Right to Information Act: Is now the right time?

ANIR CHOWDHURY

ACCESS to public information is vital, not only for establishing a democratic, open, transparent, and accountable government but also for fighting against poverty and accelerating human development. The lives and livelihoods of the poor and marginalised are compromised because they do not have access to the right information at the right time.

Lack of market price information puts a farmer in a disadvantageous position in negotiating the price of his/her produce. Lack of correct health information puts the poor pregnant woman in a remote village at risk of losing the child. Lack of knowledge of legal recourse leaves the abused wife in a perpetual violation of her human rights. Lack of knowledge of what relief supplies have been sent by the government to a flood-affected area cheats the deserving of their rightful share.

The UN General Assembly in 1946 adopted Resolution 59(I) stating, "Freedom of information is a fundamental human right and the touch-stone of all the freedoms to which the United Nations is consecrated." Article 19 of the Universal Declaration of Human Rights states "Everyone has the right to freedom of expression; this right includes freedom to hold opinions without interference and to seek, receive, and impart information and ideas through any media and regardless of frontiers."

Article 39 of our country's constitution guarantees freedom of thought, conscience, speech and press. It is very easy to realise the powerlessness of this freedom of expression clause if access to information is blocked. What information would the media work with? What information would citizens make decisions with? Who would they vote for if they did not have enough information about the candidates? If we hold these global and national declarations with any kind of seriousness, we must ensure people's right to information.

The concept of information as a sacred cow came from the times of colonial rule, when it was necessary to keep information secret to guarantee the relationship between the rulers and the ruled. The rulers were not accountable to the people. The shroud of secrecy was part of administrative norm, and a way for the rulers to exercise might.

Unfortunately, just as we kept the goodphysical infrastructure like the railwaywe inherited and preserved the bad as wellThe Official Secrets Act of 1923 and The Evidence Act of 1872. Furthermore, instead of reforming these acts according to the needs of the modern day and age, we fortified the wall by introducing Government Servants Conduct Rules in 1979 and The Rules of Business in 1996. The relevant clauses restrict the government employees from releasing information to the public, and mention a variety of penalties in case of violation.

It is perfectly justifiable to block sensitive information about national sovereignty and security. However, the vast majority of information that gets blocked today is not nationally sensitive. Most bureaucrats would tend to agree with this.

And yet, because of legacy statutes, they have to sit behind the wall and deprive citizens of their rightful share of information, even in cases where there is genuine good intention. Bureaucracy teaches one to be safe. Since there is no incentive to share information with the public, and every potential disincentive to do so, the natural course of action for bureaucrats is to stay safe by keeping all government information locked away.

The common citizen of Bangladesh grows up with the impression that he/she is not entitled to much information at all. Even in cases where the information is directly linked to the citizen's livelihood and welfare, he or she is not privy to that information.

Ask a day labourer whether he was given his allocated share of remuneration at the end of the day by the contractor; he does not know, and does not even think of asking. Ask a parent whether she has received the stipend allocated by the government for her school-going daughter; she does not know, and is scared to even ask. Ask the villagers if they know what share of the allocated budget is being spent on the bridge being constructed over the small stream; the villagers will typically express grave concern that misappropriation of funds was very likely, but they dare not investigate the matter further since they have no information on how much was allocated and how much was being spent.

Lack of a law that mandates the government to make public any information that is not a threat to national sovereignty and security sets the stage for corruption at every level of the society and administration.

In 2006, over 68 countries had legislation to facilitate access to state records. Transparency International's Annual Corruption Perceptions Index 2005 shows that nine out of ten least corrupt countries had some sort of Right to Information law enacted, and nine out of ten most corrupt countries did not have such legislation.

All is not lost in our beloved country. The Bangladesh Law Commission in 2002 put together a Working Paper on the Proposed Right to Information Act. A local non-government organisation, "Manusher Jonno," which works on human rights issues, drafted a Right to Information Bill in 2006.

The Commonwealth Human Rights Initiative in India provided a detailed review of both of these documents. Any reasonable draft of the bill needs to be taken through a comprehensive consultation process with the stakeholder groups, namely the public, media, government servants including the local government representatives, civil society, and the commercial private sector to make sure all groups impacted by the law are able to participate in shaping it. The consultation process was not thoroughly pursued, but must be done before placement of the bill for cabinet approval.

Some reviewers of the current draft bill would like to include non-government organisations, development partners, and even multinational companies that have influence on millions of lives, in the definition of "Public Authorities" that must disclose information to the public.

Like many clauses in the current draft bill, this may create widespread debate. This kind of debate is much better done before enactment of a law than post fact. Otherwise, the act may not see the light of implementation after all.

Public debate has the vital by-product of creating public buy-in as well. Pakistan's Freedom of Information Ordinance 2002 is a good example of the government's attempt to promulgate a law without consultation with stakeholder groups.

The law has been highly criticised for having defined the exemptions too broadly, thereby making access to information extremely difficult. Nearly all records may be exempted from public access by classifying them as important for national security. Thus, the law has hindered rather than eased the process of information access by the public.

A public interest legislation as important as the Right to Information Act must not be restricted to a mere document and the Information Commission it proposes. Almost all government agencies must have the

capacity to conform to the provisions of the law, such as the ability to deliver information demanded by a requester within a specified period of time.

With all good intentions, if the government agency is not equipped to deliver the information, numerous public interest litigations may be the result, rather than actual delivery of information. This will certainly not benefit the common people for whom the act is intended, and will waste public resources.

Indian RTI Act requires every public authority to computerise its records for wide dissemination, and to proactively publish certain categories of information so that the citizens need minimum recourse to request for information formally. While such widespread computerisation is a far cry in Bangladesh, significant steps in the positive direction can be taken by producers and carriers of large volumes of information, such as "Agricultural Information Services" department of the Ministry of Agriculture (MoA), Public Health Engineering Department of Ministry of the Health (MoH), and many other similar organisations.

Various e-governance initiatives being taken in the country will do well to keep the spirit of citizen's Right to Information as they go about defining what scope of information to track in their databases and publish on their websites.

Finally, it is important to realise that it is just as critical to ensure the information flow from the government to citizens as it is for the reverse. People's democratic rights can only be guaranteed if their voices are heard in the decision making process of the government. That must mean more than casting the ballot once every five years. Ensuring this bi-directional information flow between citizens and the government must be a mandate of our government.

The current caretaker government has relentlessly focused on eliminating corruption and establishing transparency and accountability within the government machinery. Ensuring people's access to much needed information should be a part and parcel of this initiative.

Enacting a Right to Information Act is a natural consequence of the measures being taken by the caretaker government. In fact, a proper RTI legislation will make many of the changes in the government sustainable. At the same time, it must be noted that the promulgation of the law must be accompanied by exhaustive consultation with stakeholder groups, awareness raising of the public, and progressive capacity building of government institutions. Only then, the RTI Act will have the teeth to be durable.

Anir Chowdhury is a freelance contributor to The Daily Star.

Rue de Lausanne 154: The struggle within

MUSTAFA MOINUDDIN

IF India and Brazil are to be blamed for having demonised the trade talks under the Doha Development Agenda (DDA), then the United States and the European Union are playing the role of monsters in this game.

The world witnessed yet another breakdown of efforts to revitalise the Doha Round, this time in Potsdam on June 21. It is the same old story, with persistent divisions among the self-styled leaders, the US, the EU, India and Brazil. The latter two, who represented the developing country members of the WTO, complained about the meagre agricultural subsidy cuts offered by the Americans.

Europe is accused of zealously protecting its farming industries. The US and the EU, on the other hand, blamed the developing countries for their unwillingness to cut tariffs on manufactured goods.

The developed countries contended that the concessions offered by the developing countries were not significant enough for them to undertake such politically sensitive measures as insisted on by the developing countries.

Albeit, a déjà-vu outcome even for people with scrappy knowledge of the WTO and trade issues. The deadlock among the so-called G-4 countries, however, has far-reaching consequences on the Doha Agenda, and, consequently, on the future of multilateral trading system.

For one thing, the fast-track authority of the US president to negotiate trade deals expired on June 30 this year. Put differently, the ratification by the US of any possible trade deal is much harder now.

We saw it in Cancun in 2003; we saw it in Hong Kong in 2005. Then came the declared suspension of the DDA in 2006, and now the G-4 talks have collapsed. The first round of multilateral trade negotiations under the auspices of the WTO is threatened by the possibility of no deal at all.

As enthused as we might be to see some ray of light for a successful conclusion, it also gives us some points to ponder on about the crux of the problem for a WTO round which is supposed to be a "development" round. I think a simple and straightforward answer to this puzzling question could be the lack of interest among the principal stakeholders.

While Brazil will certainly enjoy significant benefits by ensuring access of its agricultural products to the developed country markets, India is more interested in securing the services markets, and in maintaining its industrial tariffs. Agriculture is not a priority for India; rather it is taking a strong stance against opening up its own agricultural sector to international competition.

The US and the EU find market access of their goods to the developing countries relatively insignificant, as compared to trimming their agricultural subsidies or opening up their markets for agricultural products. In many instances, developed countries can bypass the multilateral framework and fulfil their market access objectives more easily through bilateral agreements.

Added to this is the not-so-appreciated but still strong reason of the past unilateral trade reforms. Such unilateral reforms create a gap between the tariff rates that countries actually apply, and the "bound," or maximum, tariff rates that they are committed to maintain.

Historically, the WTO negotiators deal with bound tariffs. But due to the gap mentioned above, proposals for tariff reduction become less attractive to the exporting nations. For example, the American offer in Potsdam to slash its trade-distorting agricultural subsidies to about 17 billion Dollars a year is actually nothing but eyewash; it would actually allow the Americans to increase their farm support from last year's expenditures, which stood at about 11 billion Dollars. Similarly, developing countries were reluctant to offer tariff cuts in the effective tariff levels.

Besides, both the US and the EC are still dealing with the political and economic consequences of issues such as the expiration of the multi-fiber arrangement and the enlargement of the European Union. So, opening up markets, they consider, will be politically painful and economically expensive.

In other words, as Aditya Mattoo of the World Bank and Arvind Subramanian of the Peterson Institute observed, the principle of reciprocity, as practiced in multilateral trade negotiations under the WTO, is in distress because the parties do not consider the concessions to be similar. Thus, concluding a Doha Round trade deal is not in the best interests of many of the major players.

Many developing and least developed countries, including Bangladesh, will be interested to see some liberalisation in labour mobility under the Doha Agenda, known as Mode 4 in the trade parlance.

Although studies suggest that even a modest liberalisation of Mode 4 trade could trigger tremendous gains, as compared to those expected from a full elimination of trade barriers to goods, the developed countries' immigration policies in this regard have remained quite harsh, offering only resentful concessions.

The political difficulties in Mode 4 liberalisation have recently been further intensified by the increased fear of terrorism. Labour mobility, in most of the cases, is dealt with on a bilateral basis, and it is unlikely that the multilateral framework will see any progress in this area.

Within this backdrop, chances are slim even for a toned-down deal in the foreseeable future, let alone a far-reaching accord that was envisioned in Doha six years ago. The near-death experience of Doha in Potsdam almost confirms that the much-sought conclusion of the Round is unlikely before the US election campaign begins in early 2008.

But what does this mean? And what are the likely ramifications on the multilateral trading system? Well, there is no simple answer to it. First and foremost, the collapse of the talks in Potsdam has brought the negotiations back to 154 Rue de Lausanne in Geneva, the WTO headquarters.

Even before the collapse, a number of developing countries expressed their concerns and unease with the G-4's secret talks, arguing that they did not expect these two developing countries, i.e. India and Brazil, to represent the views and positions of all developing countries.

Now that negotiations are back to Geneva, further negotiations will be conducted under the chairs of the agriculture and non-agricultural market access (NAMA) talks, who have been preparing draft agreement texts in parallel with the G-4 negotiations.

There are calls for officially recognising the DDA as dead, too. As explained previously, not many of the major players have much stake in this Round. Countries such as Bangladesh, and other LDCs, will not care for it much either, as long as they continue to enjoy duty and quota-free access to the EU market under the GSP scheme.

Many people consider the Potsdam Round a flop, and the subsequent deadlock to be a victory, as the US and Europe failed to impose their preferred decisions on the other countries. But a collapse of the Doha Round will put the legitimacy of the WTO at stake.

The multilateral system is already at risk of being sidelined due to the proliferation of regional and bilateral free trade agreements. Failure to get a respectable result in the DDA will further aggravate the situation by significantly undermining the authority of the WTO.

Both small and large developing countries are likely to get hurt. An expected increase in north-south free trade areas, for example, will see more arm-twisting by the trade negotiators from the industrial countries. Larger developing countries will face more difficulties in accessing the rich countries' markets, as the latter will find ways to raise trade barriers against the former.

Finally, the failure of Doha will lead to a sharp increase in WTO litigations, as it is likely that the members will then resort to the WTO dispute settlement mechanism to pull off some of their trade liberalisation goals.

US policymakers will definitely not like to see their policies being changed due to WTO verdicts. The result will be a US with antagonistic attitudes towards trade, further demeaning the legitimacy of the WTO.

The most likely outcome, however, is that the Doha Round will, just as it had in July 2006, once again go into hibernation for an indefinite period of time. For the WTO members, it is now important to think afresh about structuring future trade negotiations. Focus should be on finding a way forward, and not on the failures.

There are a number of areas within the DDA where much progress has been achieved. Notable among them are negotiations on liberalization of environmental goods and services, on WTO's relationship with multilateral environmental agreements (MEAs), and on information exchange between MEA secretariats and WTO committees, as well as on curtailing fishery subsidies.

All these achievements are hostage to agriculture and manufacturing market access issues. It is important to note that the G-4 countries cannot negotiate the final Doha accord. As the WTO Director-General Pascal Lamy said, the Doha Round is by no means "a negotiation among just four players, it is a collective endeavour" among the whole membership of the WTO.

A collective political will, therefore, is needed for the success of further negotiations. To ensure that this happens, I guess the tasks ahead for the Rue de Lausanne 154 under Pascal Lamy are anything but trivial.

Mustafa Moinuddin, a Trade Policy Analyst, is currently a PhD Candidate at the Yokohama National University in Japan.

The inflation debate

SYED A. BASHER AND SHARIF FAISAL KHAN

THE rise in the inflation rate has prompted two views about the causes of higher inflation in Bangladesh. One is the cost-push inflation, which is typically caused by supply shocks such as flood, drought, and oil price hike. The other is the demand-pull inflation that occurs when the aggregate demand (AD) in an economy outpaces the aggregate supply (AS). This article has two objectives: first, it identifies the leading source of the current inflationary pressure in Bangladesh using economic data and the famous AD-AS model. Second, it argues that more aggressive contractionary monetary policy is needed to pull down the inflation rate to below 2%.

Before progressing any further, let us briefly review the AD-AS model. In the AD-AS model, the AD curve is downward sloping because when the price level (P) rises, the aggregate quantity (Q) demanded falls.

The components of the aggregate demand are consumption spending, investment spending, government expenditure, and net exports (exports less imports). By contrast, the short-run AS curve slopes upward because, firstly, we assume that the prices are somewhat flexible in the short-run and secondly, to induce firms to supply more output, the price level has to rise.

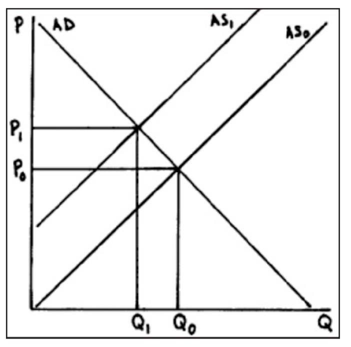

Fig 1: Cost-push inflation

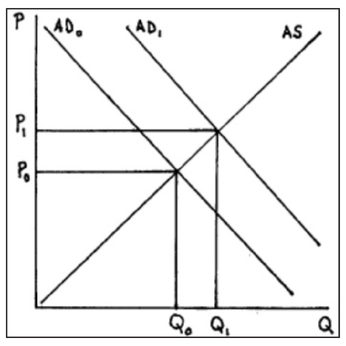

Fig 2: Demand-pull inflation

The short-run equilibrium price and output are determined by the intersection of AD and AS curves (the point where the aggregate demand equals the aggregate supply). See Fig. 1 for a graphical representation of the AD-AS model.

Cost-push inflation (also known as supply-shock inflation) basically means that prices have been pushed up by increases in costs of factors of production, such as oil.

Globally, oil price has increased from mere $25 per barrel in mid-2003 to over $70 as of this writing. This has prompted Bangladesh's government to raise the domestic fuel prices gradually, including the highest increase, by Tk. 7-9 per litre, in April 2007.

Meanwhile, the share of oil imports as a percentage of the country's total import bill rose from 9.2% in 2004/05 to 13.6% in 2006/07. We can analyse the impact of such an oil-price shock using the AD-AS model. Suppose, prior to the oil-price shock, the economy was operating at the equilibrium point E0 with aggregate output at Q0 and price level at P0 -- see Fig. 1. As the oil-price shock hits the Bangladesh economy, the cost of production increases leading to a decrease in the aggregate amount of output supplied by the firms.

Graphically, this can be seen by a leftward shift in the AS curve from AS0 to AS1. As a result the economy moves from equilibrium E0 to E1. At the new equilibrium E1, output decreases to Q1 while price level increases to P1, implying that oil-price shock has contributed to inflation and negative output growth.

If we match the predictions of this model arising from an oil-price shock with recent data on real GDP growth rate and inflation rate, we will find a contradiction. The annual average CPI inflation increased from 5.83% in 2003 to 7.02% (12-month annual average) in April 2007, while the real GDP growth rate over the same period increased from 5.3% to 6.6% (estimated).

Thus, supply shock alone cannot explain the persistence inflationary pressure in Bangladesh. This analysis also contradicts the view expressed by CPD economist Debapriya Bhattacharya, who recently said that: "inflation rate is increasing due to problems on the supply side, not for increased demand as explained by the IMF" (The Daily Star, July 15). Below, we argue that demand shocks have played a larger role in the persistent inflationary pressure in Bangladesh.

One can easily see that despite the record high oil and other commodity prices, the real GDP growth has been increasing over the years (from 5.3% in 2003 to 6.6% in April 2007). This feature agrees with the proposition of demand-pull inflation, which argues that inflation arises when aggregate demand in an economy outpaces aggregate supply.

In recent years, strong export demand, expansionary fiscal policy, large inflow of remittances and higher growth rate of money supply have contributed to strong aggregate demand for goods and services in Bangladesh. The year-on-year growth rate of broad money (M2) increased from 11.9% in June 2004 to 18.2% in May 2007.

This excessive growth in money kept the real interest rate (actual cost of borrowing after adjusting for inflation) relatively low. The lower real interest rate in turn has stimulated consumption, investment, and government spending, resulting in an overall increase in the aggregate demand for goods and services.

In the AD-AS model, an increase in the aggregate demand can be shown by a rightward shift in the AD curve, from initial AD0 to AD1. As a result, the equilibrium moves from E0 to E1 -- see Fig. 2. At the new equilibrium (E1), the price level increases to P1, while the output level increases to Q1. Therefore, a positive demand shock leads to both higher inflation and higher economic growth. Clearly, these two features are consistent with the actual data reported above. In fact, Bangladesh's economy has been affected by both adverse supply shocks and positive demand shocks. However, based on the AD-AS analysis and macro-data, we can argue that the demand shocks have been stronger than the supply shocks. This leads us to conclude that increased demand is the leading factor behind the persistent inflationary pressure in Bangladesh.

In the presence of inflationary pressure, central banks generally pursue a contractionary monetary policy to fight inflation. Under a contractionary monetary policy, a central bank decreases money supply in order to raise the interest rate.

Higher interest rate reduces consumption and investment spending. As a result, aggregate demand falls, causing both inflation and output to decline. In the short-run, there is a trade-off between inflation and real GDP growth.

If we want to reduce inflation, we will have to forgo higher output growth in the short run. Over time, as people revise their inflationary expectations downward, the output growth will increase. That is, in the long-run there will be no trade-off between inflation and real GDP growth rate.

The Bangladesh Bank (BB) claims that it was following tight monetary policy over the period January 2006 to June 2007, and shall continue to follow the same for the next 6 months effective from July 2007.

According to July 2007 Monetary Policy Statement, Bangladesh Bank's "monetary policy is accordingly designed around a projected real GDP growth rate, and moderate level of CPI inflation attainable/sustainable without unduly depressing output." Real GDP growth rate is projected to be 7% in 2008. To achieve this growth target, "BB's monetary policy will target an annual average CPI within a range of 6.5-7.0% for FY08." For BB, higher rate of economic growth is the first priority.

Bangladesh Bank is NOT aiming to pull down the inflation rate. Despite the hue and cry among the public, we are surprised to see that the Bangladesh Bank is basically trying to keep the inflation rate at the level of the past 3 years. In the fiscal years 2004 and 2005, the average annual CPI inflation rates were 6.49% and 7.16%, respectively.

This rate was 7.02% in April, 2007. Since BB is knowingly sustaining the inflation rate around 7%, the BB as well as the government (because BB's policy is influenced by the government) should take the responsibility of the current inflationary pressure in the economy.

We think that under the veil of "cautious and restrained" monetary policy, BB was basically undertaking expansionary monetary policy to validate or support the government's expansionary fiscal policy, especially during the period from January 2006 to June 2007.

The expansionary nature of BB's monetary policy is evident from the growth rate of broad money. The year-on-year percentage change in broad money increased from 14.2% from June 2005 to 18.2% in May 2007. As a result, the real interest rate decreased to approximately zero or negative, leading to higher consumption and investment spending, huge government borrowing, and, thus, higher inflation.

For instance, the nominal interest rate (yield) on 364-day treasury bills in June 2007 was 8.48%. The expected CPI inflation, reported by Economist Intelligence Unit, in 2007 on average is 7.5%. Therefore, the real interest rate, which is calculated by taking the difference between nominal interest rate and expected inflation rate, is approximately 1%.

However, the real interest rate of 1% overestimates the actual cost of borrowing. If we consider the expected rate of change in the domestic currency, we see that the value of the Taka against the US Dollar decreased by an annual average rate of 4.03% over the period from July 2005 to June 2007. Adjusting for the domestic currency depreciation and the premium for the risks associated with investing in Bangladesh, the real interest rate drops well below zero.

The evidence of negative real interest rate on 364-day treasury bills shows that the government itself has the incentive to keep the inflation rate high, so that it can borrow money from the public and the banking system free of cost. No wonder we are not seeing any aggressive contractionary monetary policy from Bangladesh Bank, by solely targeting to pull down the inflation rate below 2%!

The authors, respectively, are affiliated with York University and Queen's University, both in Canada.

Corrigendum

In the article "GOPAC in Dhaka," published on July 29, speaker of the parliament, Jamiruddin Sirkar was mistakenly identified as the former speaker. We regret the error.