

An Unjust Society

About 52 thousand cases are lying pending with the High Court. The year 1990 opened with about 35 thousand of such cases. In three years the figure has travelled much to the present incredible and extremely untenable position. Surely this is no way to democracy. The way the judiciary has been made to be so helplessly stuck up amounts to making the society unfit for democracy from within and for a long time.

If democracy be man's most elevated state of collective being by enshrining the rights of the individuals and ensuring equality between them — this springs from a sense of justice. With justice taking such a beating as is being meted out in Bangladesh — litigation in the country's courts can take 10, 15 or even 20 years before a case is finally heard, judgement is obtained, appeals are exhausted and execution is finally levied — democracy stands little chance of gaining any ground in the life and practices of this society.

Of the three pillars of democracy the executive or the administration is by tradition and political compulsion and for sheer aggrandisement by the bureaucrats is anti-democratic and would continue for long to be so. Our political endeavours towards democracy are filled for the most part with pretences. And power being wielded without recourse to participation of the greater number mauls democracy into a picture of horror. Ours is as such a one-legged journey towards democracy and the only leg working again is about-fallen.

The point is why this should be so. Although the question of justice has a direct and weighty bearing on the quality of a society, the mechanism of dispensation of the same is in no way as complex as the organism called the society. We need perhaps double the number of judges at the High Court level than we have at present — 31. Who is preventing us from having that? Surely the government, either as a matter of policy or of politics, doesn't have anything against that?

Lack of enough court rooms to do away with the mountain of a backlog and keep pace with the new cases racing in? Surely, the government hasn't suddenly gone completely broke so much so as not to be able to build about a hundred rooms during the remainder of the year.

There are two other big things that must be done before we can cope with the problem meaningfully. Together with bolstering the number of High Court judges we must have a proportional increase in the strength of judiciary as a whole and its attending phalanx of workers. If the government decides that the situation cannot anymore be parried and must be engaged as a matter of national urgency — even such a large-scale augmentation should pose no problem for the state of Bangladesh. Would the bill be more daunting than say, that of raising a hefty force of new policemen? What will the policemen do if courts are not there to vet them and direct them?

The other big thing begging for long for action may help ease the problem in a big way. There must be a thorough re-examination of the legal procedure resulting in reforms aimed at shortening both number of people and length of time required to reach justice to the greatest number.

But we can be sure that this is not going to materialise too soon. Even a casual glance over the performances of successive governments ever since the British quit the subcontinent would clearly show the consistency of the niggardly manner with which the executive has treated the judiciary. The aspects of the state's power of coercion grows unremittingly with big injections of money and manpower into the military, paramilitary and police organisations. With it grows the strength of government's administrative personnel which is indicative of more control of the society. But the one thing that can justify those increasing loss of liberty — justice and the rule of law — continues to be a lost cause. Bangladesh is headed inexorably for an unjust society, if it has already not become one. And even a short tenure of triumph of the irrational and the socially unhealthy can harm the temper of the society beyond remedy of a century of constant striving.

War against Smoking

Of late anti-smoking campaign has gained some ground, no doubt about that. But the outside double-standard too is no less prominent to distract and even frustrate those who consider the habit a curse for human civilization. Specially in countries like Bangladesh where smoking — in sharp contrast to the declining trend as recorded in the developed countries — is actually rising, the observance of the No Tobacco Day reveals both the inherent weakness of the message, its promotion and reception by the target people and therefore, more significantly, the need for a consistent campaign against smoking.

However, if the anti-smoking drive is somewhat marred by the ambivalence in the individual character, social moves and government policy, there are sincere people who have devoted themselves to the cause of eliminating the acquired curse through imitation. Happily, their number too is growing — no matter if their ability to establish a tobacco-free society as yet is very limited. The most important task is to address the problem of attitudinal change. This is possible only when people become reasonably conscious of their health. But precious little is done to educate people about the ways of maintaining a sound body.

The various debilitating effects and more serious damages wrought by smoking are now clinically proved and the ideal situation would have been for all people to give up inhaling the poisonous smoke. But it has been centuries since this bad old habit is with human society. At a time when the world has become so small — speaking in terms of information explosion — the task of shaping a world opinion against smoking may not after all be as impossible as it looks. What is however the need of the time is to arrive at a collective decision on the production of and trade with the questionable commodity.

Here exactly lies the crux of the problem. Business lobbies in league with political ones overturn the well-meaning legislative measures aimed at curbing the promotion of cigarettes and bidis. As long as the manufacturers of this harmful product are allowed to enjoy advertising and sponsorship rights for radio commercials and sports tournaments, the much-expected deterrence against smoking may never come into effect. This year's theme, "Health Services: Our Window to a Tobacco-free World" is a pointer to the effort that must be organised to fight the curse of smoking in an atmosphere of understanding and openness. Let the message be received by all concerned.

THE pace and level of commercial bank lending to the small and cottage industries sector seem to have emerged as a major area of concern in the formulation of economic policy objectives. Small and cottage industries, using indigenous raw material and know-how, provide scope for self-employment. Such industries offer higher opportunities for job creation in relation to the capital invested. Small enterprises can also spearhead growth of rural economy.

Ability of small enterprises to foster growth and create jobs is acknowledged in industrial countries also. It is not surprising, therefore, that the new US administration's economic stimulus package includes a component to encourage small entrepreneurs. Faster economic growth comes on the top of a developing country's policy priorities. Promotion of small and cottage industries has, thus, come to be identified as a major policy instrument in this country for attaining the goal of faster economic growth.

Government wanted banks to come forward with funds to promote the desired investment in small and cottage industries sector. Bank's response was lukewarm. Not that banks were strapped for funds to lend — they just were none too keen to expand their lending to this sector. It took a lot of prodding from the government and the central bank eventually, the central bank opened a new line of long-term credit for the banks to persuade them to lend to this priority sector. We know that, since then, there has been a fairly substantial expansion in bank credit to the small and cottage industries sector, starting second half of 1992. In this context, it should be noted that as at the end of 1991, industry accounted for nearly 38 per cent of the total outstanding bank advances in the country — both on account of term loans and working capital financing. Trade financing constituted about 32 per cent of the total. Other sectors, such as agriculture (nearly 17 per cent) fisheries; construction and housing (about 5 per cent) transport and communications (about 1.5 per cent) energy, water and sanitary service, storage and other miscellaneous eco-

nomics activities accounted for the rest of the total outstanding bank advances as at the end of 1991.

Tilt in Favour of Large Industries

What is important for the present purpose is the fact that although industrial sector as a whole took up nearly 38 per cent of total bank financing, the share of small and cottage industries claimed only about 2.5 per cent of the total. These numbers serve to illustrate the tilt in favour of large and medium scale industries in bank financing in the industrial sector. The spurt in lending, beginning mid-1992, to small scale and cottage industries, may have improved the access of smaller enterprises to bank finance to some extent. However, it has to be kept in mind that most of these new bank lendings to small scale and cottage industries came from the funds provided by the central bank under the new long-term credit line at relatively cheap rates, given a regime of steadily falling bank rate. In other words, it remains to be seen if the improved access to bank finance secured by smaller industrial firms, will be sustained.

Bank everywhere have one thing in common — they are reluctant to lend to small borrowers. For instance, a recent report of the UK Ombudsman for banking comments on the difficulties faced by small enterprises in securing ready access to commercial bank financing. As mentioned earlier, in the USA too, special measures have to be adopted at times to ensure smaller firms of ready access to finance.

Reasons why banks in this country are not keen on financing small scale manufacturing activities are complex. Entrepreneurs seeking to establish new small ventures are relatively unknown. They also have less political influence. Banks can, therefore, safely ignore their clamour for funds. Even existing small enterprises seldom maintain regular and reliable accounts and, of course, have no track record. Thus, banks perceive much greater additional risks in financing such investment projects. commercial banks' capability for project evaluation is still in a rudimentary stage — they would find it extremely difficult to judge the risk in financing a new venture and, even more so, if the project is innovative. Banks also find it much less profitable to finance small scale and cottage industries as lending rates for this sector have had always been relatively low. In short, greater risk and uncertainty over a projects viability, low profitability and higher expenses, including intermediation cost for small

start as the entrepreneurs fail to put up adequate collateral to gain access to bank financing.

Collateral takes many forms of assets — some serve the purpose better than the others. Usually fixed assets, such as land and real estate, come on top in bankers' list of preferred types of collateral. These are immobile, titles can not be transferred easily without bankers' acquiescence and usually appreciate in value over time. Small-scale manufacturing does not require installation of relatively immobile heavy machinery. In the case of small scale and cottage industries, therefore, machinery and tools of trade would not probably be viewed by bankers as good col-

Along My Way

S B Chaudhuri

loans, contribute towards a commercial bank's reluctance to finance small enterprises.

Collaterals

To insulate themselves from default, bankers have traditionally obtained collateral from borrowers. However, as the bankers liaison with the borrower grows, a more stable form of association, usually termed as banker customer relationship, develops. The banker then comes to rely increasingly on the borrower's track record. Thus, a borrower with good track record — which, in extension, also signals a sound financial standing — may be subjected to a lower collateral requirement. The greater risk of financing a small enterprise, particularly a new venture, on the other hand, leads to a stiff and extensive collateral requirement which the entrepreneur is unable to satisfy. The bank sees a dramatic increase in its risks where the loan applicant is unable to furnish suitable collateral. Thus, in this country as elsewhere, small enterprises fail to make a

Banks should Help Small Industries, with New Loan Scheme

prudent behaviour by both sides of the financial transaction. The borrower, on his side, should provide the bank with full access to his accounts and all relevant information relating to business operations, agree to extensive consultations in the decision making process. The bank, on its part, should pay closer attention to the end-use of the credit and appear to the borrower as a stable and dependable source of financing. Such a relationship would help reduce banks' risk in lending to small enterprises substantially.

Mode of Financing for Small Enterprises

A mode of bank financing for small enterprises which would be more responsive to the needs of both lenders and borrowers, will not emerge overnight. Meanwhile, authorities will perhaps continue to ask banks to adopt a new approach as a credit agency, based on development and potential rather than on security only. While doing so, apart from bringing about improvements in legal and regulatory framework, the authorities can help the banks in other ways too, to reduce the risk of lending to small enterprises. Building a better information system for financiers and investors is one such area which calls for prior action.

Despite the provisions of the current Industrial Policy for building up a data base for investment, production and marketing related activities, flow of such information to the banks remains awfully inadequate. Rather, flow of information from official agencies charged with monitoring investment is virtually nonexistent, in so far as the banks are concerned. Some banks have tried to build up their own information system. However, information they can get on their own is usually segmented, incomplete and rarely timely. As it is, the task of deciding if a project is viable or not, is an extremely difficult exercise. Lack of adequate and timely information on such cru-

lateral, inventories also would probably rate as poor collateral because their values fluctuate, quality may deteriorate during storage and, in any case, these can be sold off quietly by the borrower outside the bankers' knowledge.

In point of fact, tough collateral requirements are often seen in this country as the main impediment to flow of finance to small enterprises. Hopeful entrepreneurs are inclined to view this as tyranny of the banks. Authorities have often called for a move away from 'collateral banking' to 'participatory banking.' Well, conventional banking does not lend itself easily to a risk/reward sharing mode of operation. Nor should the imperatives of adequate security for bank lending be disputed. However, even within the given parameters, banks can try to forge a closer, stable, long-term relationship with their customers in the small scale and cottage industries sector. Such a relationship should essentially be based on a perceived need for responsible and

prudent behaviour by both sides of the financial transaction. The borrower, on his side, should provide the bank with full access to his accounts and all relevant information relating to business operations, agree to extensive consultations in the decision making process. The bank, on its part, should pay closer attention to the end-use of the credit and appear to the borrower as a stable and dependable source of financing. Such a relationship would help reduce banks' risk in lending to small enterprises substantially.

Loan Guarantee Scheme

It is worthwhile to note here that many industrial countries are operating loan guarantee schemes for small firms. In our case, the Bangladesh Bank Order authorises the central bank to use the resources of one of its statutory funds — the Industrial Credit Fund — to finance a system of guarantees to cover part of the loss a bank may incur, in respect of loans extended to a new industrial project of small or medium size. In the past, the central bank did operate loan guarantee systems for credit to small scale and cottage industries — with mixed results. The main hazard had been that access to loan guarantee facility tended to make the banks careless on loan supervision and recovery.

However, stiffer loan provisioning requirements and closer supervision by the central bank have, hopefully, induced the banks to be more prudent in conducting their business. Possibilities of reviving the loan guarantee facility should be explored urgently in the interest of improving flow of finance to small industrial enterprises.

OPINION

A RESPONSE TO SOBHAN

Emerging US Development Policy : An Inside Look

Alexander M Counts

In a recent article, Professor Rehman Sobhan comments on the unfolding drama concerning US opposition to a capital increase for the Asian Development Bank (ADB). In so doing, he tries to explain the rationale behind this policy, its consequences and possible solutions.

As someone who has recently spent three years in Washington, DC lobbying the US government and the World Bank on development policy, I would like to respond to and elaborate on Professor Sobhan's analysis. I do so not so much to disagree with him, as I fundamentally share his views, nor to defend the United States government, with which I have disagreed on many occasions; rather, I hope to provide a subtler understanding of the varied forces which have been shaping US development policy for the past several years and those likely to do so in the foreseeable future.

To review, the Asian Development Bank, based in Manila, is seeking a capital increase which, if granted by its shareholders, would allow it to vastly expand its lending to member states. The US as a major shareholder, is not only refusing to provide the necessary resources for the capital increase but is also attempting to prevent other shareholders from making up the difference — for if they did so the US influence in the affairs of the ADB would be compromised.

Professor Sobhan decries this power play, arguing that it is largely the result of three forces: (1) residual US imperial aspirations, (2) anti-foreign aid

sentiment in general and anti-multilateral aid in particular and (3) fiscal constraints caused by the huge US budget deficit. He expresses particular concern that this policy has undergone no shift as the Clinton Administration took over from the previous one.

It is on these issues that I would like to provide some clarification. To begin with, the sentiment against making additional resources available to multilateral lending agencies such as the World Bank and the ADB comes from at least three groups who share little else in common other than their disdain for these institutions. They include: (1) those in Congress, the Administration and the media concerned primarily with the US budget deficit; (2) the "America First" movement which derides all foreign aid, be it multilateral or bilateral, as well as many of America's other commitments abroad (e.g., its participation in NATO, peace-keeping, etc.); (3) activist groups concerned with social justice and/or environmental degradation.

It is the third group which may be the most surprising to those unfamiliar with development politics in America. They comprise a wide range of voluntary and non-profit agencies ranging from huge environmental organisations to small church and secular NGOs concerned with humanitarian issues. Some of these organisations have field operations in the Third World, while others do not. Nonetheless, a growing number of them in the United States, as well as in Canada

and Europe, have grown frustrated with their repeated and largely ineffective attempts to "reform" the World Bank, the International Monetary Fund and the regional development banks and are beginning to call for suspension of funds for these development financial institutions (DFIs). Each year, more and more of these organizations move from reform-minded to neutral hostility to open opposition to funding for these agencies.

The reasons for their frustration are multiple. Some oppose the DFIs privatization/structural adjustment programme as ideologically motivated, undemocratic, inherently unjust and demonstratively ineffective. Others cite the damage to the environment, indigenous peoples and the poor caused by the DFIs' project lending; often cited examples include the Sardar Sarovar dam project in India to the Polonoroeste natural resource management project in Brazil. The former was condemned on social and environmental grounds by an international task force appointed by the World Bank itself, and the latter was admitted by the Bank to have "resulted in unchecked deforestation" which was especially harmful to the poor.

Still others, including David Korten, a former consultant for the US Agency for International Development recently turned dynamic activist (and founder of the People-Centered Development Forum), have argued that these lending institutions must not only be starved of new

resources but actually shut down, as their loans and adjustment policies have failed miserably in bringing justly shared and environmentally sustainable development; rather, they have created a massive debt burden which is now making repayment of new debts the driving force behind new lending.

The more politically sophisticated of these activist groups now find themselves in an uneasy alliance with "America First" and budget reduction movements with whom they have little else in common. Moreover, some are concerned that they may be souring their relationships with more conservative, reform-minded NGOs and with their allies inside DFIs. Yet, more and more are choosing increasingly aggressive stances, often but not always being pushed by their partner organizations in the Third World.

Professor Sobhan decries the lack of a shift after the US election. Yet the change from the Clinton to the Bush Administration may, in fact, turn out to be significant. The Bush Administration favored capital replenishment for the World Bank and International Monetary Fund (IMF) — which ably pushed their structural adjustment agenda — while calling for cuts for UNICEF and other UN organizations and outright withholding for funds from the UN Fund for Population Activities (UNFPA).

The Clinton Administration appears to be more inclined to

agree with the foreign aid experts in Congress, such as Rep David Obey of Wisconsin and Senator Patrick Leahy of Vermont, who are willing to withhold funds from the DFIs on budgetary, environmental and social justice grounds while simultaneously increasing funds, in some cases dramatically, for UNICEF, UNFPA and other agencies. Bilaterally, the trend will likely include more aid for the Soviet Union, stagnating aid for the Middle East, a continuation of drastic cuts in military aid (Rep Obey pushed through a 33% cut in military assistance over the last two years alone) and a continuation of increases for certain humanitarian programmes, especially those aimed at improving the lives of children in light of US commitment to following up the World Summit for Children.

Thus, the blanket accusation of the US being against multilateralism is on somewhat shaky ground. Rather, it is safer to say that the support for (and opposition to) multilateralism in any Administration is shaped by its ideological underpinnings. Under President Bush, the multilateral policy of the US supported massive privatization and structural adjustment while opposing family planning and remaining largely disinterested in serious humanitarian efforts with the exception of Somalia. The Clinton team is shaping up just the opposite: strong support for family planning, lukewarm support for humanitarianism and hostility to agencies which have shown negligence regarding social justice and especially environ-

tal integrity. Vice-President Gore, in particular, is expected to take a leading role in promoting environmentalism in US development policy.

Of course, the Administration will be forced to work with Congress and various interest groups in shaping these policies and, considering the many stripes of people concerned with them, it will be a fluid situation which may reflect the contradictions within Congress, the US NGO community and the Administration itself on relations with the Third World. The events taking place in Manila regarding the proposed capital increase for the Asian Development Bank, which is seen — rightly or wrongly — as simply the Asian equivalent of the World Bank, is best seen in this more subtle light. Those hoping to influence and/or respond to these events should keep in mind the complexity of the US policy-making apparatus as well as its ability, at least at the margins, to be influenced by even the smallest NGOs if they are well organized, articulate and persistent in their lobbying efforts.

The writer, currently on a two-year fellowship with Grameen Bank, was also a 1989 Fulbright Scholar at Grameen. A graduate of Cornell University, during 1990-1992 he was legislative director of RESULTS, an "anti-world hunger citizen's movement" based in the Washington, DC which aims at influencing development policy. RESULTS has chapters in Canada, the United Kingdom, Germany, Australia, Japan, the USA and Russia.

To the Editor...

Srebrenica — a shame or our pride?

Sir, The failure of the UN, the Islamic Ummah and indeed that of the entire world community to prevent the massacre of unarmed Muslims by the Serbs in Srebrenica is one of the most shameful episodes of human history. But, have we ever considered what a heroic defence was put by the Srebrenican Muslims?

Srebrenica, a predominantly Muslim city in eastern Bosnia, was surrounded and completely cut off from the outside world, by the besieging Serbs. The beleaguered Muslim defenders, armed with little more than antique rifles, were completely outgunned, outnumbered and outmanoeuvred by the Serbs who were armed to the teeth. Yet even after three months of siege, the will of the heroic Muslim defenders was unbroken. Without running water, with-

out any electricity, without any means to confront the Serb tanks and artillery, the people of Srebrenica displayed unparalleled gallantry and valour by grimly holding on to the city.

In unimaginable conditions, the heroic defence of Srebrenica by its Muslim defenders shines like a beacon to the world. Srebrenica was the epitome of Bosnian defiance — the utter refusal of the Muslim to yield even an inch of their lands to the Chetnik hordes.

Srebrenica was reduced to rubble, men, women and innocent children died like flies, but the resolve of the people was unbroken — they would rather die than surrender to the Serbs. Even when their ammunition ran out, the lion-hearted defenders kept fighting with knives, with sticks, even with their own bare hands to prevent the rubble of Srebrenica from falling into Serb hands. Nobody lifted a

finger to help them, but they fought on in impossible conditions until the helpless UN, at last, managed to organise an honourable ceasefire for the heroic defenders of Srebrenica, who laid down their arms to Canadian UN troops. Srebrenica, or rather what remained of it, and its gallant defenders remained in Muslim hands under UN protection and never fell to the Serbs. In the annals of military history, no defence could be more heroic, no defiance more glorious than that of the ill-armed, untrained Muslim defenders of Srebrenica.

If I were a Serb, I would have reason to fear. From the rubble of Srebrenica may rise a phoenix of Muslim vengeance which will convert the dreams of the Chetnik hordes into their worst nightmares.

Masud Sohail
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Sylhet Division

Sir, It has been read in your daily on 11.5.93 that a high level delegation met the Prime Minister with a very legitimate demand to make the greater Sylhet district a new Division comprising Suhamongj, Habigonj, Sylhet sadar and Moulvibazar districts. In past also the same demand was put forward for consideration by the Chief Executives of the country on many occasions.

Greater Sylhet is a district enriched with enormous natural resources. Besides, a large section of its people living in the UK, USA, Middle East and other countries have been contributing a considerable amount of foreign currency to the country's exchequer for over many decades. Tea, bamboo and forest reserves, stone and lime stone, gas, pulp and paper, cement, fertilizer etc are the major resources and industries of the district. Ninety per cent of the total tea

produced in the country is from greater Sylhet. There is also enough scopes to attract tourists in the district. Jafflong, Tamabil, Madhokunda etc are the examples. There is no other district endowed with so much resources and potentiality in the country.

It is expected that with the formation of a new Division a general improvement of the area will surely enhance the economy to a great extent.

Motus Samad Chowdhury,
Assistant Manager,
Phulola Tea Estate, Sylhet

Spiritual monarchy?

Sir, The spiritual leader of an Islamic sect has been treated by Bangladesh with honour equivalent to a visiting head of a state.

Who is entitled to such an etiquette from the host government, strictly concerning a guest of episcopal nature who

inherited the title Prince with no visible kingdom, recalls the fascimile of appropriateness in Bangladeshi diplomatic courtesy.

If VVIP status of a dignity can be subject to scrutiny, then a poor state's balance sheet deserves review by the taxpaying voters as often as possible.

Not to question a designation in a religious tenet, but to justify the status and privilege of a particular rank/position with regard to the standard of an establishment — state et cetera — is what must be unambiguous in this Space Age civilization.

Within the divinity of an imperial hierarchy of a spiritual leadership, unlike the socio-political setting, the position of privilege equation in the interstate protocol should come up for re-evaluation in the respective doctrine.

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