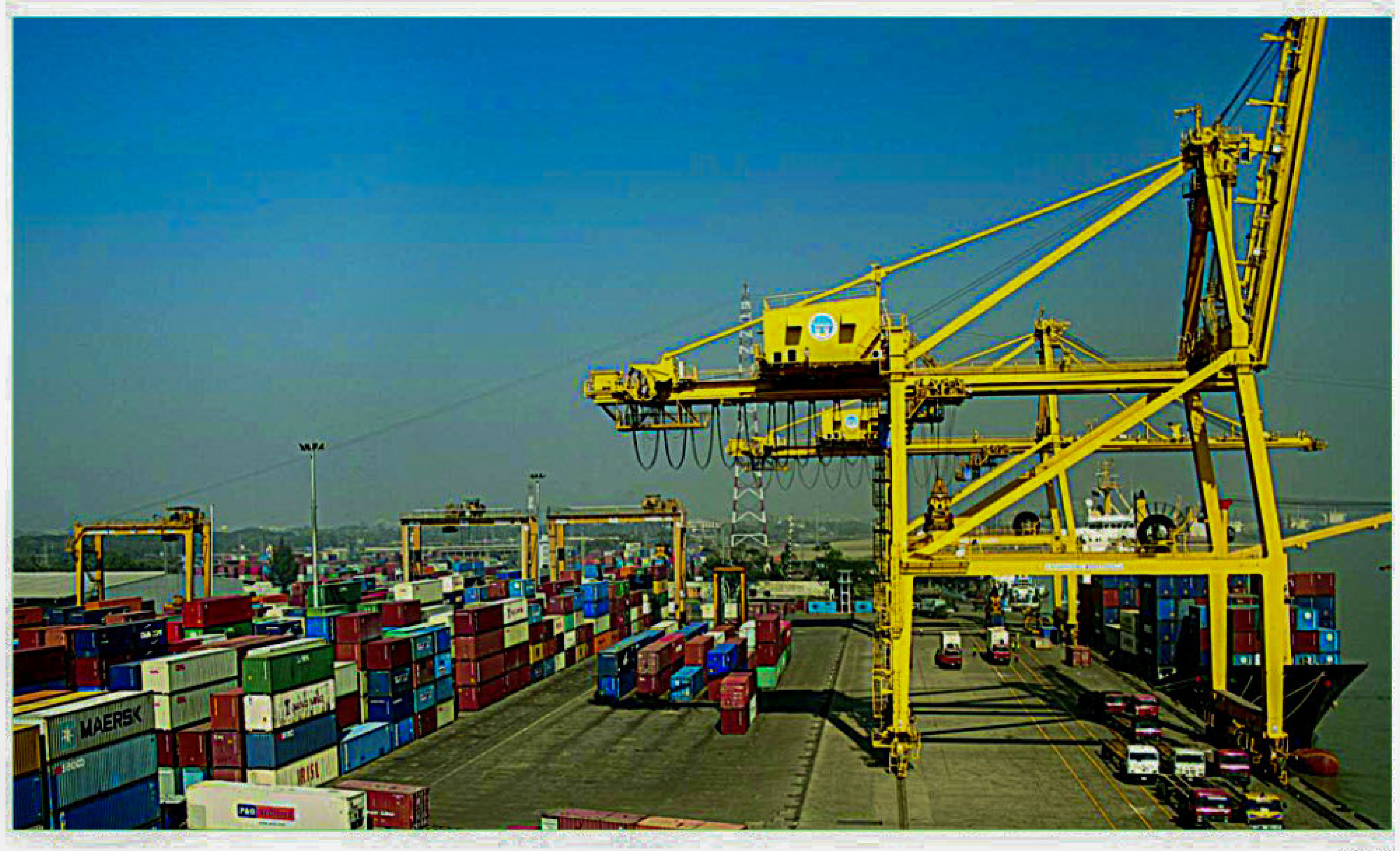
Rush for a transit deal

ASJADUL KIBRIA

Top policymakers of the country are now in a mad rush to strike a transit deal with India. They are publicly soliciting for immediate signing of the deal by saying that the country has been waiting for 40 years that put us in flipside. So, there is not a single day in our hand to spare.

It appears that the government wants to seal the deal during the upcoming visit of Indian premier Manmohan Singh in September this year. While providing the transit facility to India as well as Nepal and Bhutan is nothing wrong, hurrying for fixing a deal without sufficient homework and in a non-transparent manner becomes a matter of serious concern.

Moreover, some policymakers are airing fabricated figures on the benefit of transit that simply misguide people. Billions of dollars can be earned by allowing transit, they claimed, saying that long-run return is awesome when one considers beyond the financial benefit. If these are so, what are the bases of such overwhelming expectations? Moreover, what drives the policymakers to strike a quick deal, if such benefits are guaranteed for Bangladesh?



India has long been seeking to use Chittagong Port.

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When two premiers of Bangladesh and India have signed a joint communiqué in New Delhi in January 2010, providing transit facility to India along with uses of Chittagong and Mongla ports was in principle agreed by Bangladesh. Interestingly, after the signing of joint communiqué, almost 10 months have lapsed without any comprehensive homework for transit.

The issue came into public when the economic affairs adviser to Prime Minister Sheikh Hasina publicly declared that Bangladesh should not collect any transit fee from India as it goes against the principle of the World Trade Organisation (WTO). His misinterpretation of WTO provisions sparked huge debate. Later, at the end of 2010, the government has formed a core-committee under the umbrella of Bangladesh Tariff Commission to formulate a position paper on transit and transhipment.

Although the committee prepared a draft after hectic exercise in a short period, a major drawback of the report is presumptions it has to rely on. For example, 17 road, rail and river routes for transit are identified on the presumption that India as well as Nepal and Bhutan will choose within these routes to enjoy transit. But, it is still not clear whether the transit partners, especially India, are also looking for these routes. Even if India chooses among these routes, it will not use all the routes at a time. So, it is important to know which routes get Indian priority. Accordingly, Bangladesh can fix its investment plan to improve infrastructure.

Again, the estimation that a total of 17.4 million tonnes of domestic and international cargoes will be diverted for transit through Bangladesh is also based on the assumption that traders will fully utilise identified routes as they will find these cost-effective. The estimation is, however, prepared by M Rahmatullah and Md Yunus in an Asian Development Bank sponsored study, which is yet to be public. How can we be assured that such a big trade diversion will take place even if we offer full-fledge infrastructure support?

Definitely a huge reduction in distance will bring down time and cost of transportation as well as business. For example, by using Benapole-Tamabil route, road journey from Kolkata to Shillong will come down to around 500km while existing distance through Shiliguri 'chicken neck' is around 1,180km. But, transporters and traders will not quickly jump to the offered routes. Rather they will opt for trial run for a few months to check how comfortable the journey is.

Thus, the basic thing is, it is not possible to make any comprehensive transit offer without extensively examining the requests and interests of the user parties i.e. India or Nepal. And it is also not possible to entertain all the requests forwarded by India, as Bangladesh has to clearly identify prospects and problems regarding transit. So, any pre-emptive move, as happening now to some extent, will not be viable.

In fact, providing transit is a matter of comprehensive negotiation as long as trade and economics are concerned. Such negotiation cannot be concluded within a couple of months. Rather, to set the stage of transit negotiation, a framework agreement is essential. A framework agreement is an initial document outlining key principles and provisions of a larger agreement. As transit agreement requires detailed stipulation, it is good to start with a framework agreement.

Unfortunately, our policymakers have spared almost one year without signing such a framework agreement. It the agreement was signed immediately after the high-level meeting of the two premiers, significant progress could be made on the transit issue.

Under such agreement, Bangladesh and India could exchange respective interests and determine mode of full-fledge negotiation. Meetings under the framework could provide some signals on India's interests and willingness to pay on transit. Thus, formulation of a comprehensive position paper becomes easier. More real world facts are available to make offer rather than presumptions. Not just identification of routes, but also priority for investment among the routes can also be easily determined, for example. Thus any rush for transit deal can be avoided.

Another big problem is, Bangladesh is yet to formulate its transit-transhipment policy. Without having a transit policy, it is difficult to negotiate properly and all the related exercises will be distorted. Although Finance Minister AMA Muhith, in his budget speech, tried to outline the government's view on transit, he did not mention anything about transit policy. The minister, however, mentioned about transit rules and regulations. But how can the government set any regulation without having any transit policy?

So, two fundamental steps need to be taken to make the transit deal sustainable and viable in the long run. One is, formulation of a transit policy so that people can have a clear idea whether we should focus on bilateral or sub-regional transit, or go for regional context in near future including China and Myanmar. Second is, signing a framework agreement with India to expedite negotiation. The core-committee paper can furnish the basic inputs for these two works.

Interestingly, India has forwarded their proposal seeking to use the road, railway and facilities of Chittagong and Mongla ports in April this year. Indian proposal mentioned 15 routes to carry out export-imports with third countries as well as transportation of goods to and from north-east India. Moreover, the proposal also offered to sign a protocol for seven years for allowing uses of Chittagong and Mongla ports. Although it is not understandable why India makes delay on submitting the proposal on transit, it is clear that India has made its homework upholding its interests which is not unexpected.

As we have no framework agreement and no policy, any quick move on the basis of Indian proposal will be risky. As India also drafted a protocol and forwarded it to Bangladesh, the country wants to proceed with the draft. The way senior policymakers in Bangladesh are now talking and moving for a quick transit deal, it may be presumed that they are also happy with the Indian draft. And they are virtually ignoring the core-committee recommendations.

But, such a mad rush will ultimately make a long-term win-win transit deal very uncertain and almost impossible. When these policymakers are asking people to come out of 'narrow mind set' and become 'civilised', they are putting the whole potential of transit into narrow surroundings.

The author is the deputy business editor of Prothom Alo and can be reached at asjadulk@gmail.com

Impact capital is the new venture capital

SIR RONALD COHEN

Broadly speaking, capitalism does not deal with its social consequences. Even as communities grow richer on average, so the gap between the "haves" and the "have-nots" increases. For example, since the mid-1970s, both the USA and UK have actually become less equal rather than more equal. In the long post-war boom many governments did make significant headway in ameliorating the consequences of social inequality. This can be seen in levels of investment in areas such as health and in critical performance measures such as life expectancy. Nevertheless, governments, despite their best efforts and even in the best of times, have not been able to resolve all social problems.

Commentators on one side of the political spectrum attribute this failure to the lack of resources available to the state and to the state's reluctance or inability to act appropriately. Commentators on the other side attribute government's shortcomings to the inherent inefficiency of the state itself. The truth is that the political process, which focuses on short-term gains, does not favor long-term, preventative investment of the type required to address major social problems.

AFP

Microsoft CEO Steve Ballmer launches Microsoft Office 365, the company's newest cloud productivity and collaboration service for businesses of all sizes, in New York on Tuesday.

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Some argue that the social sector's problem is that it is significantly under-resourced. Others argue that the insufficiency of resources is in part a consequence of the sector's reliance upon philanthropy from foundations and from individual donors that can be unpredictable. Both critiques may be correct: the social sector has a problem in accessing capital, often because of a lack of a reliable revenue stream, and, as a consequence, it is inefficient, especially in respect of building sustainable organizations, securing funding and utilizing assets to support large-scale activity.

Recent moves to make the social sector more efficient, by focusing on improvements to the management of both the donors and the recipients of grants, are an important development. The Bill & Melinda Gates Foundation applies rigorous criteria to the assessment of the performance of organizations in receipt of its grant funding. Michael Dell's philanthropic work is similarly rigorous. Their goal, according to Harvard professors Robert Kaplan and Allen Grossman, is, essentially, "to find and fund the Microsofts and Dells of the non-profit sector."

In fact, such moves are more necessary than ever, as deficit-ridden governments seek to pass greater responsibility onto the shoulders of the social sector. An example of this is the UK Coalition Government's strategic objective to foster the "Big Society." In essence, the Big Society agenda seeks to pass a significant portion of responsibility for social cohesion back to the community via the voluntary sector, and, at the same time, to confer greater legitimacy upon such community work and to provide incentives and support for it. However, the social sector as currently constituted is unlikely to be able to address the scale of the social need; or, to put it another way, to meet the scale of the social challenge.

This is where social entrepreneurs come in. We know that entrepreneurs create jobs and foster innovation. In that sense, they already make a substantial social contribution. But entrepreneurs have special qualities that could make a significant beneficial impact were they to be applied to social issues. The entrepreneurial mindset embraces leadership, vision, the ability to attract talented people, drive, focus, perseverance, self-confidence, optimism, competitiveness and ambition. To these one might add an appetite for taking informed risks, an unwavering focus on results, a willingness to take responsibility, a grounded sense of realism, astute judgment of opportunities and people, and a fascination with the field of enterprise in question. The engagement of entrepreneurs in the social sector, bringing in their wake high expectations of performance, accountability and innovation, could lead to significantly increased social impact.

Could the social sector be transformed to allow the emergence of entrepreneurs from within its own ranks and attract social entrepreneurs and capital on a large scale? The answer is yes, provided that we can create an effective system to support social entrepreneurship, by linking the social sector to the capital markets and introducing new financial instruments that enable entrepreneurs to make beneficial social impact while also making adequate financial returns for investors. Given these conditions, it is possible that social entrepreneurs and impact investors will significantly fill the gap between social need and current government and social-sector provision. Indeed, were social enterprise to achieve significant scale, it would transform the social sector and lead to a new contract between government, the capital markets and citizens.

In this process, charitable, institutional and private investors, attracted by the combination of social as well as financial returns, would bring into being a new asset class: impact investment. In a recent report, JP Morgan came to the conclusion that impact investments already constitute an emerging asset class: "In a world where government resources and charitable donations are insufficient to address the world's social problems, impact investing offers a new alternative for channeling large-scale private capital for social benefit. With increasing numbers of investors rejecting the notion that they face a binary choice between investing for maximum risk-adjusted returns or donating for social purpose, the impact investment market is now at a significant turning point as it enters the mainstream… We argue that impact investments are emerging as an alternative asset class."

This new asset class requires a specific set of investment and risk-management skills; it demands organizational structures to accommodate these skills; it must be serviced by industry organizations and associations; and it must encourage the development of standardized metrics, benchmarks and even ratings. As has been observed by the impact-investment firm Bridges Ventures in the UK, such an asset class should provide welcome diversification for capital markets: at times of economic stress, price-sensitive business models appropriate to lower income neighborhoods can prove more resilient and also find wider applications in the mainstream market as both margins and consumer spending power are squeezed.

Sir Ronald Cohen is chairman of Bridges Ventures and The Portland Trust. Views expressed are his own.