

Default Rates Compound Bank Credit Risk-II

by Moazzem Hossain

RESCHEDULING or other recovery arrangements, left alone to the discretion of the bankers, may prove infelicitous, leading to "square-one" situation after some time. Irregularities in sanctions and disbursements of bank credits, for reasons not unknown to related operators, as well as influence-peddling or intervention by the powerful quarters outside the banking system or a combination of both were no inconsequential factors for credit flows, in substantial amount, to wrong hands and consequent high default rates.

For normal bank-client relations to operate, morale as well as efficiency issues from both ends — bankers and their clients — are more important than anything else. Conditions in Bangladesh, nobody can deny, are far from perfect for an ideal two-way traffic between the institutional lenders and their borrowers. This makes the case for a coordinating or supervisory role of the central bank, in whatever form, for any pragmatic course of actions for credit recovery all the more important. This is certainly not intervention.

The International Monetary Fund and the World Bank have been playing a vital coordinating role in rescheduling of sovereign (government) debts from international commercial banks. The sovereign borrowers have also sought debt relief or debt rescheduling through institutional forums. This only strengthens the need for some institutional moves for restructuring or rescheduling debt on careful consideration of all inter-related aspects in the context of our situation. Such moves may consist of across-the-board actions, case-by-case restructuring, or a combination of the two.

Without such moves, the credit recovery drive in its present form will prove itself too costly. No renewal of credit facilities including working capital support and trade (import and export) financing as well as new credit sanctions will be allowed for the 'defaulters' or delinquents unless an understanding is reached by them with their respective banks for repayment of outstanding bad and doubtful debts. Only existing arrangements will continue for the period which specific contractual terms are operative. On expiry of the same, there will be a total credit freeze for the 'defaulters'.

Such a move will lead to closure of many enterprises or businesses in both public and private sectors. Unemployment problem will aggravate. The cost will be much more than 80 million US dollar which the World Bank held back under second tranche (instalment) financial sector credit disbursement. The bank withheld this dis-

bursement, due in January last, because of poor progress in credit recovery performance by the Nationalised Commercial Banks (NCBs) and Development Finance Institutions (DFIs).

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tional interest that such moves should be taken for a sustained development agenda. This should not come merely in compliance with promptings or dictates of the donor.

While the government proceeds with its actions to restore discipline and proper accountability in the financial sector, one would only remind it that the Augean Stable cannot be cleaned overnight. A pragmatic action programme

tries have turned sick one after another because of defective policies of the government and widespread smuggling or illegal trade. While it is difficult to go the whole way along what the representatives of the private sector suggested, the case for identification of sick industries and their rehabilitation or closure, as the case may be, deserves a strong consideration. From the day-long deliberations of the representatives of Trade Promotion Organisations (TPOs) at the

meeting of the Consultative Committee of Ministry of Industries, it appeared that almost all industrial sectors were sick. No sector was reported to be in good shape. One can rightly raise here one pertinent question. If industrial sickness is an organic or structural problem of the economy, then what is the justification of setting up industries in Bangladesh with bank or DFI credits, without removing the causes of the problem? Something is grossly wrong somewhere.

The central bank has not yet compiled the sector-wise break-up of bad and doubtful debts. The governor of the bank said that industry accounted for 36 per cent of total outstanding bank credits

and agriculture absorbed 21 per cent. The rest of the credit went to other sectors. In agricultural sector, credit overdues amount to Taka 38 billion. A substantial portion of this credit has been classified as doubtful debts.

The credit recovery problem thus encompasses almost all sectors of the economy. The burden of overdue or bad and doubtful debts has become alarmingly high and perhaps to the extent of, what the proverbial saying suggests, the last straw on the camel's back. Admittedly, remedial actions are also overdue. But the question still remains, how to proceed with remedial actions. And here, the inability of borrowers to service their debts because of overall economic instability or imperfections or distortions in macro-economic management policy framework including its implementation mechanism or some other unfavourable external factors does certainly deserve a differential treatment from those cases of congenial unwillingness of willful delinquents because of 'default' culture. Frolicking with bank credits deserves the stick. But riding through rough weather, beyond the control of individual borrowers, should draw appropriate consideration in cases where the problems show clear ways for solution.

Pragmatism is not a cliché or something hackneyed. It should be interpreted as a matter-of-factness, stressing practical consequences as the essential criteria in determining meaning or value. A pragmatic action programme in this sense takes practical consequences as the test of its efficacy or effectiveness.

Actual operators in business have meanwhile demanded that a Sick Industries Rehabilitation Commission should be constituted by the government. The chamber bodies in the meeting of the Consultative Committee of Ministry of Industries in Dhaka on May 28 were very bitter about the classification of defaulters by the banks and DFIs. According to them, the indus-

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[Concluded]

A Reprieve

Was the cyclonic sweep of the coastal belt, this time starting with the rather untouched south-western off-shore and ending up the Meghna estuary, and accompanied by a five to seven-foot tidal surge, the much apprehended second strike? We are happy to note that it was not. That is what the early reports indicate. From April to November — exactly two-thirds of a year — is hell of a long time to be disaster season even for Antarctica. But this is reality for us and we must brace ourselves for it. Why, if we are worthy of the past we could indeed take a lot of pride in — we can and will turn this dire challenge into something shaping a radical social change. If we fall short of building a society that not only will survive the repeated natural visitations but also will find its way to making these a source of national rejuvenation — we shall be lost as a people. If we fail to live up to the challenges posed by the natural disasters — with their necessary adjunct of a much bigger exaction of a social-natural toll in the form of aridisation — we shall just be finished — physically.

All such alarmist scare-talk finds ever new relevance every time there is a depression in the Bay. And we are happy to note that the Sunday strike has rather been a timid affair compared to what is our usual portion. The Sunday hit has as if spared us out of compassion. Shall we not take advantage of these reprieves and be prepared for future disasters in a more efficient and circumspect way — not needing to call in other people to do what's for us to perform exclusively?

The 'in' word now seems to be disaster-management. Which is another word for caring for those that remain after a very big part of women and children and cattle and property is gone. The attention is well-aimed if somewhat lacking pathetically in both focus and perspective. Suggestions have been put forward to dovetail deployment of army with civilian government initiatives — as well as with a supposedly perennial international influx of support. Such technocratic smacking approaches steering clear of the involvement of the whole people who could by and by take it all on themselves — as they have indeed always done, are also very welcome if only to help thrash out a hundred ideas in order to hit on a truly paying one.

But one thing must never be lost sight of. Disaster management is only, and at best, a half-way house. This is the first and the minimum programme we shall have on our bill of priorities. But this must needs be only a take-off point for a perspective development addressed to first of all stemming depletion of national wealth and individual-familial pauperisation and hopefully without foreign injections.

Angola's New Dawn

The celebrations still going on in the streets of Luanda and other Angolan cities may well be for real this time. The accord signed last Friday between the Popular Movement for the Liberation of Angola (MPLA) government of president Jose Eduardo dos Santos and the National Union for the Total Independence of Angola (UNITA) of Jonas Savimbi, now stands as the best chance for a lasting peace this war-torn south-west African nation has known in its history. The grounds for such optimism are two-fold. On the one hand, the accord has the blessing of, indeed it was made possible by a deal between, the United States and the Soviet Union, respective backers of, and hardware-suppliers to UNITA and the MPLA regime. Secondly, both parties seem to have come to the conclusion that the war is an unwinnable one.

The 14-year anti-colonial war against Portuguese rule from 1961 to November 11, 1975, and the subsequent civil war between the MPLA and UNITA have left the country devastated. The economically-crucial Benguela Railway, running the entire breadth of the country from the Zambian border to the Atlantic port of Lobito has not been fully operational for over 16 years, causing serious dislocation; the country's agricultural sector is in a mess, while exploitation of its considerable mineral and precious metal wealth is running well below expectation. Potentially one of Africa's richest countries, Angola is now a thoroughly pauperised nation.

The Marxist MPLA has been moving towards a social-democratic dispensation during the past few years by gradually initiating a process of transition to a free market economy; the peace accord will now allow it to go for political pluralism by permitting opposition forces such as UNITA to engage in the democratic process. Western nations as well as Japan now have a crucial role to play by providing technical and financial assistance to rehabilitate the millions of people displaced by the war, and get economic recovery underway.

The Angolan experience is wholly in keeping with the general trend in the rest of the continent, where civil wars and despotic rule have gone decidedly out of fashion. However, unless Angola's leaders display political vision and economic commonsense in the months ahead, prosperity, peace and democracy may yet prove illusory. This accord may be Angola's last chance for national renewal for a long time, and both the MPLA and UNITA need to work with the utmost sincerity in order to bring it to fruition. Unless that happens, then the most momentous decade in African history since the '60s may turn out to be a false dawn.

The Trial that could Have no Winners

John Periman writes from Johannesburg

Soon the courts in South Africa will decide whether to grant Winnie Mandela leave to appeal against the verdict of guilty and sentence of six years in jail. The trial was always about more than just the legal issues and the alleged crimes. From the moment in 1989 when newspapers began reporting Winnie's involvement in the disappearances of youths the case bristled with political thorns. It became a trial in which there could be no winners.



WINNIE MANDELA
Unresolved business

IN an ideal world, a verdict and sentence handed down by a judge or jury should provide societies with a sense that a wrong done has now been righted, that a wound torn in the social fabric has been healed. The case of Winnie Mandela was not quite like that. This was a trial in which there could be no winners.

In a society as far from ideal as South Africa, there was no way that the outcome could provide anyone with that sense of restitution or finality. Mandela, wife of African National Congress deputy leader Nelson Mandela and in her own right a leading figure in South Africa's liberation struggle, was sentenced to six years jail, for kidnap and for being an accessory to assault after the fact.

A supreme court trial that had run since February and a political wrangle that has simmered for nearly two and a half years were at an end, but nobody could wish any conviction call this a conclusion. And as Winnie Mandela and her husband left the Johannesburg court after sentence had been passed, she was greeted by a mass of supporters and well-wishers, many brandishing placards and banners. The working on each was varied, but the message was essentially the same: No justice under apartheid.

In its barest legal terms, Mandela and seven others were called to stand trial for the alleged kidnapping and assault of four black youths, who in December 1988 were taken from a Methodist manse and held in Mandela's home in another part of Soweto. One of the four, Stompie Sepel, was later found dead, and Jerry Richardson, a member of the Mandela United Football team — a group of youths taken in by Winnie Mandela and widely seen as her bodyguards — was convicted of his murder.

Of the eight called to stand trial for the kidnapping, four fled the country to Botswana, and extradition attempts have failed. Another was acquitted

early on in the trial. Sentenced with Mandela were Xoliswa Falati, a close friend, who got six years, four for kidnapping and two for assault with intent to cause grievous bodily harm, and John Morgan, who received a suspended sentence.

In passing judgement on Mandela, Mr Justice M.S. Stegmann described her as a calm unblinking liar. He said her claims that she was not in Soweto at the time of the alleged crimes but in Brandfort, the small country town to which she had once been banished by the government, were extremely doubtful.

As regards the assaults on the four youths, the judge said Mandela was aware of them but did nothing about it. He said that as a leader, she "bore a heavy responsibility" to do so. Throughout the trial Mandela's defence had argued that the four youths had been taken from the Methodist manse in order to prevent

homosexual assaults on them by the minister there, Reverend Paul Verryn. Two of the youths who gave evidence — one disappeared at the start of the trial — said these assaults had not occurred.

And at the end of the trial, she stressed the fact that she had not been found guilty of involvement in assault. Turning to the press gallery she said: "Just as long as you all know that I didn't beat up any child, I'll leave the rest to my lawyers."

The "rest" now hinges on whether the courts grant Mandela leave to appeal — that will be decided within weeks. But this trial has always been about more than just the legal issues and the alleged crimes. From the moment in early 1989, when a couple of newspaper and a few credible political leaders began saying publicly that the Mandela household was involved in the disappearance of Sepel and the others, this case has bristled with political thorns.

Before a trial was even mooted — the government made a decision to prosecute Mandela only in September 1990 — the issue had caused deep concern and division within the mass democratic movement as a whole and the African National Congress in particular.

The actions of the Mandela football team had already caused problems. Nelson Mandela had given instructions from jail that they should be disbanded. A committee of senior anti-apartheid leaders had been formed to deal with the problem but had not acted.

When Sepel's death was discovered, they were forced to. A public statement was made which accused Winnie

Mandela of "violation of the spirit and ethos of the democratic movement" and of "complicity in the abduction and assault of Stompie (Sepel)".

"We are not prepared to remain silent where those who are violating human rights claim to be doing so in the name of the struggle against apartheid."

With that statement, the mass democratic movement — the ANC at this time was still banned — seemed to be giving a clear signal that they were prepared to take action against those within their ranks. But that is where it ended. And that is why the eventual trial of Winnie Mandela placed even some of the staunchest ANC supporters in the harshest of dilemmas.

For the rest of 1988, Winnie Mandela steadily began regaining her standing in anti-apartheid circles. And with release of her husband at the start of the following year, the rise in her political star was unstoppable.

Backed by his explicit support — he personally campaigned for her election to local and regional ANC office — and fuelled, it must be said, by her own hard work and courage, she once again acquired a position of considerable standing in the movement.

But every step up the ladder was controversial. There was open opposition to her appointment as head of the ANC's social welfare department. And at a recent launch of the ANC Women's League, Mandela was soundly defeated in the vote for the presidency.

Through all this, her profile was a source of division in a movement desperately dependent on unity. Mandela's promotion into positions like the

welfare head signalled clearly the intentions of the ANC leadership — either you were for Winnie Mandela or against. The larger issues, of discipline and accountability within the movement, no matter how lofty your status, would have to wait.

That the issue had to be settled in an apartheid court meant that those who really wanted to see justice done, whether conviction or acquittal — not the rightwingers who simply wanted to see the ANC embarrassed — could never be satisfied.

They would have been hard pressed to argue with those

who pointed out that the system which convicted Mandela of holding four youths against their will, also kept her in confinement for 17 months without trial: who pointed out that while this judge said that Mandela as a leader had a special responsibility, the judge who conducted the inquiry into special hit squads made no similar demands of the minister of defence under whose charge they were.

Does that mean that justice can only be dispensed when south Africa is finally transformed, that the new South Africa can only be born when the old is well and truly dead?

There are many in the country who believe that an apartheid-free South Africa can be built now, that seeds can and must be planted even while the old order resists to the last. That is a hope. The Winnie Mandela trial and the unresolved business that it leaves South Africa with, flies in the face of that hope.

— GEMINI NEWS

OPINION Reviewing Civil Service Structure

The prevailing situation in the country due to dissatisfaction among the officials of different cadres cannot be overlooked. The old administrative structure has to be modified with a view to maintaining cordial relationship among the officers of different cadres in the better interest of the country.

Bangladesh is a welfare state and the main role of the government is to look after the welfare of the people through development works. Development works can only be implemented through the various agencies of the government which again can only be achieved if all officials work hard with zeal, sincerity and honesty.

If the Civil Servants are not mentally happy, they cannot devote themselves to their respective duties and the achievement of desired maximum output may not be possible. Therefore, it is imperative to have an administrative structure for maintaining harmonious relationship among the officials of the different cadres to create a good working atmosphere.

The following suggestions are thus made to review the present system:

1. At Upazila and District level, all Committees may be reconstituted and respective Upazila/District officer may be made convener and allowed to co-ordinate the meeting and other activities concerning the respective Ministries/Departments.

2. The visits of Ministers/Secretaries and other high officials may also be coordinated by the respective Upazila/District officer related to the concerned Ministries/Departments.

3. The UNOs/DCs may only provide the secretarial services and co-ordinate with the Ministries related to their actual works.

4. The Policy Pool was created with a view to inducting

talented officers from among officials of different cadres/subcadres and defence services officers. But ultimately SSP was abolished in 1989 putting all the officers encadred in uncertainty except rather to the benefit of officers of only one cadre. The Policy Pool order may, therefore, be revived with necessary amendment. Provisions may be kept in the orders/rules to provide equal opportunities to all cadres/officers and defence service officers for encadrement in the SSP. The seniority of the officers encadred in the SSP may be fixed in line with the former Pakistan Economic Pool.

5. There should not be any discrimination in maintaining seniority/promotion/apPOINTMENT among pool officers.

6. The problem of seniority of all the officers appointed before liberation may be solved by fixation of seniority in the Senior Service Pool in their respective date of promotion to the senior scale. The officers who will thus become senior to an officer already promoted to the higher post may be compensated by being promoted automatically to the next higher post against vacancy, if any. Otherwise their names may be placed in the approved panel of promotion list for appointment as and when vacancy occurs.

7. The seniority of officers recruited after liberation may be maintained from the date of joining the services if encadred in Senior Service Pool at a later stage.

8. Arrangement may be made to train all members of the Senior Service Pool organising a course on "advanced development administration" for a period of 3 to 6 months to better enable them undertake any responsibilities as pool officers in the public interest.

Hamida Rahman
Mirpur, Dhaka

To the Editor...

"Conversation"

Sir, As a reader I welcome Star's interpretative reporting. The discussion on national planning by two local experts (May 25), edited and written in popular style, is very useful for the background information of the enlightened citizens who are allowed to peep into what goes on in the decision-making process.

It is hoped that The Star would continue the series covering the other sectors. This type of conversation is in vivid contrast to the public utterances of most of our top administrators and leaders, which abound in vague inanities.

The mechanism for professional exercises have to be revived, if we are to survive and improve our lot. Whether any political party survives is not the first national priority — especially if it resorts to short-cuts and short-term gains. It is apparent from the report that "private agendas" had played havoc with the correct development stance.

One is reminded of the elephant's teeth: one set is for show, and the other set is for eating.

A. Mawaz
Dhaka

"Trial of Ershad"

Sir, I endorse the view expressed by Mr. M. Saleem Ullah in his letter under the caption "Trial of Ershad" published in your daily on May 28. I am not lest myself from adding a few lines.

Our laws are so rigid so far poor men are concerned. If one steals food or goods worth a few Taka he is charged with the crime of theft. But when one usurps state power and declares himself sovereign, we accept his authority because we are afraid of his power.

After the fall of the autocratic regime we remain in the spell of that power and are forgetful even to call a spade a spade. The champions of democracy, when outside the parliament, demand trial of the usurper, but when in the parliament (both treasury and

opposition), they seem to forget their own demand.

For the sake of safety of the future of democracy we must try Ershad and his associates who were party in the overthrowing of the elected government on March 24, 1982.

Posterity will not forgive us, if we fail to contain these monsters. If necessary, we must amend the constitution and other connected penal laws to make the usurpation of power a highest crime, capitally punishable with confiscation of entire property of the person or persons found guilty.

Sarker Nasreen Nahar
Ibrahimpur, Dhaka

BTV news bulletin

Sir, BTV's 'News at Ten' has assumed a fairly significant position amongst all the other news bulletins. More or less it is attended to by the majority of our educated and politically conscious people including almost all the foreigners who happen to be in our country. I have also observed that even persons who have little know-

ledge of English are inclined to listen to this news bulletin.

Timing of this news bulletin is yet another factor which has contributed towards its popularity. Actually, news-at-ten has become a 'must' for many people despite wrong pronunciation, improper accent, poor style, and sometimes blank faces of news readers. But the main inefficiency which is most disturbing to us is that the main points of the news are not repeated before ending the bulletin. As a result of which, the audience who fail to be before the TV from the very beginning miss the important news.

I would, therefore, request the BTV authority to realise the significance of repeating the main points of the important national and international news just before the end of the bulletin. This practice is being followed by all the other important television and radio stations throughout the world.

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