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## Deaths from Diarrhoea

Diarrhoea is now rampant in north and north-western Bangladesh. According to official statistics alone, over 500 people have died in the past one month. There is no other word to describe the situation now except epidemic. At the same time, the flood situation in northern districts is showing little sign of improvement as heavy downpour inside Bangladesh and in the upper catchment areas of the Ganges in India and the Himalayas continues to keep rivers above flood levels. The spread of the epidemic during flooding raises a number of questions that need satisfactory answers.

According to claims made by international aid agencies, the tubewell network in Bangladesh is supposed to be one of the best in the developing world, covering almost 80 per cent of the country. Even if we accept such claims as facts, the question still remains as to how fresh drinking water automatically becomes a scarce commodity as soon as few rivers cross the danger level. Furthermore, the flood cannot be claimed to have occurred suddenly and without warning. The government had ample time to draw up an effective plan to supply affected areas with drinking water or build up stocks of water-purifying tablets in areas likely to be flooded. Unfortunately, the death of so many people and sickness of tens of thousand others simply prove that no such precautions were taken.

We do not accept that this was due to some "resource constraints" or lack of helicopters. Diarrhoea is possibly one of the most easily preventable diseases around, provided adequate measures are taken in anticipation. Most damningly, diarrhoea cannot be described as a "killer disease," because diarrhoeal patients die from dehydration which can be prevented by use of locally-produced Oral Rehydration Salt or saline made from ingredients produced in abundance in this country. But the current death toll purports to show that the disease is beyond the control of the country's health authorities. Five hundred deaths in four weeks represent a situation spinning out of orbit. And we are not even talking about a post-flood situation yet.

The whole scenario is a grim one, painting a dismal picture of what is essentially a major logistical failure. The government and local health officials failed to anticipate or prepare for the situation, even though floods are regular visitors to this deltaic land. The mounting human toll shows that no effective measures have been taken to combat the deteriorating health situation, despite widespread knowledge about, and availability of resources to prevent the disease from becoming a fatal one.

It is quite baffling as to how the government and administration managed to bungle it, after having so much information and experience about diarrhoeal diseases. We certainly hope greater care will be taken in the future as to where and how tubewells are sunk, so that they won't disappear so easily. More important, greater efficiency must be shown, together with advance planning, by the ministry of health to stop the spread of diarrhoea during and after floods, as well as in the dry season. The ministry must realise that every death from diarrhoea signals a failure on its part. That failure must end sooner rather than later.

## A Peace-keeping Role for Japan

No issue divides the people of Japan more sharply than the country's militaristic past. Even a reference to it touches off a bitter controversy which often produces its echoes in some neighbouring countries, especially China and Korea, the victims of the Japanese aggression during the Second World War.

It is against this background, more psychological than political, that a bill, now pending before the country's parliament, which seeks to allow Japan to provide peace-keeping forces to UN missions has caused an outcry at the national level. The bill has also come under criticisms in South Korea and China.

Critics of the move argue that the bill, if approved, would mark the first step in the process leading to militarism in Japan whose constitution prohibits such a development. All this may sound somewhat simplistic. But it underlines the fear that the stage is being set to turn the country's so-called self-defence force into a full-fledged army. As some critics put it, such a development would eventually allow the United States to withdraw its forces from Japan and pave the way for an amendment in the country's constitution in favour of rearmament.

On the other hand, the move that aims at permitting Japan to participate in UN peace-keeping missions is based on a different perspective. Tokyo appears determined to play its full role in all the activities of the world body. It figures as a major donor to many of the UN agencies. It has also been interested in possible restructuring of the UN Security Council that, among other changes, would let Tokyo take a permanent seat, alongside the so-called Big Five. In such a scenario, any restriction imposed on the role of Japan vis a vis the United Nations — the country's participation in a peace-keeping mission under the UN flag is only a case in point — would undoubtedly hinder the process.

From the point of view of the United Nations, Japan's participation in any peace-keeping mission would offer a number of advantages. Japan may or may not offer financial support to any peace-keeping mission, regardless of its own direct role in such an activity. However, there is little doubt that once a contingent from Japan forms a part of a UN force, the world body would be assured of increased financial support from Tokyo.

The answer to the dilemma facing Japan on this issue lies with its own people. The parliament may probably come up with a compromise solution. One solution suggested by some critics of the bill is that Japanese "soldiers" serving in a peace-keeping mission should never carry arms and that they should never be involved in a country where, more than four decades ago, the flag of Japan had been raised as a symbol of aggression.

Whatever the answer may be, it is important for Japan, as indeed for other countries in this region, to move forward and, in the process, educate the public opinion in coping with the tasks which lie ahead. The country's international obligations should not go by default.

A STAR SPECIAL ON THE IMF-WORLD BANK MEETING

# The Challenge in an Era of Awesome Power

**by Frank Vogl**

*President Lewis Preston will find it a real task to maintain the quality of the Bank's portfolio*

LEWIS Preston's sense of timing is exceptional. He has left the relative comforts of the private sector to take the helm of the World Bank on the eve of what will be one of the most complicated, testing and controversial eras for the Bretton Woods sisters — an era that will see them amass awesome power.

The International Monetary Fund and the World Bank are already the most important sources of credit for the nations of the Third World and for Central and Eastern Europe, and their power as key lenders is rising rapidly. They will also probably emerge as the single largest source of foreign finance for the Soviet Union.

This power of the purse will provoke political storms around these institutions — storms that will blow just as environmentalists, human rights groups, and voluntary humanitarian organizations, seek to force them to pay increasing attention to their concerns. Then, adding to the ever more complicated agenda is the fact that institutional investors, who buy billions of dollars worth of IBRD paper every year, will become far more interested in the composition and quality of the Bank's portfolio.

These central economic organizations are changing rapidly, as Preston is about to discover. The IMF, so long essential as a short-term lender to Britain, Italy and other industrial nations, who could be relied upon to repay swiftly to the central fund now serves quite a different cast of clients — far less developed ones with scant capacity to repay swiftly and in constant need of doses of new money. The Fund has become a bank.

Meanwhile, the World Bank, which never reschedules, concentrated exclusively from 1950 to 1980 on project work, operating as a development agency. It used to have few things in common with a bank, but that was before it started making adjustment loans. For an increasing number of its borrowers, it is these general balance of payments loans that are viewed as far more important than more traditional, longer-disbursing, development project loans. Accordingly, the World Bank acts more and more like a bank.

These newer roles for the IMF and the World Bank will be strengthened in coming years. This will happen largely by default. The richer industrial countries are less willing to provide bilateral loans to weaker nations and more interested in seeing such lending go through the multilaterals. Indeed, increasingly, bilateral agencies, such as the Japanese Export-Import Bank, are linking their credit decisions to ones taken by the IMF and the World Bank, so adding to their power.

Then, few of the emerging European countries and Third World nations can tap the capital markets directly for major sums, while the commercial banks are in no mood to step back into the sovereign lending game.

These developments amount to a fundamental shift in international finance. For the first time in many years, the public sector has overtaken the private sector as the largest source of credit to the Third World and Central and Eastern Europe. World Bank statistics show that at the end of 1990 the long-term debt of such countries held by official sources was US$512,000 million (compared, for example, with US$294,000 million in 1985 and US$157,000 million in 1980), while the volume of debt held by private sources was US$494,000 million (compared with US$473,000 million in 1985 and US$265,000 million in 1980).

The demands for foreign credit from the debtor nations are vast. Many of them still must find the cash just to service their foreign debts and cope with mounting current deficits. In addition, they need foreign credit to support their investment and growth, and they have discovered that commercial banks are reluctant project lenders these days. Foreign private investors are also not rushing to extend funds. Privatization has been seen as the way to attract such money, but as Germany's "Treuhand" (the agency established to sell-off some 8,000 east German public enterprises) has discovered, it is very difficult to find the abundant foreign investors keen to buy all manner of newly-privatized businesses.

The blunt reality of the emerging situation will be seen at the Bangkok annual meetings of the IMF-World Bank. There, more so than ever before, officials from more than 100 nations will be ignoring the commercial and investment bankers, and standing in line to get 15-minute appointments with senior IMF and World Bank officials. The sole question will be how much cash they can get from the Bretton Woods bankers.

Preston : storms ahed

The IMF and the World Bank are facing huge demands from their traditional borrowers and from quite recent newcomers in Central and Eastern Europe. The United States is blocking Soviet membership for the time being, but it recognizes that it would be far easier to get IMF/World Bank credits to boost the Soviet economy than trying to get cash for Moscow out of the US Congress.

Meanwhile, there are huge debtors like Brazil and Argentina and Egypt, whose economic mess seems to be getting worse. Leaders of these countries are very good at vowing to introduce policy reforms to obtain IMF and World Bank cash, but they seem equally good at wasting the money once they have their hands on it. They are already knocking at the door in Washington for fresh credits. Others demanding lots of new money, all of whom have shaky economic situations, range from Poland and Hungary, to the Philippines and Turkey.

The officials at the IMF may demand tougher policy conditions in exchange for their credits and, in some cases, seek to refuse to make new loans to governments with records of policy failure. They may be overruled, however, by their political masters.

For example, the authorities in Bonn may have strategic and political reasons for seeing new cash flow to Poland or Rumania or Turkey, irrespective of the creditworthiness of these countries. It is clearly cheaper for Bonn to see that such new cash comes from the IMF, than from the German Finance Ministry. Each G-7 member-government has its strategic favourite nations around the globe that it wants the IMF-World Bank to finance with ever more fast-disbursing credits.

In addition, the unprecedented decision taken some months ago by the Paris Club to forgive a huge portion of Poland's debts, is bound in time to stimulate other nations to seek similar "special case" Paris Club treatment and then, inevitably, seek official debt forgiveness from the IMF, or at least debt rescheduling. It will take enormous skill for IMF Managing Director Michel Camdessus to preserve the integrity, authority and financial soundness of the Fund as the pressures grow. A task that will become more difficult in the coming year as speculation mounts as to whether he will be re-appointed for another term.

Lewis Preston's task at the World Bank will be even harder. The IMF has the good fortune of not having to depend on the capital markets for its money (it gets its cash from its member nations), but the World Bank borrows around US$10,000 million a year from investors who will take an increasing interest in its portfolio. The Bank's prudent financial management, its large annual profits, and its skill in keeping bad loans to a minimum in recent years, have kept its AAA rating in tact. The 1990s will be tougher.

The World Bank's credit flows in abundance across a broad sweep — from India and Pakistan (both with great internal political problems today), to China, through Africa, the Middle East and Latin America. The World Bank's lending portfolio to Central and Eastern Europe is growing rapidly. Meanwhile, the creditworthy traditional borrowers, such as Korea and Thailand, are reducing their demands as they turn to alternative market sources.

The result is that the quality of the World Bank's loan portfolio is deteriorating. At the same time, the pressure on the World Bank to disburse ever more fast-disbursing loans is increasing — in part because of new members (notably in Central and Eastern Europe) and in part because the adjustment loans of the 1980s are now being repaid and the borrowers need new cash and ever larger amounts of cash to keep themselves going.

The World Bank has never refused to lend to countries that have active agreements in place with the IMF. As the G-7 place increasing pressures on the IMF to reach agreements with virtually every country — from West Africa to Central Europe — so every country turns to the World Bank for more and more cash. It will be very hard for Lewis Preston to tell Third World countries that he will slow new commitments because the World Bank already holds too much of their debt, or that the World Bank has to spread its liabilities around more carefully.

Both the IMF and the World Bank are lending ever larger sums to the world's financially most precarious sovereign borrowers, and academics might argue the logic demands that the institutions merge.

This will not happen. They are independent and proud with staffs who will fight merger with skill and cunning. Borrowers would oppose merger, knowing that the chances of getting more cash are always better from two sources, than from just one.

The Europeans feel they have more influence in the Fund and want to retain this. The US carries considerable weight in the IMF, while recognizing that its major influence in the World Bank rests largely on the political decision of the EEC countries not to oppose US power here (collectively the 12 EEC members have twice the voting power of the US in the World Bank). The Japanese have very modest influence in either institution.

However, in the face of mounting demands for cash from their member countries, the institutions will have to be still more vigilant in ensuring that their funds are used well. This will force heightened cooperation between the managements of the IMF and World Bank.

Both institutions will have to use the same language to require that those that borrow from them pursue fiscal and monetary policy discipline; open their markets to competition; seek growth through trade; stimulate domestic savings; and, cease to squander their vital resources on buying tanks and fighter planes and guns.

The Bretton Woods institutions will become ever more visible central battle-grounds: borrowers will demand more with fewer strings, while the G-7 members order the managements to hang tough — except for countries that individual G-7 members consider to be "special cases." At the same time, due to pressures from interest groups, the G-7 representatives on the Boards of the Bank and the Fund are likely to raise ever more difficult and sensitive questions in debates on lending conditions with regard to such issues as human rights, the environment, and democratic systems of governments.

*By arrangement with the Asian Finance, Hong Kong*

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## The Challenge of Reform and Development

**When the Governors of the IMF and the World Bank meet in Bangkok in mid-October, they will clearly seek a consensus on two issues of a global magnitude.**

**First, the relentless trend towards market economies in the developing countries is gathering momentum. And since it was started mainly at the initiative of the Fund and the Bank, both institutions are obliged to enlarge their assistance to those countries.**

**Second, the implosion in the Soviet bloc leading towards capitalist systems, too, will result in colossal demands for aid and advice. And this process is far more complex than providing traditional forms of assistance to the Third World.**

**Thus, the challenge before the Governors is to recognise the human dimension of these reformist tides and provide for steady capital flows to both the developing and transforming economies.**

# The Big Question Mark over Conditionality

**Sundaram Sankaran writes from Washington**

*Never mind the apple pie, but who runs the adjustment programmes?*

WHO is afraid of the IMF and the World Bank, particularly their conditionalities? "Almost nobody," says one analyst with a strong emphasis on the world "almost." There are isolated pockets of apprehension in the developing countries, which are the target of these conditions. There is tremendous enthusiasm for structural reforms and tough conditionalities on the part of the "rich" countries and the staff of the Bank and the IMF, as long as these conditions are not applied to them. Besides, there is no accountability for wrong advice.

The dilemma facing developing countries is this: how to accept advice from "external" agencies like the Bank and the Fund, particularly on macroeconomic reforms with strong political overtones, without seeming to compromise their sovereignty. The problem is further compounded by the fact that there are still lingering uncertainties about the outcome of the Fund-Bank induced structural reforms. One developing country expert said that the Bank and the Fund should follow the old American saying, "If it ain't broke, don't fix it." If a policy or a market is working reasonably well in developing countries, a good rule is to let it be and not try to change in the interest of a "first best, pure, or optimal solution."

There is also growing concern about the Bank and the Fund burdening the already overextended bureaucracies of borrowing countries with an increasing set of highly sophisticated conditions. These condition are difficult to implement. It is even more difficult to monitor implementation of a whole range of vague conditions. There are also serious concerns about the lack of well-defined criteria for measuring performance; and about the capacity of Fund and Bank staff to assess the performance of borrowers vis-a-vis new conditionalities pertaining to democracy; reduced defence expenditures; and commitment to privatization.

Availability of adequate finance, particularly concessional finance, is crucial to the success of reform programmes. Here again, the Bank and the Fund are in no position to influence the level and direction of bilateral assistance. Borrowing countries feel that designers of policy packages must explicitly take the availability of adequate finance into account. If sufficient resources are not available, it is better not to embark on an ambitious reform programme.

Strangely, the communist countries, both present and former, appear to want more of the Bank and the Fund. The Soviet Union, China, Poland Vietnam are not afraid of the Bank and the Fund. So it seems. To some extent, this may be attributed to lack of detailed knowledge of the conditionalities.

President Mikhail Gorbachev is trying to make the impossible highly plausible by giving the "bear hug" to the IMF and the Bank. Yes, it is keen on becoming a full member of both institutions. Gorbachev obviously wants to get cash besides advice from them. The special associate status will only enable it to receive advice, for which the Soviet Union would have to pay. The deliberations of the Western Economic Summit and the enormous publicity given to the Soviet "aid" question give ground for assumption that cold war considerations might still play a part in the allocation and direction of external assistance even if the cold war has ended. As one observer remarked: "The cold war is dead. Long live the cold war."

The promoters of the "US$100 billion Grand Bargain" have been hinting at Soviet negotiations with the Bank and the IMF on a comprehensive programme for economic reform designed to sharply reduce budget deficits by cuts in subsidies, foreign aid, and military spending; liberalize prices of luxury goods; and begin rapid privatization.

The Chinese also favour cooperation with the Bank and the IMF. In fact, the Chinese government was very upset when the Bank cut its lending soon after the suppression of the democracy movement. The Vietnamese have been trying to get the Bank and the Fund involved in a big way. The East European countries are set to become major borrowers of the Bank and the Fund.

There are two sets of conditions: economic and financial conditions pertaining to specific projects; and other macro conditionality, often going beyond the realm of pure economics and touching sensitive political issues. The range and scope of conditions have also been increasing in the last two years.

First came environmental conditionalities. In the fiscal year ended June 30, 1991, all new projects in the Bank's pipeline underwent environmental scrutiny.

Moreover, the Bank, the IMF, and the regional development banks are moving closer towards imposing tough conditions on borrowers to cut their military expenditures. Robert McNamara, who presided over the Bank for 13 years, has recently appealed to developing countries to cut their military expenditures by half by the end of the decade. McNamara, who was US Defence Secretary under Presidents John Kennedy and Lyndon Johnson, wants the Bank and the Fund to make their assistance conditional on the borrower cutting down military expenditures.

Cutting military expenditures of developing countries and putting it to more productive use have been an important theme of both Barber Conable and Michel Camdessus, the IMF Managing Director.

The fact remains that borrowing countries are also for improved environment, participatory government and reduced military expenditure. But there is the perception that they are being made to unilaterally open up markets, disarm, and improve the environment without corresponding policy shifts on the part of the donor countries. They also want a higher degree of participation in the decision-making process of the Bank and the Fund, and increased transparency and accountability for Bank and IMF actions. Despite their pleas in support of democracy and greater transparency, the Bank and the Fund are still governed by weighted voting, which is not the most democratic way of functioning, and still operate under a cloak of secrecy.

The debate is not about borrowing money with conditions or borrowing with no conditions. It would be incorrect to say as some officials of international lending institutions and some journalists do, that developing countries are not interested in development and that they are against conditions. They know very well that there is no money without conditions. In fact, they have been accepting project conditions while borrowing from the World Bank, regional banks and commercial banks.They have also been accepting macro conditionality from both the Bank and the Fund. Accepting macro conditionality is much more difficult since it involves a lot of decisions with strong political implications. While there is a growing consensus on the need for growth-oriented adjustment, developing countries still face major problems accepting advice from "external" institutions like the Bank or the Fund without seeming to compromise their sovereignty.

If borrowing countries do not share the tremendous enthusiasm of IMF-Bank officials about structural reforms, it is because the bulk of the cost of failure of reforms falls on the developing country. There is no comparable accountability for the Bank and the Fund. The two institutions get their money back with interest. Their staff enjoy a much higher degree of job security than the policy-makers in borrowing countries who face the music when mutually agreed reforms fail. As one recent Bank study said,"developing countries have no access to insurance against malpractice by bankers or development advisers."

Both the Bank and the Fund management appear to feel that clear government ownership of the adjustment programme is very necessary for its success.

Bank experts underline three prerequisites for effective adjustment lending: a country should have an overall adjustment programme that includes stabilization and longer-term aspects, the government should own the programme; and there should be adequate financing to support a sustainable programme that takes into account political and social conditions. Bank officials concede that these prerequisites have sometimes been ignored in adjustment loans.

*By arrangement with the Asian Finance, Hong Kong*

## To the Editor...

### UN Secretary General

Sir, The tenure of the present Secretary General of the United Nations will end as this year will roll out on December 31. Hence the necessity of electing a new Secretary General has become imperative. Members of the Security Council already discussing the matter will arrange for the voting in the General Assembly next month. Why not Bangladesh, as a member, propose its own candidate? And in that the present government may place former foreign minister and successful chairman of UN General Assembly Humayun Rashid Chowdhury as a probable candidate and pursue the case as vigorously as possible.

We hope, his candidature will draw support of the Third World nations as well as of the five big powers. The diplomatic circle is requested to think over the matter.

*Md. Anwar Sadat*
*Int'l Radio Club*
*Ctg. Varsity*

### Constitution of Bangladesh

Sir, By-elections, referendum, presidential election and many more things are happening in our country under the amended Constitution of Bangladesh which remains an unpublished document for years.

Will the democratic government kindly publish the up-dated Constitution and allow the people of Bangladesh to know what it says ?

*Mohammad Kamal Chowdhury,*
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### Evils

Sir, The present picture of our society indicates that evil is getting prominence in every sphere of our life. The demarcation between right and wrong, true and false, good and bad has almost vanished. Now evil-doers are getting lift everywhere while good people are experiencing undue harassment !

Evil is a thing that must be repelled. God asked us to repel evil by what is best. And it is our duty to undergo our best efforts for repelling evil from our society. If we fail to repel evil, before it is too late, it would be difficult to come out of our self-created world of sorrows.

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