

## Pragmatism prevails over utopianism

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MOZAMMEL H. KHAN

HERE is a section of our society who always stay on the sideline but are nevertheless infected with utopia. These are the people who never played any role during the struggle for multi-prong reforms of the electoral process of the then opposition alliance, and, since 1/11, they have metamorphosed themselves into arch-advocates of reform without giving an iota of credence to the political alliance that created the opportunity for the second CTG to carry out the reforms in tune of the wishes of the people.

These people were never seen around when the likes of octogenarian intellectual Prof Muzaffar Ahmed, pragmatist Hafizuddin Khan or unswerving S.M. Shahjahan were braving the scorching heat of the street to reaffirm their all out supports for the reform demanded by the

political alliance. Moreover, there is a general propensity to blame the politicians as a whole for the current reprehensible affairs of the state.

In the process many of the civil society members, in effect, are evaluating Sajib Wazed Joy and Tarique Rahman with the same equation, placing Dr. Reza Kibria and Nasser Rahman in the same cluster, and Farooq Sobhan (AL-nominated candidate of the Commonwealth SG) and Salahuddin Quader Chowdhury (BNP-Jamat nominated SG candidate for OIC) in the same berth of mental incapacity. They are equating lapses of AL government of 1996-2001 with the despotic era of BNP-Jamat rule of the past five years and blaming the "two ladies" equally for all the ills that have been inflicted on the nation.

It is beyond any comprehension how the current CTG, whose prime asset is Dr. Fakhruddin Ahmed himself, took the very impulsive decision

of issuing a press note barring Sheikh Hasina from returning to her homeland, who by all calculations should be the strongest ally of its reform agenda. The contents and the languages of the press note do not add up to the determined and articulate speeches of Dr. Fakhruddin Ahmed, the best ever delivered by any of her head of government in decades.

It was likely that the imprudent decision was guided by the views of the utopians, who believe reforms, in their own definitions, of the political parties are not possible keeping these two ladies in the helm. The decision makers might have extrapolated that the people would be dancing in the street as soon as the press release was issued and Sheikh Hasina would be cowed down. Evidently, it did not happen.

The adverse national and international reactions against depriving any one of her inalienable right and Sheikh Hasina's triumphant

return amid cheering of thousands corroborated the merit of the reversal of the government's decision of withdrawal of the ban of her return to her homeland. Until then it was naturally hypothesized that the pragmatists have prevailed over the utopians.

The hypothesis, however, has suffered an apparent and immediate set back with the news that the government has filed legal suits against thousands of people who spontaneously gathered around to greet their beloved leader, in the pretext of violating the emergency order. Emergency order did not restrict its citizens, not limited by numbers, to greet their loved ones in any place within the geographical boundary of the Republic. The inner spirit of the suspension of the fundamental right of assembly as enshrined in Article 37 of the Constitution is to ensure security of the state and people, and maintain discipline in public life.

Under the present context, it is aimed at preventing people in group demonstrating against the government's popular policy of electoral and administrative reforms, reform of the constitutional institutions such as ACC, PSC and the judiciary and its drive to punish the corrupts.



Thousands, those who spontaneously gathered, braving scorching heat of Baishakhi to have a glimpse of their leader, through their actions did not indulge themselves in any such affray that is likely to undermine the essence of the emergency order.

Likewise, members of the law enforcing authority showed their utmost prudence as friends of the people they are supposed to serve without any slack to "ensure security of the state and people, and maintain discipline in public." To utter dismay,

those police officers instead of receiving commendation, have been censured and disciplined. This brings back the reminiscences of the atrocious days of BNP-Jamat rule where in a similar mode thousands of unnamed people were sued for demanding uninterrupted supply of electricity. Here again it does not add up since the home ministry is under the control of the CA, the principal vanguard of popular standing of the current CTG.

The primary focus of the CTG should be to create a level playing field for every political party and individual who would be likely stakeholders in a future free, fair and credible election. In the process, the pro-reform political parties and their leaders and specially the leader of the most popular one, who spearheaded the campaign for reforms in both parliament and streets, must be the principal ally of the process.

However, at times, the government's actions and comments of a particular adviser, not an icon by any account to lecture the nation, are portraying politicians in general and her, in particular, as adversaries. Many a time, it seems that the confusing and dictated reform agenda of the political parties are formulated with

"back calculations" keeping the intended end result in mind.

It has been the pragmatists, both home and abroad, not the drawing-room sitting idealists, who have actively contributed, that included the arduous task of the generation of international pressure, in derailing the proposed farcical election of January 22, and the present CTG is the outgrowth of those concerted and multi-faceted endeavours. The pragmatists cannot afford to see the CTG's prime mission derailed to appease any individual or group.

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## Pre-budget thoughts

The formal existence of methods of aggregating individual choices, is certainly a necessary condition for an integrated society. But, this may not be sufficient and hence a minimum agreement on an ad interim arrangement can and should be culled out under any eventuality. The current budget should be able to do this. Any budget in its final form is a compromise of conflicting interests. How well that gets cobbled is also a test of the quality of the final outcome.

SYED ABDUS SAMAD

LL budgets are: (a) estimates/projections, (b) accounts, and (c) proposals for incurring expenditures from the consolidated funds and levying taxes to meet any additional spending.

The in-house skills, expertise and capacity for doing these may be ranked moderate in Bangladesh. They have stagnated over decades. There is stiff resistance to any proposed changes in budget formulation methods and an aversion to training to improve performance.

The paradigm shifts in this area must relate to risk aversion, protectionism, transfer payments, high time preference, pro status quo mind-sets of agents, in Finance Division in particular, and creation of a realisation that times do change. Almost all agents display certain inertia. The nature of the government, particularly in terms

of its durability, does not seem to matter much.

Therefore, the current budget (2007-08) has to be viewed against the backdrop of methods, strategies, objectives, institutional arrangements and the system's stochastic/probabilistic attributes in place, meaning thereby the zones of uncertainties. They will not change overnight. As a matter of fact one can observe very little change through time; only that budgets are no longer formulated within the framework of medium term (five year) development plans and can be treated as an independent short term exercise.

There is a poverty reduction strategy framework in place, but we do not see that it is being followed while making budgets. How would then we want to propose a short term prioritisation of the budgetary allocations? Two considerations might demand attention -- the immediate goals of public spending and

the restrictions placed on budget making by the legal-juridical stipulations.

Public interest is, of course, supreme, as all legal experts have emphatically stressed while evolving the doctrine of state necessity (Justice Munir, Hamood-ur Rahman, et al, in different legal contexts, of course).

Given that only two-twelfths of a total budget is under discussion for now, I would like to recommend the following hierarchy of claims on the demands for grants from fiscal 2008 budget:

- Justice system.
- Law, order, public safety.
- Operation and maintenance (including depreciation/replacements) of existing assets, properties, utilities, directly productive activities.
- Direct transfers for poverty eradication to freedom fighters, disadvantaged groups, marginal and vulnerable recipients of state charities and other recipients.

- Elections and related claims.
- The sectors of priorities should be energy; health; education; defence; economic, physical and social infrastructures, and disaster management.

The public investment program (called ADP) should be kept on hold, and two-thirds of those notional allocations should be used for recurrent (revenue budget) purposes (under intelligently designed reappropriation / overprogramming provisions) to stay within the limits of the Constitution.

ADP has been viewed as a white elephant almost universally and has bred corruption on an unprecedented scale through times. Since these are common knowledge, there is no need to belabour them. The private sector, civil society organisations, membership groups/cooperatives, etc. instead should be provided with more generous credit lines (not directed credit, under-administered interest rates, but ordinary loanable funds on commercial terms).

The growth rate will not be affected if the ADP investments are replaced for a while by the private sector and the apprehension of inflation from a tax and spend budget would also be allayed. We know that all inflation is made in Dhaka! Therefore, budgetary deficits should be kept at an acceptable

level (4-5 per cent of GDP) and the agreed monetary programs (money supply, interest rates, exchange rates, etc.) must be strictly followed for harmonising fiscal and monetary policies.

Fancy, longer term goals should take a back seat, for a while at least, inasmuch as we are in a state of emergency and only emergency and immediate needs are to be accorded the priorities they deserve. Fancy goals can be revived and addressed while a time opportune for debating them arrives. Now the barest minimum needs to be done, and done properly without creating any avoidable macroeconomic distortions.

The economy of Bangladesh has lots of slack (unemployed labour and unutilised production capacities) which can be taken up for productive employment and in come generation.

When idle labour and idle machines are brought together to produce goods, there is very little danger of any inflationary impact. The expenditure flows under much reduced dispensations must reckon that and it is here that the creativity, ingenuity, imagination, professionalism, and vision of the budgetmakers would be tested.

The ability to make consistent decisions is one of the symptoms of an integrated personality. When we pass

to social decisions methods involving many individuals (voting or the market), the problems of arriving at consistent decisions might analogously/likewise be referred to as that of the existence of an integrated society.

The formal existence of methods of aggregating individual choices is certainly a necessary condition for an integrated society. But, this may not be sufficient and hence a minimum agreement on an ad interim arrangement can and should be culled out under any eventuality. The current budget should be able to do this. Any budget in its final form is a compromise of conflicting interests. How well that gets cobbled is also a test of the quality of the final outcome.

A budget thus has to be judged by its predictive power for the class of phenomena which it is intended to explain. The only legitimate test of the validity of a budgetary hypothesis would be the comparison of its predictions with reality (Friedman, 1935). We would want to see a verification of this wise statement of Friedman from the ex post (achieved) reality of Bangladesh's state of the economy in, say, July, 2008, when it would be time for another budget.

The author is a former economic adviser to the president (1982-85).

## New deal for farmers

AHMADUL AMEEN

ANGLADESH is a densely populated country where agriculture is the mainstay of the economy. There is no large scale mechanised farming, and the existing transportation infrastructure is inadequate at best. The growers do not get the right price for their back-breaking labour to eke out a decent living, while the consumers have to fork out exorbitant amounts, which are beyond the means of many.

The gap between the price the growers receive and the price consumers pay ranges between 300% to 500%, which is atrociously high by any standard. The situation, therefore, warrants a closer examination of the causes, which are:

- The progressively diminishing per capita land available for cultivation of agricultural produce.
- High level (estimated at 40 percent) of wastage and spoilage of fruits

and vegetables between harvesting and marketing.

- Very high charges by the middlemen involved in the process of maintaining the distribution chain.
- Inadequate physical infrastructure.

Naturally, the question arises as to whether this price gap could be narrowed down to a more tolerable and reasonable level. Prior to looking into the remedies, a closer look at the current scenario needs to be taken.

**Current status**  
As the price disparity as well as the inadequacy of the physical infrastructure are well-established and well-documented facts, there is no need to go into the specifics. The reasons for this excessive price difference between grower and consumer can be attributed to the following factors:

- Poor handling of produce after harvesting resulting in wastage and

spoilage.

- Poor physical infrastructure, e.g. roads, bridges, port facilities, wholesale markets etc.
- Inadequate and costly transportation facilities.

• High toll charges and extortion.

• High charges of the middlemen.

• Inadequate cold storage facilities.

• Insufficient sales outlets.

• Inadequate refrigerated transports.

• Inadequate abattoirs and automated meat processing plants, fish freezing plants etc.

However, there are some positive aspects as well. Firstly, the distances between source and supply of the agricultural produce are relatively short. Moreover, if goods could be transported by mechanised boats, cost may be further reduced.

With the phenomenal growth of mobile telephones, unlike earlier years, the growers are not in the dark about the price their produce fetches in the urban centres, although at the moment they cannot do much about the situation.

Additionally, the number of middle class and affluent consumers who prefer shopping in air conditioned supermarkets to shopping in kitchen markets is growing. This trend is likely to result in faster growth of supermarkets.

**Need of an agro-marketing chain**  
The compelling need for enhancing the efficiency of the food supply chain to keep on leash the spiralling cost of food items, particularly perishable items, is universally under-

stood.

In the global scene, this has already taken root, exemplified by the mushrooming growth of supermarket chains operated by the likes of Wal-Mart, Carrefour, Tesco, Safeway etc. Right next door in India, the Reliance group is in the process of launching an ambitious agro-marketing project of humongous scale.

Hence, from the marketing point of view, the timing appears to be right for the entry of large-scale agro-marketing chain(s) in Bangladesh. Such chain(s) should significantly cut down wastage and spoilage of fruits and vegetables sent to urban markets.

The consequent bridging of the price gap will result in a win-win-win situation. Consumers would get fresher produce at cheaper price, the growers could bypass an inefficient and often corrupt distribution chain and sell directly to supermarket chains at better and stable prices that would help them grow better quality produce.

Finally, whichever enterprises are able to reduce the price gap between growers' and consumers' ends by efficient means would earn a decent return on their investment and effort.

In the case of agro-marketing, however, activities other than collection and delivery would be involved. These are cleaning, grading, weighing and packaging; processing; and storing and transporting under controlled environment. Some of the specific activities

involved are:

- Establishing a few hubs with storage and mechanical handling facilities.
- Creating bulk breaking and packaging facilities.
- Building abattoirs and processing plants; fish freezing plants.
- Building transport depots and repair facilities.
- Mobilizing a fleet of trucks, boats and containers.

### Government's role

The government has an essential role in the fight to bridge the price gap. It can generally help through:

- Changes in tariff/taxes, and
- Periodic market intervention through supply of essentials through TCB and other mechanisms, like the current laudable initiative by the BDR.

In the short term the government can take some of the following specific steps:

- Reducing toll collected by government agencies.
- Rooting out extortion and illegal toll charges.
- Eliminating transport bottlenecks.
- Collecting and recording data pertaining to prices of a number of produce on a particular day, which will enable establishment of a database (albeit a crude one) on price differential between growers' and consumers' ends.
- The medium and long-term government measures may include:

- Building silos, fish freezing plants, specialized cold storages and abattoirs, which may be leased or eventually sold to private enterprises.

• Development of a few strategic hubs providing storage and mechanical handling facilities; and of transport depots and repair facilities. Some of the possible locations for such hubs are Chandpur, Sirajganj, Aricha, Baghabari etc.

An efficient agro-marketing chain would procure agricultural produce from the growers at better price, and deliver to the consumers at cheaper price through better procurement management, efficient transportation and delivery system and elimination of the pernicious role of the middlemen. Essentially, it would create a social business benefiting growers, consumers, the enterprise, and the economy of the nation as a whole.

There is a negative aspect to this development of supply chains, though that would provide supermarkets with better quality produce than small mom-and-pop shops. In this process, thousands of small shopkeepers may be eliminated, particularly in the urban areas.

Consequently, many activists in some countries are trying to block the spread of these companies. However, in the Bangladesh context, the overwhelming benefits dwarf the negatives.

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## Bangladesh capital market: Expect good things to come

The initiatives taken by the current government in bringing about positive changes in the public and private sectors hopefully will trickle down to the capital market in time. However, we need to develop a strong pool of human capital for the financial services sector, currently unavailable, to really reap the benefits of a booming capital market of the future.

ASIF ANWAR

HE future of Bangladesh capital market has taken a dramatic positive turn over the last few months, in line with the country as a whole, following developments in the political arena.

The new government has already proven that it is serious about eradicating corruption and putting an end to the kind of politics and politicians who kept our country hostage since independence. Now we can really look forward to achieving our potential with a human capital of 150 million people, and a vast reserve of untapped natural resources.

Bangladesh has been registering average GDP growth of 6% a year whilst being the most corrupt nation on earth. We can expect double digit growth in the coming years now that many of the leaders of "Corruption Inc." are behind bars or on the run.