washington only ensures that the state becomes ever more powerful and society remains weak and dysfunctional. In addition, the government benefits from nationalist sentiment as it stands up to the global superpower. Think of Iraq before the war, which is a rare case where multilateral sanctions were enforced. As we are discovering now, the sanctions destroyed Iraq's middle class, its private sector and its independent institutions, but they allowed Saddam to keep control. When the regime was changed by war, it turned out that nation-building was vastly more difficult because the underpinnings of civil society had been devastated.

In a careful study, the Institute for International Economics has estimated that U.S. sanctions on 26 countries, accounting for more than half the world's population, cost America between \$15 billion and \$19 billion in lost exports annually and have worked less than 13 percent of the time. But what if it's even worse? What if our policies have exactly the opposite effect than is intended? Look around the world today, and you will see regime change in places where Washington has no such policy and regime resilience in places where it does.

Fared Zakaria is Editor of Newsweek International.

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Moderates campaigning in Iran: An ugly regime?

A glimpse of US political scene

No easy sailing second term for Bush

MOHAMMAD AMJAD HOSSAIN

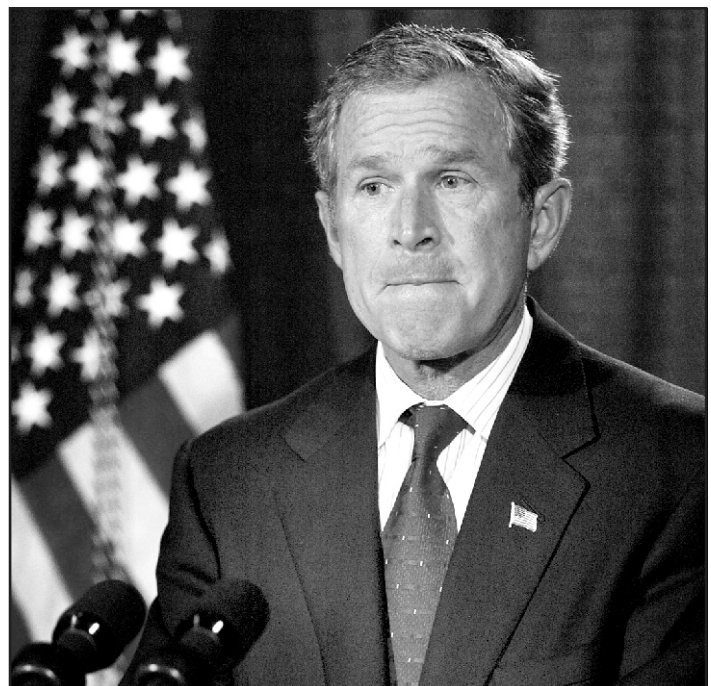
PRESIDENT Bush had committed to bring about unity in the country divided on the issue of war in Iraq and national security during his inaugural address on January 20, on the eve of assuming presidency for the second term, but the country has further been drifting apart. The country has widely been divided now than ever before on many issues the United States is confronted with.

Instead of repairing the division the President has floated undefined idea for reform of social security which has evoked wide scale debate in the country. The Democratic Party, the opposition party in the congress, has launched aggressive campaign against President's reform plan of social security which tops President's agenda in second term. The President in his recent whirlwind tour of a few states has focused on two central points: 1) privatisation of portions of the social security programme; 2) change in the use of certain indexes in determining the amount of benefit payments. Privatisation proposal would allow persons to invest portions of their payroll taxes, that would otherwise be earmarked for social security, in other finance vehicles administered by the private sector.

The vast majority of Democrats staunchly opposed to President's plan and Republicans in the congress want to scale back his plan. Against the backdrop of two in three Americans disapproving the way President has handled social security, the President appeared at prime time news conference on April 28. In view of the opposition by Democrats and many Republicans as well this new strategy of the White House publicists is designed to shift focus of the social security debate to a new proposal that would reduce benefits more as workers' incomes increase. Since the President did not spell out detail of the reform of social security, nor the Republican lawmakers came out with explanation about the impact of the reform, the debate remains as political rhetoric.

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John Bolton, Under Secretary in the State Department, has become liability to the Bush administration. Tom Delay, majority leader in the House of Representatives, has become liability to the Republican Party as well. A key Bush nominee for the Ambassadorial post to the United Nations, John R. Bolton was in trouble in the Foreign Relations Committee of the Senate and majority leader Tom Delay is dogged by an ethics principle.



Not an easy sailing for Bush

tives has become liability to the Republican Party as well. A key Bush nominee for the Ambassadorial post to the United Nations, John R. Bolton was in trouble in the Foreign Relations Committee of the Senate and majority leader Tom Delay is dogged by an ethics principle. President Bush nominated Bolton on March 7, 2005, who is widely known for his harsh criticism of the world body and irked many foreign countries in his dealings during negotiations; 63 former Ambassadors and diplomats in a letter to Senators expressed objection to his nomination to the UN.

According to newspapers reports former Secretary of State Colin Powell indicated displeasure on the nomination. Along with members of the democrats in the Senate Committee, Republican Senator Voynovich expressed concerns about the nominee's temperament and misbehaviour pattern. Richard Cohen in his column in the Washington Post of April 14 had said that "Bolton's is not a bad appointment. It's downright disaster."

The Republican representatives on the House ethic committee proposed a probe of Representative Tom Delay's travel gate and other

financial shenanigans. Majority leader in the house, Delay's international luxury travels have been exposed by news media, including *The Washington Post* and *The New York Times*. Delay's corruption is intertwined with that of lobbyist Jack Abramoff, who is the target of a string of Federal kickbacks and illegal lobbying probes. There is underlying agreement among many Republicans and Democrat lawmakers in the Congress that Delay should go, but President Bush appears to be sympathetic towards his friend from Texas. Two Republican lawmakers at least said that Delay should step aside from the House of Representatives. America's Future organisation pointed out that "House majority leader, Tom Delay is without a doubt the most corrupt leader of the most corrupt Congress in recent history. His continued corruption not only undermines our democracy, it costs the American people directly."

The tribute dinner by American Conservative Union at the Capital Hilton hotel on May 14, 2005 for Tom Delay was intended to show support for him. It was not attended by majority Republican Representatives. On the other hand, there was demonstration in front of the hotel against holding such dinner for corrupt congressman in the house.

Meanwhile, both Republicans and Democrats in the Congress are at loggerhead on the issue of President Bush's ten judicial nominees. It is expected there will be confrontation over a Republican proposal to change Senate rules that have enabled the Democrats to block judicial nominees. As of now Vice-President Dick Cheney's support for employing the nuclear option propagated by Bill Frist, Republican majority leader in the Senate does not appear to solidify support. If there is tie vote on the nomination of judicial candidates, Vice-President declared that he would cast his vote as the President of the Senate. Senate majority leader would like to change rules to allow simple majority to pass the nominees. With the erosion of support of the Republicans in the Senate, it is doubtful whether the rule of the Senate would be changed.

Mohammad Amjad Hossain, former diplomat, now resides in Virginia, USA

Reverberating 'resistance'

JAHANGIR SELIM

ACHIEVEMENTS in the field of culture are very often recognised as the outcome of our independence. Although this trend has been prominent in every aspect of the cultural activities, but in the field of photography it has risen to the top. It is worth mentioning that outstanding accomplishments in the realm of photography have been made possible through individual initiatives which have been further strengthened later through organisational effort. Although being in a state of deprivation from any kind of governmental or organisational support, photography of our country commands a great deal of respect even in the developed world.

Some recent examples include: "World Press Photo" exhibition (which, until the other day, was limited to the developed world participation); three International Photography Fairs through almost individual initiative, along with "Drik," each continuing for more than a month and participated and visited by numerous local and internationally reputed photographers.

These activities have tremendous importance in introducing the emerging Bangladesh to the world. All these have resulted in steady growth of local photographers' performance. Photography has adapted with the changing concept of globalisation and it is expected to continue with its success.

"Chobimela III" is a unique publication documenting the recent International Photographic exhibition. Its contents include the experience of the photographers of both developed and developing worlds, while providing descriptions of some extra-ordinary photo documentations. The theme of last year's exhibition was "Resistance"; and the publication is based on that broad idea. Who among us is not acquainted with the word resistance? Resistance is everywhere - indoor, outdoor, here and there. The nature of resistance varies with circumstances; it can range from individual to a collective phenomenon. This diversity of resistance is aptly represented in "Chobimela III" through the language of photography.

The book contains rare documentation of the imposed war of dominance on Iraq by the US-UK military; the landless Palestinians

BOOK REVIEW

Chobimelall

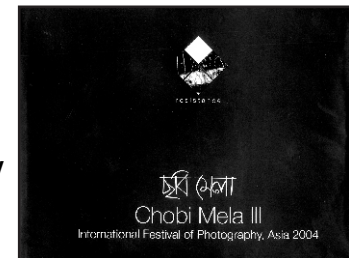
Photos of "Resistance"

Publisher: Drik Picture Library

Pages: 140 (A-4 size)

Price: Tk 250

who have been exiled out in the desert for over 50 years, their hardship and struggle for survival; a victim of the Iraq-Iran war who has been in coma for 19 years and the relentless care by his parents. In this world of struggle, the father of the comatose son realises: "Life is a war". There are also pictures of the 1984 gas explosion in Bhopal, India; conflicts in the Manipur state leading to endangered livelihood; the



struggle for survival by the Assamese along the Brahmaputra river, among other depictions of struggle.

The contribution of local photographers is by no means inadequate. The combined voice of a bunch of young photographers says: "We challenge the social norms by focussing the camera on our surroundings. We want to talk about our problems through photographs.



Struggle along the Brahmaputra, Assam: Swapan Nayak



Naxal woman: Shahidul Alam

We learnt photography in order to let our voices to be heard." The photo journalism of our country delineates, "the end of British rule in 1947, the language movement of 1952, the war of liberation in 1971, the resistance against the prolonged military dictatorship. All these have still not seen the end of the struggle for democracy."

In the present pseudo-democratic regime, the journalists themselves are victims of torture and oppression by the law enforcement authority and others. One fact unknown to many is the courageous movement in 1970 by several lady Nokshal comrades against the class system and their photographs documenting the historical events are an integral part of this publication.

No one can deny the sufferings and distress of the dwellers of the century old "Shakhari Bazaar". However, life still goes on. Every morning, the dwellers start their struggle to continue the occupation of their forefathers. Among all the hardships, they dream of a better life, celebrate and worship heartily. Tittering between life and death, a housewife expresses her feeling, "We are always worried about the collapse of our houses; but where else will we go? We were born here, and here we will die."

The afore-mentioned publication is important for various different reasons. It is rich with the experience and contribution of photographers from both the developed as well as developing countries. It is possible to have an essence of the world-wide struggle through the documentaries depicting society and lifestyles, and the aesthetics.

Jahangir Selim is Photographer, CIRDAP



Shakhari Bazar: Abir Abdulla