

# Role of foreign aid in Bangladesh

# Fox raises Sky bid in battle with Comcast



Suvojit Chattopadhyay

The size of the ADP has continued to grow at a steady pace – and reflects the ambition of a country that has clocked successive years of 6 percent plus growth rates and is widely celebrated globally as a development miracle.

Net foreign assistance (gross inflows of grants and loans, net of repayments) have continued to rise gradually over the years, except for an uncharacteristic dip in utilisation in 2016-17, possibly as a result of the terrorist attack in Dhaka on July 1 in 2016.

Dependence on aid has decreased over time, as demonstrated by the fact that government spending has increased at a far higher pace than aid.

Aid expenditure amounted to 48 percent of the ADP in 2009-10, and reduced to 27 percent in 2015-16. But the quantum of aid remains important – making up, on average, 12 percent of total revenues since 2010-11.

The government has projected higher levels of aid, set to form 18 percent of total revenues in 2017-18 and 16 percent in 2018-19.

Correspondingly, aid funds have remained an important instrument of financing the budget deficit – in 2017-18 and 2018-19, 31 percent of the projected budget deficit is to be met from foreign aid, both significantly higher levels compared to recent years.

These figures need to be read in conjunction with annual aid commitments made to Bangladesh. In several statements made around the time of the 2018 budget presentation, government officials have emphasised the need to improve utilisation of aid funds.

This is mainly because of the fact that aid inflows (as commitments) have outpaced the utilisation of aid. When budget expenditures are accounted for, it has

been found that in recent years, around half of aid funds go unutilised.

If more aid is utilised as intended, more of the budget deficit can be financed by aid, without the government having to resort to domestic borrowing. There is significant room for improvement on this front.

**IS ACCOUNTABILITY BEING AFFECTED?**  
In a democracy, a critical element in the engagement between citizens and state is "accountability".

There are several definitions—one among them from the World Bank reads: "Accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions".

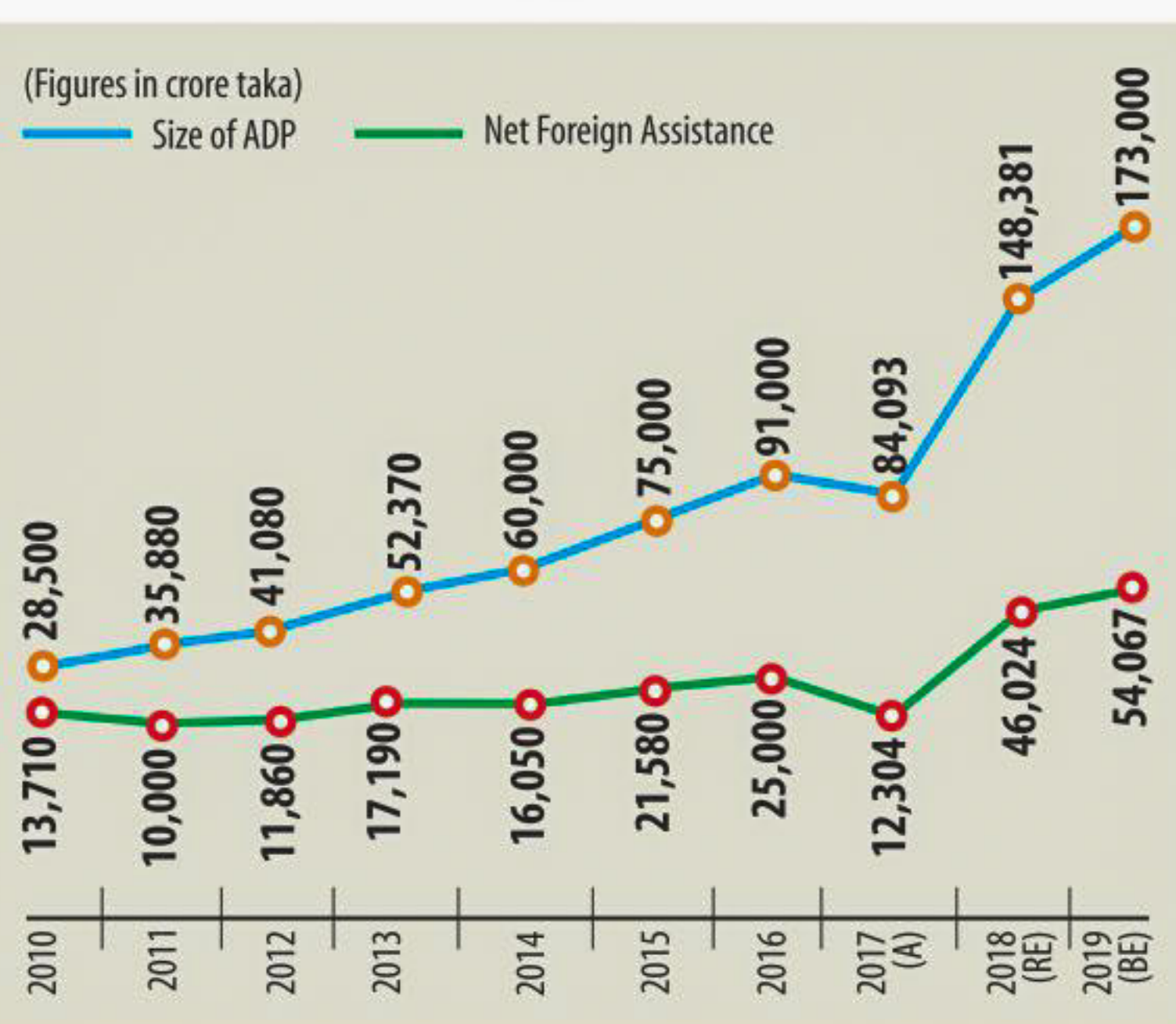
In short, it is the ability of citizens to hold governments to account, directly through elections or indirectly through elected representatives and democratic institutions.

Improving aid transparency is important. It can help improve the utilisation of aid spends. It can also help improve the quality of aid spending, by incentivising better targeting and monitoring of how funds are spent and what benefits accrue.

At the same time, research on accountability highlights the importance of domestic taxation as opposed to aid.

When governments and citizens are tied into a taxation-public service delivery cycle, and when information on taxes collected and spent are available widely, accountability mechanisms in a democracy are strengthened.

And when large parts of government spending are financed by aid, accountability is weak-



ened – because in a country with significant income inequalities, aid matters little to a large proportion of the population; where a prosperous middle-class does not see obvious benefits of aid projects on their own lives and therefore, does not care to question how much aid is received and how it is spent.

With this perspective in mind, it is important to strive to consistently reduce the share of aid in public spending. In Bangladesh, tax revenues have hovered around 10 percent of GDP over the last decade, and the government has emphasised the need to increase tax collections sharply.

Given the urgent need to expand the size of its ADP, it is evident that Bangladesh will need to increase tax revenue significantly, even as the proportion of aid remains the same or declines.

**CONCLUSION**  
Bangladesh is not particularly dependant on aid as an economy, with aid currently forming about 2 percent of the country's GDP. However, taking into account its

role in plugging the budget deficit, one can conclude that its role in financing development projects remains significant.

The amount of aid spent has increased steadily over the last decade, and the government is currently targeting an unprecedented increase in the utilisation of aid in the current year and the next year.

Higher utilisation of aid funds will make it easier for Bangladesh to balance its budgets. However, this should not lead to complacency on the revenue front.

The primary engine of government revenue is taxation, and the government should make every effort possible to expand its tax base, and enhance tax collections.

As Bangladesh targets graduation out of less-developed country's category, aid inflows will gradually start declining. This government needs to prepare the country for this future.

*The writer is the country manager for Bangladesh at Adam Smith International.*

AFP, London

RUPERT Murdoch's 21st Century Fox on Wednesday increased its takeover offer for Sky, valuing the pan-European TV group at £24.5 billion and trumping Comcast's rival bid.

21st Century Fox's improved approach is for the 61 percent of Sky it does not own.

New York-listed 21CF raised its offer to £14 for each outstanding share, up substantially on a previous tilt that was pitched at £10.75.

Following the announcement, Sky's share price was down 1.4 percent at £14.81, though above the improved offer with analysts betting on an extension to the bidding war. "Fox coming back in for Sky isn't a surprise in itself, but the fact the offer is slightly behind what some had anticipated brings another twist," said George Salmon, equity analyst at Hargreaves Lansdown.

"In fact, there's every chance it might entice another counter from Comcast. That might explain why the shares still trade above the latest offer price."

Fox's new bid values the whole of Sky at £24.5 billion (\$32.5 billion or 27.7 billion euros), beating an offer of £22 billion from US cable giant Comcast for the satellite TV group.

A statement issued Wednesday by Fox said: "Today, 21CF and the Independent Committee of Sky are pleased to announce that they have reached agreement on an increased... cash offer."

Fox's long-running pursuit for all of Sky has been plagued by UK government fears over media plurality and broadcasting standards – and the influence of Australian-born US citizen Murdoch.

Murdoch owns major British newspaper titles The Times and The Sun and critics say obtaining full control also of the rolling television channel Sky News would give him too much influence in the news business.

To remedy this, Fox has proposed to sell Sky News to Disney as part of a full takeover. In a further twist, Walt Disney is battling with Comcast for key assets of 21st Century Fox. Should Disney succeed, it will obtain Fox's 39 percent stake in Sky as part of the package.

Sky's jewel in the crown is its live coverage of English Premier League football, while the group also provides broadband internet and telephone services.

Sky changed its name from BSkyB after agreeing in 2014 to buy Sky Italia and a majority holding in Sky Deutschland.

In 2011, Murdoch was forced to abandon a takeover bid for BSkyB – as controversy raged over the hacking of celebrities and crime victims by his tabloid the News of the World, which was subsequently shut down.

# India now world's sixth biggest economy

AFP, Paris

INDIA has become the world's sixth-biggest economy, pushing France into seventh place, according to updated World Bank figures for 2017.

India's gross domestic product (GDP) amounted to \$2.597 trillion at the end of last year, against \$2.582 trillion for France.

India's economy rebounded strongly from July 2017, after several quarters of slowdown blamed on economic policies pursued by Prime Minister Narendra Modi's government.

India, with around 1.34 billion inhabitants, is poised to become the world's most populous nation, whereas the French population stands at 67 million.

This means that India's per capita GDP continues to amount to just a fraction of that of France which is still roughly 20 times higher, according to World Bank figures.

Manufacturing and consumer spending were the main drivers of the Indian economy last year, after a slowdown blamed on the de-monetisation of large banknotes

that Modi imposed at the end of 2016, as well as a chaotic implementation of a new harmonised VAT regime.

India has doubled its GDP within a decade and is expected to power ahead as a key economic engine in Asia, even as China slows down.

According to the International Monetary Fund, India is projected to generate growth of 7.4 percent this year and 7.8 percent in 2019, boosted by household spending and a tax reform.

This compares to the world's expected average growth of 3.9 percent.

The London-based Centre for Economics and Business Research, a consultancy, said at the end of last year that India would overtake both Britain and France this year in terms of GDP, and had a good chance to become the world's third-biggest economy by 2032.

At the end of 2017, Britain was still the world's fifth-biggest economy with a GDP of \$2.622 trillion.

The US is the world's top economy, followed by China, Japan and Germany.



Labourers work at a construction site of a metro rail station in Kolkata, India.

# Ecuador court upholds \$9.5b damages ruling against Chevron

AFP, Quito

Ecuador's highest court upheld in a ruling released Tuesday a \$9.5 billion damages award against oil giant Chevron over decades of pollution that harmed indigenous people.

But the decision by the Constitutional Court is largely symbolic because Chevron now owns no assets in Ecuador, meaning the country will have to keep

pressing its case in foreign courts.

In a ruling dated June 27 and released Tuesday, the court said "there is no violation of the constitutional rights" of Chevron in throwing out its appeal of a lower Supreme Court ruling against it in 2013.

Chevron was sentenced in Ecuador over environmental damage blamed on Texaco, which Chevron acquired in 2001, in this country's rainforest during oil operations from 1964 to 1990.

# Trade war ramps up as US threatens \$200b in Chinese goods

AFP, Washington

THE United States and China have fired the next shots in their escalating trade war, with Washington threatening to impose fresh tariffs on another \$200 billion in Chinese goods and Beijing vowing to retaliate.

The latest moves in the ballooning trade conflict between the world's top two economies came just days after tit-for-tat duties on \$34 billion in goods came into effect.

Analysts have warned that spiralling trade tensions between the two powerhouses could have a damaging impact on the global economy and far-reaching consequences across the planet.

US Trade Representative Robert Lighthizer late Tuesday accused China of retaliating to its tariffs "without any international legal basis or justification."

President Donald Trump has therefore ordered the trade department to "begin the process of imposing tariffs of 10 percent on an additional \$200 billion of Chinese imports," Lighthizer said in a statement.

Officials will hold hearings in late August on the list of targeted products and an administration official said it would take about two months to finalise, at which point Trump would decide whether to go ahead with the levies.

The eventual goal is to impose tariffs on 40 percent of Chinese imports, the same proportion of US goods hit by Beijing's retaliation, an official told reporters.

If the measures are imposed, it would mean new taxes on thousands of products from fish to chemicals, metals and tyres.

Reacting to the "totally unacceptable" Washington list, the commerce ministry in Beijing said it would be forced to take "countermeasures."

"The behaviour of the US is hurting China, hurting the world, and hurting itself," the ministry said in a statement, saying it was "shocked" by the US actions.

"In order to safeguard the core interests of the country and the



A worker helps load steel bars onto a truck at a warehouse in China.

fundamental interests of the people, the Chinese government as always will have no choice but to take the necessary countermeasures," it added.

Beijing said it would "immediately" tack on the case to its suit against Washington's "unilateralist" behaviour at the World Trade Organization.

At a forum in Beijing, a senior official accused the US of "damaging the world economic order" and said tit-for-tat tariffs would "destroy" trade between the rival powers.

"The outburst of large-scale mutual levying of tariffs between China and the United States will inevitably destroy Sino-US trade," said assistant minister of commerce Li Chenggang.

The dispute comes on top of Washington's confrontation with other allies and major trading partners including Canada, Mexico and the European Union, after it imposed steep tariffs on their steel and aluminium. Those nations have also retaliated.

The new trade frictions sent investors running for cover, with equity markets across Asia tumbling more than one percent.

The benchmark Shanghai Composite Index led the declines, dropping 1.76 percent. Hong Kong's Hang Seng Index dropped 1.29 percent while Tokyo's Nikkei was off 1.19 percent.

"The market didn't expect the second round of tariffs would come so quickly and it has impacted investor sentiment," said Zhang Gang, analyst with Central China Securities.

The trade confrontation between Washington and Beijing has been escalating for months, despite Trump's repeated statements that he has a good relationship with China's President Xi Jinping.

China accused the US of starting "the largest trade war in economic history," after the first round of tariffs took effect last week.

But Trump has said continuously that China has taken advantage of the US economy, and he has vowed to hit nearly all the country's products with tariffs, as much as \$450 billion.

The US trade deficit in goods with China ballooned to a record \$375.2 billion last year, stoking his anger.

For now, the USTR continues to work on the process of finalising an additional \$16 billion in goods to face 25-percent tariffs to bring the total up to \$50 billion. Beijing has vowed to retaliate accordingly.

The new list of goods to face 10-percent punitive duties includes frozen meats, live and fresh fish and seafood, butter, onions, garlic and other vegetables, fruits, nuts, metals, and a massive list of chemicals, as well as tires, leather, fabrics, wood and paper.

The officials said they tried to target goods that would reduce the harm to US consumers.

They also said they remain open to working with China to try to resolve the dispute, but the response from Beijing so far has been unsatisfactory.

"For over a year, the Trump Administration has patiently urged China to stop its unfair practices, open its market, and engage in true market competition," Lighthizer said.

"Unfortunately, China has not changed its behaviour." But he added that "the United States is willing to engage in efforts that could lead to a resolution of our concerns."