Dhaka, Monday, August 23, 1993

A Case of Fraud?

The report that some agencies of the government had been diverting funds meant for financing development activity to service their debts, reveals total financial indiscipline and utter lack of accountability in the public sector. In a sense, this practice is tantamount to perpetration of a fraud on the public exchequer.

For financing development projects, enterprises and other agencies in the public sector receive funds from the government mostly as loans. The money comes in the form of allocations made in the Annual Development Plan (ADP) every year. The concerned agencies are said to have fallen in huge arrears in servicing loans disbursed through the ADP from year to year. The Finance Ministry took up the job of updating the debt register and it took them nearly two years to complete the task. However, the process of bringing the books to date, we are told, also yielded information on this trick of fund diversion.

It is also difficult to understand why it took all that long for the Finance Ministry to catch up with the outrageous practice. It could be that project accounts are not audited regularly. Otherwise, the information would have surfaced much earlier.

Lag in the implementation of projects under the ADP had been worrying the government and the donors alike for years now. A recent World Bank appraisal report on aid utilisation has called upon the government to focus its attention on accelerating ADP implementation to improve aid disbursement. It is said that all categories of aid disbursement fell significantly both in 1991 and 1992. There is no way for project implementation to pick up if the money is used up for other purposes. According to preliminary reports, ADP implementation in 1992-93 could not even match the performance of the preceding year. It may be worthwhile to find out how much of the failure was due to fund diversions.

Meanwhile, Finance Ministry is said to have told all public sector agencies that debts to the government must be serviced out of current receipts and not through adjustment of ADP allocations. That seems to be about all there is to it. Treating a serious lapse rather lightly does not auger well for enforcing financial discipline in the public sector. The Ministry had come down much more heavily on the private sector defaulters of bank loans.

Rather, in a related move, Finance Ministry has acted to ease debt burden of the public sector. It has prescribed new softer terms for government lending to the public sector agencies, both in respect of local currency loans and relending of funds secured by way of foreign assistance. The move will perhaps make it easier for these agencies to service their debts to the government out of current receipts. It is also thought that lower interest rates of government lending to them would improve the fi-nancial viability of public sector entities by reducing their overhead cost which, in its turn, will help the process of restructuring their balance sheets. The point is, will the move bring the results it is intended to? Let's hope that lower debt service liabilities would not induce a penchant for increasing current spending too.

To all appearances, public sector agencies will now be getting loans from the government under ADP allocations at interest rates which are lower than the prevailing market rates. This could distort costs and economic returns on public sector projects. Such aberrations could possibly be ignored over the short-term, particularly if the money is spent on building up infrastructure facilities and public utilities. However, for the sake of efficiency in the economy, improving the performance of the public sector entities should continue to be the key consideration behind government moves. This calls for more effective monitoring of activities of public sector agencies. To judge by the latest disclosure about diversion of ADP funds, such efforts still fall behind.

Digging into the Past

Some journalist-writers derive a morbid pleasure - and, in the process, make a fortune - in digging into the past of great men and women after they are dead and gone. Sigmund Freud has suffered from the same fate, and so has British novelist, Virginia Wolfe. Somerset Maugham turned out to be senile towards the end of his life; E M Forster. was gay.

Now, it is the turn of Albert Einstein to be treated in the same fashion, the subject of what the publisher would call a "revealing" biography by two British journalists, Roger Highfield and Paul Carter. The scientist, widely respected for his earth-shaking inventions, has been portrayed as a "womaniser who fathered illegitimate children. There are other sordid details from the life of man who, as a Jew, fled from the Nazi terror and found a home for himself in the United States and established his reputation as one of the greatest scientists, a reputation that transcends time.

May be these facts are all there in the new "biography". But they must be overshadowed by what a section of the media calls, "Now it can be told" type of information.

We will never ask for curbs on the freedom of expression of writers. Here, no code of ethics can also work. However, there is need for writers to show some respect for the dead, however great or insignificant one may be, especially because he or she cannot answer the charges. It is all a question of ethics which remains superior to cheque-book journalism.

HE latest findings of the

fairness, leaders of trade and

'bureaucratic barriers', lack of

coordination among policy

makers, low level of of protec-

tion, law and order situation,

labour relations - as some of

the major impediments to in-

the banking sector is totally

unwarranted. In pursuance of

the commitments given under

the World Bank financed

gramme, the government has

forsworn the practice of directed

eredit i.e. telling the banks

which sector or for what

purpose to lend. Yet, the Finance Minister was impelled

the other day to direct the state-

owned banks to sanction Tk

2,000 crore as investment fi-

nancing credit during the cur-

rent financial year. Such a di-

rective would not have been

necessary at all had these

banks themselves taken the

initiative to draw up their own

programme for investment

credit. Why is there such woeful

lack of initiative in these banks?

is it that repeated reprimands

have stifled whatever penchant

for initiative these banks had?

Are they afraid to act lest deeds

of initiative today surface as

misdeeds of the past some other

Financial Sector Reform Pro-

It's not that the criticism of

etted

industry also

International Monetary Fund (IMF) on the performance of our economy have been given fairly wide publicity -well, all that is good

in the report anyway. Apart from macro-economic stability, including subdued inflation, the IMF report also acclaimed the growth in industrial production, progress in revenue collection and buoyancy of exports. However, one particular aspect of the findings which merita special mention is the fact that the IMF found encouraging trends in the expansion of bank credit to the private sec-

We have got almost used to seeing banks being treated as sort of whipping-boys for nearly all the problems that beset private sector investment in the country. During his meeting with the leading businessmen and industrialists at the Metropolitan Chamber of Commerce early this month, the Finance, Minister was sharply critical of the banks for shying away from financing investments. According to reports appearing in the press, he stated that the banking system was not responding appropriately to the needs of the entrepreneurs. The banks are sitting tight on the money and they do not have any innovative ideas, he is reported to have said. Then, again, at the national convention of businessmen in Dhaka the other day to mark the completion of two decades of the Federation of Bangladesh Chambers of Commerce and Industry, many of the leaders of trade and industry present, were critical of the performance of the banks. As a leading industrialist asked, the government is providing funds and asking the banks to lend the money - yet why are bustnessmen and industrialists not

coming up to borrow? In all

HE term 'gunship' has

explained. The Americans are

using 'gunships' in Somalia,

one of which is the AC-47

known as 'Spooky' and 'Puff the

Magic Dragon' after the

children's song. Like a dragon,

it can devastate all before it

with one mighty roar of high-

calibre guns that discharge

18,000 rounds a minute. Puff's

'kill ratio' is challenged only by

another 'gunship' that sprays

myriad needles designed to

lodge in the human body and

make their way through the or-

gans, slowly torturing their vic-

These gunships killed and

maimed tens of thousands of

helpless lraqi conscripts, many

of them in retreat or trying to

surrender. They killed and

American-invasion of Panama,

and in the American-directed

terror in El Salvador and in

Indochina, for whose great

'laboratory war' Puff and the

Like the gunboats of an ear-

lier imperial age, Puff can stand

off and 'bomb the niggers' (to

quote Lloyd George) with mini-

mal danger to the bombers,

while a new class of imperial

domestics, such as the

Pakistanis, draw the ire of the

mob on the ground. It is an ef-

ficient arrangement, especially

as Globocop's public relations

system ensures that culpability

is minimised by 'news' of anar-

chic, ungrateful natives, by the

repetitive juxtaposition of terms

and related images, such as

'warlords' and 'peacekeepers'

and by the suppression of the

The later is aided by the

summoning-up of a demon. We

in the media love a demon.

Noriega in Panama was a fine

media demon. Old Pineapple

Face fitted perfectly the front

pages of the tabloids; he was an

international drug dealer, whom

the US Marines were 'bringing

to justice'. We were not told that

when President Bush ran the

CIA. Noriega was their man;

truth of recent history.

others were invented.

tims to death.

become part of news sh-

orthand that is seldom

day? Better play safe! The Planning Minister's exhortation to the entrepreneurs at the national convention of businessmen to stop giving undue attention to bank officials, might have seemed like a breath of fresh air to the beleaguered banking community. And, as mentioned at the beginning, the IMF also found a noticeable improvement in the expansion of bank credit to the

private sector, it said that bank credit to the private sector rose by an encouraging Tk 260 crore in May '93 as compared to Tk 150 erere in the preceding

Statistics published by the central bank show that credit to private sector had been on a continuous decline since the beginning of the last financial year. There was a marginal rise of 0.9 per cent in December '92. However, this rise better be ignored as it includes adjustment of outstanding interest which would inflate the figure for incremental flow of bank credit to the private sector at the end of

as a proportion of deposits. bank's lending to the private sector had been on the upside. Perhaps the banks deserve a pat on the back, albeit a small one, for their performance in private sector lending in recent

The decline is deposits is also bad news for the banks. In absolute amount, over the period of December '92 and April '93, bank deposits fell by Tk 524 crore. Where has the money gone? Some analysts believe that the lowering of interest rates on deposits would engender dissaving by discouraging fresh deposits in financial

ALONG MY WAY

LESSONS IN COLLECTING BAD DEBTS

S B Chaudhuri

the month. In January '93, credit to private sector again recorded a marginal fall of 0.3 per cent. However, the declining trend has reversed since February '93. From a modest rise of 0.4 per cent in February '93, bank credit to private seetor climbed at a rate of 2.5 per cent in March, 3.3 per cent in April and 5.7 per cent in May 93. For the same reason of distortion for the month of December, I am ignoring June '93 for the present purpose. On the other hand, despite possible distortion arising out of the bank's usual practice of window dressing by way of collecting additional deposits during the month of December, their deposits fell by 1.8 per cent between December '92 and

April '93. In other words, even

institutions. In that case, the decline could be attributed to both withdrawals and fall in the level of new deposits in banks. There should not be much to worry about withdrawals if these have gone into investment in productive purposes. As for the fall in the incremental rate of deposits in banks, there is a view that he significantly higher yields in postal savings accounts, as compared to bank's interest rates, is causing a shift in deposits from banks to postal accounts. Well, it could be true but it cannot wholly account for the phenomenon. For, total post office deposits as at the end of April '93, stood at Tk 352 crore only whereas bank deposits fell by Tk 524 crore. It is also quite possible that large amounts of deposits shifted to savings cer-

Bank's Lendings Rise, but Deposits Fall tificates, where the yield is considerably higher than the rate of interest offered by the banks now. However, an outsider can at the most guess at what is happening. It could be that the decline in bank deposits merely constitutes a temporary deviation - not a lasting trend. Only the central bank can find out what it is all about.

> LTHOUGH relatively high, loan default is not A a feature unique to this country's banking system. Nonperforming loans of banks weaken their asset values. bringing to surface excessive debt burdens. Placed in such a situation, banks all over the world go for repairing and rebuilding their balance sheets The usual practice is recapitalisation, generally by way of building up reserves which would enable the bank to write off had debts. This is what is being done in this country too. with the difference that for the state-owned banks, the government is providing bonds for recapitalisation. However, balance sheet restructuring of the state-owned banks is said to be making rather fitful progress. Some say that these banks are chary of writing off bad debts for fear of being hauled up later, on ground of showing undue favour to a client with ulterior

New modes of tackling debt overhang are coming up elsewhere in the world. In essence variants of loan swaps, it seems that the idea behind these initiatives is to take non-performing assets off the books of a bank, by way of sale at a discount to an altogether new en-

tity. The later would then go after the defaulter like a real Kabuliwalah, while the bank restructures its balance sheet quickly and proceeds to conduct its business with a relatively clean slate.

Take the case of Japan, for instance, where non-performing loans of financial institutions were estimated at around \$252 billion towards the end of last year. A new entity called Cooperative Credit Purchasing Company Ltd was then set up, jointly owned by 21 banks. A bank sells a delinquent loan to this company which will pay the price with money borrowed from the bank. The discounted price of the loan is determined by an independent committee of appraisers. The new company will then collect the overdue debt from the defaulting borrower, it necessary, be selling the collateral. If the proceeds from the sale result in a loss, the bank concerned will make up the difference. If there is a profit on the sale, the bank will share it with the company. Banks in Japan are reported to have already sold off a considerable proportion of their non-performing assets to the new agency.

In India, the Citibank is reported to have floated a new entity in association with another financing company. The joint venture, reportedly named Northern India Credit Factors Ltd, takes on, for a fee, collection of problem loans of the bank. It is said that later, the new company may even buy debts from others.

Such an entity, if formed in this country, would of course need government's patronage, at least by way of creation of necessary legal framework and active cooperation. May be, the Bangladesh Association of Banks (BAB) will give the matter some consideration.

Somalia: The New Gunboat Diplomaçy

by John Pilger

The fact that US gunships in Somalia are carrying out military operations under the UN banner cannot obscure the simple truth that these gunships are playing a role and function similar to gunboats of an earlier imperial age.

and that drugs had long been a CIA currency. Neither were we told that the real aim of 'Operation Just Cause' was to place Panama and its US base under direct American sovereignty, run by less uppity Noriegas who, unlike the original, dared not make peace with US enemies, like Nicaragua. Also, George Bush's political virility was 'on the line'. For this, at least 2,000 Panamanians died.

The next demon off the rank was Saddam Hussein. He was 'Hitler revisited' according to Bush, who made no mention of the West's massive, secret and illegal support for Adolf No 2. Neither were we told that a number of overtures by Saddam, including a peace plan drafted by Moscow and accepted by Iraq, were brushed aside by Globocop and the public relations system. Iraq was to be disciplined; Iran was to be favoured. For this, some 200,000 were slaughtered Saddam Hussein is still there, of course; who better to control the democratic urges of his people that might threaten the stability of the region?

The latest demon is General Mohammed Farah Aideed, a Somali 'warlord'. 'A man may smile and be a villain, offered the Observer, in a profile of Aideed. 'Soft-spoken, courteous, balding, with greying hair and a pot belly. Aideed looks and sounds more like a successful businessman than the man the United Nations accuses of crimes against humanity.' (Who does that bring to mind? Alas, Kissinger still has his hair). According to the Observer, this demon 'is responsible for the

sands of people, through murder or as a result of the famine he helped to create.

The wonderful thing about accredited demons is that you can say virtually anything about them and it is unlikely you will hear from Peter Carter-Ruck. Inexplicably, Aideed's unique 'war crimes' were not mentioned last March when, in Addis Ababa, he signed a UNsponsored plan for peace and the reconstruction of Somalia. He was then merely one of the leatiers of Somafia's 15 factions'. Why is he now being singled out for disarmament and trial before the world? And what

is to become of the other

'warlords'? Will they also be

pursued by 'gunships' firing missiles at hospitals? Almost certainly not. Demonology is made for one. And spreading the blame can only make difficult the task of the public relations system. Facts may emerge that those 'hundreds of thousands of people' died for reasons other than the crimes of General Aideed. For example, the US and other Western governments suppressed satéllite evidence about the severity of the drought in Somalia as long as two years ago. Until then the US government allowed its client regime in Somalia, the murderous dictatorship of Stad Barre, to steal American-donated food and divert it from the starving to the army and to profiteers. Moreover, the US ran a 'ratline' to North American for Stad Barre's leading killers, who were given Canadian tourist visas. Among them were Somali officers trained in the US, includ-

Such facts do not diminish General Aideed's odium, merely identify the sources of the real stink and of the real 'crimes against humanity in Somalia. Last year, the Bush administration actively discouraged donor from helping Somalia, regard less or reports that 2,000 Somalis were dying every day. Bush withheld American food aid for two straight months until the Republican convention in August when he pledged to the IV cameras that the would do anything to overcome the

obstacles' to alleviate the 'major human tragedy' in Somalia.

Out of this came 'Operation Restore Hope', a public relations stunt designed to save the defeated Bush's face and, more important, to fill the strategic vacuum in the Horn of Africa. At the same time, the UN special envoy to Somalia, Mohammed Sahnoun, whose diplomatic efforts among the factions had met with extraordinary success, was sacked. He had made the mistake of criticising the UN. This was not news. Neither was American support for a notably victous warlord, General Mohammed Stad Herst Morgan, the son-inlaw of Stad Barre, Washington's

Recently, a British aid worker in Somalia, Susan Quick, described how the American-dominated UN has pushed aside the yoluntary workers, in blatant violation of all the principles of the relief assistance'. She wrote: The UN has distributed food in only a handful of sites in a manner likely to increase tension.' She also disclosed that more Somalis being disarmed by the UN were those guarding aid agencies and food supplies.

Rakiya Omar, a Somali who is co-director of African Rights, has described UN power in her country as a licence over people, rather than a means to influence politics. A degree of political thoughtlessness unimaginable in Bosnia is regarded as justifiable in Somalia... Somali civilians are paying the price for the importance of the West in Bosnia...

The immediate issue for oppohents of imperialism is to identify its contemporary forms and not to be distracted by media demons and Orwellian euphemisms such international community' world economy, 'liberal intervention' and so on. Unless selfdeception is terminal, current

eyents in Somalia alone ought to persuade wavering liberal interventionists that Lloyd George's utterance is as heartfelf among the rulers of the world today as it was when bombing niggers' was politically correct to say The principal agent of impe

rialism is the UN, now little more than a colonial office of the US. This situation will persist while the anachronism, the Security Council, is allowed to determine the life and death of nations declared expendable by Washington. While Puff the Magic Dragon does its work in Somalia, the UN looks the other way as Israel terrorises the Middle East, Indonesia consumes East Timor and Pol Pot once again menaces Cambodia; the list is long. The UN should be changed radically or scrapped; too many have suffered in its name.

 Third World Network Features/New Statesman &

Australia-born John Pilger is a well known journalist, author and documentary film-maker.

OPINION

Administrative Reform

A news item published on that his order or decision shoudailies that the *comprehensive judicial review. report on public administration on restricting bureaucracy' would be presented to the Prime Minister Begum Khaleda Zia early this month has inspired me to write a few lines on the

I do not and cannot claim myself to be an expert on the subjects but due to my concern, as a citizen, about my country and for the wellbeing of the public in general I want to make some suggestions in addition to what might have come up in the report of the learned members of the advisory body on the subject. I like to suggest the

following: a) Change the name of the 'Secretariat' to "Mantranalay" or "Office of the Ministers". (I do not understand why Ministers specially the elected person

should sit in the "Secretariat.") b) Amend the laws relating to the responsibility of the 'Public Servants' for their malfeasance. misfeasance and non-feasance Omit the existing law relating to the prosecution of Public Servants after obtaining sanction from the Government. No Public Servant' should be allowed to be defended by the Government Pleader/Public Pro-secutor in arly case or suit.

c) Any 'Public Servant' who passes any order in respect of right, liberty or property of an indwidual should supply entire order sheet/note sheet, documents and paper relied upon for such decision along with the final order to the person concerned whose right, liberty and/or property are effected by such order. Once this system is introduced in this country, corruption will have to come to an end. The taboo of official Secrecy Act, seens to me the cause of all evils and root of corruption. There cannot be any secrecy at least to the person whose, right, liberty and property, the state wants to deprive him of. The decision maker in the administ-ration should put himself in the shoes of a Judge

July 21, in almost all national ld stand the judicial scrutiny or d) The Constitution provides

for appointment of Ombudsman (Art 77) but till today no such appointment has been made by any of our governments. What we have seen in the past that deposed Ershad started meeting with the people and giving decision on the sport; the same is being followed by the elected Prime Minister Begum Zia with the only difference that she is a meeting the people on every Thursday in her office at Sugandha. An appointed Ombudsman with the rank, status, salary and privileges of a judge of the Appellate Division of the Supreme Court, will surely be more acceptable by all than a person holding a political post. Moreover, the present practice of doing Ombudsman's job by the Prime Minister cost a lot to the exchequer of the Government; and the decision takes a political colour - without any mec-hanism for execution/implementation of the order. Once the office of Ombudsman is established, it will be an institution with full force and

decision/order. e) In any suit or legal action against the Government the court must aware cost of the suit and incidentals there on in addition to that an exemplary damages may be awarded in favour of the aggrieved litigant and against the Government defendant. The Government in its turn should punish the person responsible for such damages for his malfeasance, misfeasance and non-feasance. This will keep the so-called bureaucrats on their toe and they will feel that they are in real sense, "Public Servant".

mechanism to implement its

I think only an elected People's Government can change the age old colonial system of bureaucracy. The suggestions made above may reduce the powers of bureaucracy, to the optimum flourish-

ing of demo-cratic institution. M Saleem Ullah Advocate

Fighting AIDS

Sir, AIDS is a sexually transmitted vicious and incurable disease which of late, is spreading like a wild fire all over

Recently Dr. Michael 1 Merson, Executive Director of the global programme on AIDS of WHO had come to Dhaka. While presenting a key note address at a seminar on AIDS he said 'The epidemic of AIDS is all around you." Almost two million people in Southeast Asia are already infected. He and many foreign and local specialists repeatedly urged the need for preventive measures — education. motivation and identification of vulnerable groups — to combat the epidemic. But surprisingly neither he nor any other speaker uttered a single word on abuse of sex, homosexuality, prostitution, gay life and social evils which are the main causes of AIDS. We wonder why the authorities concerned are playing hide and seek game to combat

the dreadful epidemic AIDS. There is no shame in admitting the truth that some lascivious American and European tourists and the prostitutes of Saigon, Hong Kong, Bangkok, Manila, Calcutta etc carrying HIV infection are spawning

AIDS. To fight AIDS epidemic a pious existence of life is impera-

deaths of hundreds of thou-

We would therefore request WHO and our authorities concerned to give top priority to morality and character building of the people especially the youth side by side with teaching of all preventive measures to make the campaign against AIDS a real success.

O H Kabir Dhaka-1203.

ZŁA

Sir. Allow me to refer to the letter of Mr S I Dewan, published on 14 August in your daily.

I am more than willing to "yield unto Caesar his due". But then again "Laisa lil-insaan il — la maa sa'aa' (nothing for man except what he earns/deserves). Accuse me of niggardliness, but red/green channels at ZIA, were well in operation long before the honourable State Minister for Civil Aviation and Tourism dreamt of joining politics.

and concern for the suffering passengers at ZIA, but beg to disagree with his recipes. Only one thing is required for clearing the Augean Stable

I share Mr Dewan's shame

that is ZIA - an honest intention. Mere semantics would no sooner evaporate the sufferings of these hapless passengers, than the white plumes of exhaust gases from the death traps that throng our roads.

ing one who allegedly ordered

the execution of 120 villagers.

Short weight

Sir, Giving short in weight

O, for a commitment!

seems to have become a normal routine with the meat sellers and green grocers in Dhaka while prices of daily groceries are going up unabated. On one occasion I bought 5 kgs of beef at Tk 60/- per kg from the Hatirpool market and when I checked the weight after I returned home, I was surprised to see that the meat weighed only 3.300 kg i. e. shortage of 1.700 kg! I had it re-checked with a different weighing machine at nearby shop. The result was the same. And this is happening every day. Everyday the unfortunate consumers are being cheated like this while the law enforcing authorities are oblivi-

the municipal authorities have installed a weighing machines at Municipal markets for the

customers to check the correctness of weight of their purchases. This has achieved good result and I am told that wherever the weighing machines have been installed incidence of short weight has disappeared. I don't know how far this is correct. But it makes sense and is a very simple, inexpensive way to combat the menace. If weighing facilities are readily available the fear that the customers may check the correctness of the weight will act as deterrent; at the same time consumer awareness will develop. The Municipal authorities in Dhaka should organise the facilities of rechecking at Municipal markets and at the same time the law enforcing authorities should enforce the law against unscrupulous shopkeepers. Service Clubs like Rotary

and Lions may also come for ward to organise healthy practices in marketplace by publicity and motivation. In this respect the Rotary Four Way Test may play an important part and may be a worthy project for the year. Through your esteemed daily

would like to draw the attention of the autorities to this important matter.

ous of such criminal acts. I am told that at Chittagong

P H Muhammad New Eskaton Road, Dhaka. in giving his decision in any of

such matter or, in the alternative, he should keep it in mind Motifheel C/A, Dhaka