

## Dhaka-Yangon road link

### A step towards greater connectivity

A road connection between Bangladesh and its only other neighbour, Myanmar, has been long overdue. We welcome the signing of the MOU that proposes to build a 25-mile stretch of road, 23 miles of which will be inside Myanmar, with the eventual plan of linking China through Kunming, and other Southeast Asian countries.

A new link opens up new vistas of opportunities and of furthering cooperation. And this will too, we are certain. The proposed road, we hope, will not only connect the two countries physically, it would, we expect, also help the peoples of the two countries interact more closely in trade and commerce and all other spheres that would provide an impetus to our efforts to better the condition of the two countries.

Once the radial roads are eventually constructed, particularly up to Yangon, it will provide tremendous economic benefits to all concerned. The volume of trade that now amounts to only \$60 million, we are sure, will make a quantum jump from what is now largely restricted to border trade. And the balance of trade that is weighed in favour of Myanmar will be put right through export from Bangladesh of such products like pharmaceuticals, which is not currently on Yangon's import list.

As of now the link is bilateral and its prospects for onward connections with China and some Southeast Asian countries will have to be materialised essentially through further cooperation from Myanmar itself. The route being opened between Bangladesh and Myanmar has, no doubt, tremendous potential for greater connectivity if it can be extended to Kunming in the northeast and Thailand, Malaysia and Singapore in the south. A lot of spade work and infrastructure building will be involved in realising the full potential of the road link being forged with Myanmar. Dhaka will have to follow up on this with Yangon and play a vigorous role in arranging international funding for the project.

Since the road link has potential to go up to Kunming we must also take China on board.

We hope that the construction work will start soon. A new prospect to reinforce our Look-East policy has emerged, and we must be able to tap its full potential.

## Increases in police pay and rations

### Good move that must lead to better performance

INCREASES in pay and rations for the police force are currently being envisaged. It is our opinion that the move has long been overdue and could have been taken earlier. However, now that seriousness has been attached to the issue, we remain hopeful that a positive outcome, both for the police and the general body of citizens, will emerge from the move. A total of taka 128 crore has been earmarked toward the increases in question. We understand that an increase of 25 per cent in salary as part of risk allowances for officers from the position of inspector general to that of constable has been recommended. Apart from that, other recommendations, notably 60 per cent in allowances for personnel in the traffic department, have been made. In the overall sense, these increases should be reflected positively in the performance of the police force.

Of course, it would not be wise to suggest that an increase in pay and other financial benefits for the police will necessarily lead to better performance or more professional competence on their part. However, as we have hinted earlier, the measures that are on the way should act as a spur to more efficient service being provided to citizens by the police. For a long number of years, we have been told over and over again that friendly people-police relations are a prerequisite to the maintenance of normal conditions in society. That being so, we expect that along with the increases in pay and rations, there will come a change in the mindset of the police toward citizens. How that will happen depends on how serious the authorities are about depoliticising the police department. In other words, the police must be kept free of all kinds of executive and political interference in carrying out their professional responsibilities. In the larger sense, a need for the police to uphold human rights through a proper exercise of their powers is of crucial importance.

In the longer run, a comprehensive reforms process must be brought into the functions of the police service. With a tradition of police behaviour dating back to colonial times, it is imperative after nearly four decades into national freedom that the police scale the heights where citizens can really look upon them as their friends. The increases in pay and rations are but a small and yet significant move toward that end.



KAZI ANWARUL MASUD

**B**ANGLADESH is now between a rock and a hard place. There is expectation among a considerable number of people that with the holding of an election, despite our history of kleptocratic and dynastic politics, all will be well.

On the other hand, the recent arrest of the leader of the largest political party in the country and the government's reluctance in allowing resumption of political activities have brought about a confusing situation. Added to these events is the recent debate on the state of the economy, that prompted the advisor for finance to state the obvious, that budget deficit, unless checked, would increase interest rate, adversely affecting investment and the economy.

The debate as to whether the monetary policy was dictated by the IMF and the World Bank is irrelevant. The main question that should be asked is whether the monetary policy recently announced would help generate more employment and income.

MCCI thinks that the contractionary monetary policy would slow down the growth of investment and employment. Centre for Policy Dialogue does not think much of the government's intention of increasing the price of gas, electricity and other utilities, to stem further deficit in the energy sector.

The government, to retain public support and by extension its legitimacy to rule, has to bring down the prices of essentials.

While it is understood that budget deficit cannot continue indefinitely without adverse effects on the economy, one of which will be inflationary pressure, it should also be recognized that the current inflation is not demand-push inflation but cost-push inflation. Arguments that prices have to be increased because of increase in the price of fuel and other utilities internationally do not take into consideration the subsidy given by the developed countries (e. g. Common Agricultural Policy of EU).

Due to the absence of classical free market economy, where price is determined by unhindered demand and supply of goods,

## GOING DEEPER

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governmental intervention is necessary. In the absence of a consumer protection act, Bangladeshis are faced with the extreme avarice of a group of dishonest businessmen, which is still making abnormal profit and supplying substandard goods, which, in most civilized societies, would have landed the supplier behind bars.

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In the case of politicians, corruption also became a necessity for recovering the money that many of them reportedly had invested to get nominations for elections. In the process of the recovery of this investment, some of the politicians lost their moral values and amassed a huge amount of money and property, totally forgetting Ralph Waldo Emerson's advice that "the highest proof of civility is that the whole public action of the

state is directed at securing the greatest good of the greatest number."

If the January 22 "fixed" elections were allowed to have taken place in the teeth of the opposition of the political parties and the general public then civil war would have been a distinct possibility. To save the country from impending doom, the January 11 emergency rule had to come.

The interim government that followed the resignation of the caretaker government of President Iajuddin Ahmed has reconstituted the Anti-Corruption Commission, the Election Commission, and the Public Service Commission, and is trying to bring about some semblance of accountability in the administration. These are undoubtedly welcome steps. But one is not sanguine that the ills afflicting the country would end with the holding of an election at the end of next year and the handing over of the reins of the government to the elected representatives of the people.

In the absence of an attractive alternative, one tends to advocate a system is impregnated with the possibility of dictatorial decisions

the merits of an elected government that would produce deliberative democracy in which "participants are substantively equal in that the existing distribution of power and resources does not shape their chances to contribution to deliberation." One political theorist writes: "Justice requires that individuals have political equality, that is, equal resources to influence decisions regarding collective properties of society."

It could be argued that such theoretical discussions would be like an abstract painting exhibited before a people uninitiated in the art of painting. But as globalization has brought the cosmos and the Big Bang theories to our television screens, it would be self-defeating to blame our colonial past and metropolitan-periphery relationship for our failings, and for remaining insulated from the fast track of development that could mark the 21st century as belonging to Asia.

If India and China continue to progress at the pace they are doing, then the Western world could be confronted for the first time, since the ascendancy of the Ottoman Empire, by the spectre of the East overtaking the West in global leadership. In such a competitive world, in which we are already at a disadvantage, it is imperative that Bangladesh be transformed into a knowledge-based society. Political discords with their origins in history, pursued with a fixed mindset, should be set aside to be tackled with wisdom without barring the path of economic development of the country.

Kazi Anwarul Masud is a former Secretary and Ambassador.

## Aid addiction



A.N.M. NURUL HAQUE

**S**INCE independence until June 30, 2006, Bangladesh received a total amount of nearly \$44.83 billion of foreign aid, of which 44.7 percent was grants and 55.3 percent was loan. The debts that have snowballed to a colossal amount day by day, includes small amount of quality aid that matters most.

Bangladesh substantially depends on foreign aid to fill the gap of budget deficit, to meet balance of payment for international trade, and to fund the Annual Development Program (ADP). Usually, the country receives foreign assistance under three broad categories -- food aid, commodity aid, and projects aid.

Though the main purpose of foreign aid is to transfer resources from one government to another to stimulate economic development, undeniably there is an inextricable relationship between foreign aid and economic growth in developing countries. In most of the cases, the developing countries are not

able to implement their much needed development projects through foreign aid due to so many hindrances.

What actually happens when aid begins to pour in Bangladesh is that, a substantial part of it finds its way back to the lenders in form of consultant fees and cost of equipment. Of course, the government officials, politicians and the influential persons, who are involved in the process, get their due share. Only a scanty sum reaches the poor through some services or benefits. Some of our economists claim that only 25 percent of aid goes to the target groups while 75 percent is siphoned off.

The flow of foreign aid to Bangladesh dwindled drastically and dropped to \$1.03 billion in the fiscal year 2003-04, which was the lowest in two decades and a half. Government's failure to comply with the rigid conditionality from the lenders and donors was largely responsible for the huge dip in annual aid disbursement. The donors even did not disburse the food and commodity aid

despite the country faced devastating flood in the middle of the year 2004.

The government frantically tried to coax the donors as the inflow of foreign aid continued to decline drastically. It took up the issue with the Local Consultative Group, a club of 32 bilateral and multilateral donors. Meanwhile, the government approved the Harmonization Action Plan (HAP), prepared by the Economic Relations Division, guiding the future direction of the government and donors.

Foreign aid dropped by a staggering 53 percent in the first three months of the just concluded 2006-07 fiscal year due to donor concern over pre-election political instability. Aid inflow was \$129.26 million during July-September of the fiscal year 2006-07 as against \$273.84 million during the corresponding period in the previous fiscal year. Donors also held back a substantial part of the aid as they feared that the past government would not be able to fulfill aid conditions before handing over

power to the caretaker government.

The multilateral lending agencies and donors committed \$2.24 billion aid in the just ended 2006-07 fiscal year, which is a 25 percent upsurge in aid commitments made in 2005-06. But aid commitments do not necessarily mean aid disbursement, as the latter is linked with so many conditionalities dictated by the donors.

Upsurge in aid commitments by the multilateral and bilateral lenders does not really bring any new rays of hope for us, as it has failed to touch the specter of poverty that still haunts the teeming millions in the country. The record of success of foreign aid in poverty alleviation is more frustrating than what one usually thinks about it.

It is then no wonder that foreign aid has facilitated the expansion of the capitalist market economy and the culture of consumerism. In fact, that is what has happened to the most of the countries which received huge aid but could not stand on their feet. This glaring aid-dependent consumerism has

serious implication for the economy, especially for savings and investment.

An unfortunate plight with foreign aid is that loan components have surged significantly over the last decade. The share of loan in the foreign aid package has swelled to 68 percent in the 2005-06 fiscal year from 11 percent in 1972-73. The share of grants which was 89 percent in the fiscal year 1972-73 has now declined to 32 percent.

The decreasing grant components have resulted in a larger portion of loans in the total aid package and swelled per capita foreign debt by 21 times to nearly \$140. Per capita debt burden of the country was \$6.59 in 1973-74 fiscal year. As the country's foreign loan continues to soar up, every child is born in Bangladesh with a burden of foreign debt to the tune of Tk 10,000.

What really pains every conscious citizen is that the annual debt service payment of Bangladesh constitutes 13.5 percent of the entire budget outlay. It is almost double of health sector allocation (6.6%) and only one percent less than the allocation for education (14.5%) which is the highest line item 2007-08 budget.

Bangladesh paid Tk 856 crore in the fiscal year 2001-02 as interest against foreign loan. This year Tk 4,098 crore has been earmarked for foreign debt servicing and this will be paid in foreign currency. Bangladesh will need to take more

loans from the World Bank and IMF to pay the cumulative interest which has created a snowball effect on debt accumulation.

A particular aspect related to aid is that, it is a powerful tool to open up markets for the lenders in host countries. Only well-targeted aid sometimes makes a lot of sense. But long time dependency on it demolishes the potentiality of a country and cripples the domestic economy. Bangladesh is not an exception to this. But Bangladesh is not among those, which have refused to take further loans from the lenders after repaying the debts. Aid, according to them, is a harsh exploiter of the world's poor.

In fact, Bangladesh has got an aid addiction. The successive governments frantically tried to coax the lenders and donors for securing aid, despite the quality of grants and loans was often open to question. The caretaker government also could not surpass this predicament.

One cannot ignore the reality that has been revealed in the budget for 2007-08. Foreign grants and loans will contribute some Tk 10,403 crore, which is only 7.9 percent of the total budget outlay. Experts believe that this is the highest line item 2007-08 budget.

Bangladesh

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A.N.M. Nurul Haque is a columnist of The Daily Star.

## BY THE NUMBERS

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## The new formulae of Bangladesh politics

This view, with growing disenchantment with the present administration, will gather popularity. This is not an arm-chair conspiracy theory and thus cannot be dismissed easily. The 1/11 was, in this view, launched not to remove the BNP-Jamaat regime but to salvage that regime by removing the indefensible culprits. It was not a revolution; it was a reform of the old regime. It was a triage. You sacrifice some that are not worth saving so that you as a team can win at the end. The onus is on the CTG to remove these allegations by their deeds and not words.

HABIBUL HAQUE KHONDKER

**W**RITING in the Daily Times of Pakistan, Ambassador William Millam who served as US ambassador to both Pakistan and Bangladesh and now at Woodrow Wilson Center in Washington, DC, commented: "[T]he news from Bangladesh is more worrisome than the news from Pakistan. But the news from both is ambiguous. What is worrisome is not that the leaders of the two major parties of Bangladesh are being sidelined. That must be done as they have led their parties, and their nation,

almost into anarchy. It is the method of their sidelining. Will it make them into martyrs and reinforce the loyalty that many of the party faithful feel towards them. Or will it be done with the delicacy and finesse that it deserves."

He wrote this after the arrest of Sheikh Hasina. "Down or Up the Slippery Slope?" was the title of Mr. Millam's comments.

Since the winds of reforms began blowing, a favorite formula on the mind of the reformers and aided by the government was to drop the two matriarchs of Bangladesh politics. This was as idealistic and naive as eliminating

Ambassador Millam calls "ambiguity." The exile plan did not work but the government has not given up. But the strategy of tackling the two influential leaders is neither practical nor necessary.

Politics is the art of possible, not the agenda of desirable. Politicians and policy makers must have dreams drenched in hopes and the poetic language to express them. However, real politics is more prosaic.

By pursuing a "plus two" formula the government could give some semblance of stability which they need to complete their anti-corruption drive. Political house cleaning is not like demolishing an old brick and mortar house so that a new structure can be built in its place. If you do that, the residents become homeless and unstable for the time being. A more appropriate strategy would have been more like re-doing a thatched house where you take out the roof, put a new one, change the wall one at a time and finally you

change the poles one by one so that the house still remains standing through out the process. The residents of the house have a shelter and a sense of stability. The latter would have been a more pragmatic strategy. Why kill the birds? Clip the wings and the birds will meet the fate of the Dodos.

The worst possible strategy has been "minus one." In doing that, the government has muddled the water. Popular columnists like Mr. Abdul Gaffar Chowdhury who has been an ardent cheerleader of the post-1/11 CTG has now started to doubt the real motive for the take over. According to Mr. Chowdhury -- in the Janakantha of July 25 -- and the analysts he refers to, 1/11 was an attempt not to bail out a nation but to save the BNP-Jamaat alliance government against the secular, liberal forces of the 14-party alliance led by Sheikh Hasina.

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The onus is on the CTG to remove these allegations by their deeds and not words. All charges of corruption must be investigated, but there should be some logic to it. The corruption of 2001-2006 must get precedence over 1996-2001. At least that's what common sense suggests. Sheikh Hasina was the indefatigable leader who led the 14-party alliance to challenge the BNP-Jamaat regime. How can we forget it so fast? Yes, many people complained about strikes at that time. These are people who had

no problem with the organised

corruption of Khaleda Zia regime. Those who accuse Hasina of creating chaos in the last days of BNP rule. The charge of unrest if stretched a little bit far would be comparable to accusing the freedom fighters of committing violence.

Those who opposed the sham election of February 15, 1996 (where Mrs. Zia won against Bangabandhu killer, Major Rashid) were heroes -- especially, the civil servants of the Janata Mancha. That sham election was a low point, a moment of shame in the political history of Bangladesh.

The four advisers who quit the early CTG refusing to be part of a