The Daily Star
Founder-Editor : Late S. M. Ali
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Don't Lose Heart, but . . .

Ambassadors need not lose heart; but they must pull up their socks. Finance Minister Saifur Rahman's salvo at the chiefs of our missions abroad for their lacklustre performance in boosting the country's exports is well taken except for the rather sweeping chastisement part of it.

One in his knowledgeable position is welcome to point out where things are going wrong — all the better if he should call a spade a spade. But to suggest that heads of our missions are all a do-nothing pack and so much as to say, they do not even attend office regularly, are obviously a bit too much. It makes light of a good point and thus dilutes its force. It can be even dampening instantly for the target group. But time should be a healer there — we hope. And, more of a healer would it be, if they should address the business with redoubled efforts in a bid now to change the rather well-formed impression of underperformance on their part.

There is so much the heads of our missions abroad can deliver in terms of an export-led growth. Concentrating on the traditional markets and then moving on to Central Asia, Eastern Europe, Southeast Asia and even Africa where new things are happening market-wise, they can give quite a shot in the arm of the economy.

Foreign Minister Mostafizur Rahman while emphasising the new-found economic role to his ministry's officials had said in an exclusive interview with this paper, some months ago that thenceforth the evaluation of our ambassadors' performances would be primarily based on how they fared in their economic rather than the political role. We are hoping that a tab has been duly kept on how the chiefs of our missions have been doing since then — to serve the country's economic interests.

Some structural preparations were necessary. New trade offices are needed to be opened. For all we know, the idea of having zonal trade offices overseas has practically moved at a snail's pace, obviously due to financial constraints. The trade wings of some missions are waiting to be revamped. We think some money should be arranged for all these. There is a trade service cadre but persons of general cadres have quite often been posted out as Economic Ministers or Commercial Counsellors. We can start looking for some incumbents at select private sector corporations for target-oriented contractual employment, even if on a limited quota. The Foreign Ministry officials have sometimes felt peeved that they have a function in the sphere of external economic relations but with little effective say because it is the domain of ERD. Some inter-penetration may be provided so that a complementary relationship between the Foreign office and the ERD is built into the system. Coordination is also required with the Commerce Ministry.

The wider role we have in mind for our chiefs of missions abroad is keeping their antenna high for what is known as economic intelligence gathering, in diplomatic parlance. Then, they should energetically and unfailingly put our private sector leaders and the trade delegations in touch with the public and private sector trade bodies in the host countries. Aside from the trade fairs that we hold but only seasonally and, in a very limited number of venues, what we should use as a medium to popularise Bangladeshi goods is year-round salesmanship with products profile, brochures, discussion meets and personal contacts. The diplomatic, information and trade wings of a mission will all have to work under an integrated plan to promote our exports. That our products are improving in variety, quality and environment-friendliness will have to be constantly hammered overseas.

Who will Prevent Forgery of Signature ?

First the warning was about the forgery of signatures and seals of the officials of the Prime Minister's Secretariat and now the alarm bell is sounded about similar wrong doings with the signature and seal of the Speaker of the Jatiya Sangsad. In both cases Press Information Department (PID) handouts warned of the clandestine fraud and asked the public to be vigilant. Not many details are given but one necessary piece of information is that organised groups, resorting to such impersonification, have one common motive — to take undue economic and other advantages. Even hoax telephone calls in the name of the Speaker's personal staff are said to be made to advance such undue gains.

The caution urged by the government handouts may fall far short of a corrective measure required to stem the malpractice but it does at least one important thing by way of making the public aware of the secret act of deceit. One thing is however not very clear. How have the two highest offices come to know about the clandestine activities of the impostors? The public warning suggests that such incidents of forgery or attempts at it have already been detected. No doubt, it is a serious development and therefore should be treated as such.

Unsuspecting people have been given a choice through the warnings but they are not sufficiently qualified to verify the bonafide of the documents and papers received from the Premier's or the Speaker's offices. One good point is that anyone confronted with the dilemma about the genuineness of papers, signatures and seals can feel free to contact those offices before making any deal. The onus seems to have been shifted on the public whereas it should have been the government's. Admittedly, if the forgery of signatures and seals of the office of the country's highest office cannot be prevented, it is indeed a poor commentary on the running of the show by the concerned authority.

There is moreover no reason to believe that the seals and signatures of those two offices are forged alone. Ministries and departments responsible for big government deals are not likely to be left out of the deceit list. Asking the public to be on the alert in all such cases will be a big demand on their capacity. It is the government that has certain special branches to deal with the problem. Where they fail, how can the layman be expected to succeed? The agencies responsible for performing the job must prove themselves so that the public do not have to spend endless times in anxiety and suspicion. It is also a part — and an important one at that — of the administration's duty to keep its official works clean and beyond doubt. How it will do this, is again its own special business. The forgers only complicate the task by meddling in it in the most unfair way possible. The imposters must be apprehended — and soon enough — for a whack of the severest punishment. This is necessary both for public confidence building and the smooth running of the government.

Inflation Psychosis: Bangladesh Experience

by Abdul Bayes

INFLATION, the rise in the general level of prices, has been a perennial issue of concern all over the world. The rate of inflation i.e. the rate of change in the consumer price level between two periods, is considered to be a barometer to measure any economy's health and people's welfare. Needless to mention, higher rates of inflation are dubbed as anti-growth as it can seriously distort the development process by encouraging the use of resources in socially undesirable ways and by intensifying the inequity in the distribution pattern of income. A German Central Banker once remarked that inflation is like a toothpaste which, once out, is very hard to push back in. Therefore, it is being argued that policy-makers could hardly play with higher inflation. It is, however, not zero or negative inflation, for that matter, that should glorify policy-makers (since the opposite of inflation i.e. depression or recession is considered no less virulent) but confinement of inflation to a level which is supportive of growth and equity is what should be prized.

It appears that an aura of complacency over lower level of inflation in Bangladesh pervades us all, especially the policy-makers. In the late Seventies and Eighties, the average rate of inflation spanned between 10 and 12 per cent per annum, with a fair amount of it being imported. Then came the assault on the rate and, in consequence of the adoption of a set of demand management policies, probably, the inflationary pressure began to fall monotonically and tended to settle at around 1.4% in 1993. This compares with 5.9%, 7.5%, and 9.9% in Pakistan, India and Shri Lanka respectively, during the same period of time. Also the rate of inflation appears lower than in many of the developed countries. But unfortunately, contrary to expectations, it appears that a lower inflationary rate tends to hew a lower growth rate for Bangladesh. Experts would like to argue that an inflation rate of 5-6% would have been justified given the economic parameters in present-day Bangladesh.

An Economy of "Overkill"?

It is being irrevocably argued, with a grain of truth, of course, that lowering of the rate of inflation is one of the pre-conditions to setting an economy on an even keel. On that score alone, the attempt to attack inflation in the first place deserves to be the best obvious choice. But, as we know, the break-even level of inflation is determined by a volley of factors, differentiated by the peculiar conditions, worldwide. However, the excess aggregate demand has been diagnosed (by the monetarists of IMF) as the formidable contributor to the inflationary over-heating of the economy of Bangladesh. In this concern, the disease of "hyperinflation" (when shopkeepers feel more comfortable to hold stocks rather than open the door and sell goods) has mistakably been associated with moderate rate of inflation necessary for economic growth. The diagnosis of "hyperinflation" in some Latin American countries where price level shot up by 500-1000% per annum and the kind of prescriptions to overcome them have been imposed on economies like Bangladesh where the rate of inflation rose by two digit level or less than that.

There appears to be two types of mistakes on this issue. First, a school of Economists tend to argue that budget deficit (an indicator shown by the advocates to reflect excess demand) per se tells us nothing about the magnitude of excess demand but in addition to budget deficit, some other criteria such as private savings (e.g. gross investment and net exports) could probably hint to that. Second, in a country like Bangladesh, where substantial unemployment persists and the average rate of industrial capacity utilization is very slender, more attention should have been given to the causes of inflation i.e. whether the inflation is cost-push or demand-pull. The question should have been whether it was really necessary "to burn down the house in order to discover the roast pig" or whether there was any other better ways to deal with an every-time like inflation. The error in diagnosis might have led to a process of stabilization package and hence to a process of "overkill" resulting in today's recession which is no less painful for an economy than an inflationary rate of 10-15%. Chile, Mexico and some other countries are bearing an inflationary rate of 20-30%, but at the same time, brewing a higher rate of growth, savings and investment than the countries that tend to celebrate an inflationary rate of 2-3% but, at the same time, bog down to low-investment, low-growth trap.

Bangladesh Syndrome

For Bangladesh particularly, there are reasons to believe that the situation turned out to be one of "overkill" in that the reduction in aggregate demand went beyond what was needed to make room for an expansion in the production of goods. Most of the curtailment came from freezing public investment expenditure (not so much the revenue expenditure) that appears to have crowded out private investment. The successive governments failed to accept the reality that public investment contributes to a raised level of elasticity of supply through ensuring better social and economic infrastructures. On the other hand, the concomitant steps that were to follow a demand management package of the "advised" variety, did never augur well in tune with requirements of the hour. For example, the presence of a hard rather than "soft" labour market, the bureaucratic hassles that annoy investors, the inability of the government (as well the opposition) to "own" the reforms and play their roles, the presence of a traditional financial behavioural pattern, the absence of a sound capital market, etc., tended to constrain commitments from investors, at home and abroad. The success stories of other countries, needless to mention, are ascribed to their bringing these factors in line with the adjustment package.

The Holes and the Goals

A common sense argument is that after duly fighting the hideous inflation through a demand management approach, allegedly, the economy has been led to a point where it is, in fact, in a deep ditch — a state of "from fire pan to the fire." The apparent fall in consumers' price index emanates mostly from a fall in the prices of foodgrains, the single most dominant actor in the consumption basket (accounting for about two-thirds of the total expenditure), and of prices of other imported commodities resulting from tariff rationalization and import liberalization. The provisions "for cheap industrial raw materials and machinery for "export-led" growth and, the successive reductions in interest rates, it appears, could hardly make a difference in the growth impasse. Furthermore, we have the sad news that the rate of utilization of ADP funds until this time of the year has been on a very low ebb as compared with that of the same period in the previous year due to dilly-dally in project implementation and monitoring. The concern of the moment is, therefore, to address the constraints in the fuller utilization of the resources for output augmenting projects. The hanging reform issues should clearly and quickly be dealt with. Otherwise, the economy would have to continue with the recessionary trend for more days to come. Time has come, therefore, to respect and emphasize the supply-side economics where the supply constraint is treated as the major deterrent to growth and as very much friendly to inflation. Historically, the "big" government apparatuses, with a fleet of inefficient and corrupt bureaucracy, could hardly eliminate the bottle necks that private sector needed to push forward the supply side. Downsizing of the government, and accountability of bureaucracy can, possibly, reduce the constraints.

Looking across industrial spectrum, the necessity of rejuvenating small, cottage and medium industries has long been felt but hardly any sign of invigoration is witnessed. For the kind of thrust we need to pull the economy out of a recessionary wreck we should concentrate on labour intensive industrial units with more forward and backward linkages. These may be the least susceptible to the vagaries of policy changes while at the same time they are naturally oriented to reforms from the point of manageability. The agro-processing activities should be given a top priority to dynamize the agricultural sector. Time has come, perhaps, to diversify the agricultural export potentials. Again, the higher cereals production in agriculture coupled with the fall in the prices of grains are likely induce the labour to grow other crops, even to some extent more then to non-farm activities. Since better infrastructural facilities are sine qua non for raising productivity, the timely implementation of development projects can hardy be overemphasized.

The current rate of interest is running at 13% while the inflationary rate is about 2% thus giving a real rate of 11%. There is ground to argue that the interest rate could even be lower. But the main problem lies with the banks which do not appear to be responsive to lower bank rate due to bad loans of the past nor are they willing to accept the responsibility of bad loans in future. It is ironical that while the government is committed to a long journey of economic growth via reforms, the financial sector is still hooked in the old boots. The financial sector, therefore, needs overhauling. At the same time, government should provide security to banks for providing special credits.

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Bankassurance in Rural Bangladesh-II

Investment-linked Policy is the Answer

by Shafat Ahmed Chaudhuri

WE are suggesting a novel plan of life insurance for GBO, namely investment-linked policies. There are grounds to believe that insurance-linked-credit programme can run better if, instead of conventional endowment policies, GBO sells investment-linked life policies.

In an investment-linked policy, premium is viewed as being made up of two parts — one the 'true premium' and the other 'investment contribution'. Investment contribution is not really a premium in the sense it is used in insurance. The company will administer the investment fund, of course, but it will not carry any risk on the investment. However, for the sake of convenience, the investment contribution and the 'true premium' together will be denoted as the collectible premium (or simply, the premium).

True premium, needed to cover the GBO's administrative cost and the cost of death benefit, will be a certain per cent — varying according to whether the premium is the first one or the renewal one and also by plan and term — of the collectible premiums. The balance in the collectible premium will be the investment content and will be available for utilisation in the credit programme. Needless to remind, the credit programme will be run on the Grameen Bank model.

How the investment will be managed? The ultimate responsibility will be GBO's but the day to day job of supervising investments will lie with the policyholders or, to be more precise, with the policyholders' committees. For success of the investment programme the system should be such as can secure maximum participation of the members. If the programme is managed efficiently not only the refund, at end of the term, of the sum assured can be assured but substantial profits can also be added to it.

Assuming that expenses are contained within the limits laid down by the Insurance Act (90% of first year's premium and 15% of renewal) the estimated maturity benefits (sum assured plus profits), at two different rates of interest earned on the credit programme, shall be as shown below :

Policy Term	Weekly Premium per Tk 10,000 SA	Sum assured plus profits	
		10%	15%
10 years	Tk 18	Tk 10,862	Tk 13,311
15 "	" 11	" 13,656	" 19,642
20 "	" 8	" 17,448	" 29,402

Since the investment contribution is not an insurance premium, GBO need not build any reserve to cover the liability against maturity benefit. The investment portfolio shall not form part of GBO's life fund. GBO need only build as much reserve as necessary to cover the liability for death benefit. (Size of this reserve will be relatively very small.) Nonetheless, it may be in order for the GBO to guarantee payment of the basic sum assured on survival to maturity date. This guarantee the GBO can give on the strength of its supervisory authority over the management of investment.

Difference with the conventional endowment life insurance may be noted. In case of endowment policy, the insurance company undertakes the responsibility of paying not only the sum assured but also the bonuses. Invested fund is the property of the insurance company, but the problem is with the choice of investments. This is rather limited. Investment can be made only in the specified fields the Insurance Act allows. The managers of the investment-linked scheme are not circumscribed by any such legal constraint.

WHAT FORM OF ORGANISATION? : What can be the right model for the Grameen Bankassurance Organisation? There are available possibly three options : (i) A Bankassurance Company; (ii) a Mutual Fund type organisation; and (iii) a Non-Government Organisation (NGO).

If it has to be a 'company', the problem arises for lack of any provision under the laws of the country for setting up this type of a company. The permission may be given through an ordinance, as was done in case of the Grameen Bank, but an amendment to the company law or a fresh legislation would be preferable. At any rate, it will have to be determined as to which ministry will have the authority over the bankassurance company — the finance or the commerce? Banking is under the finance ministry while insurance is under commerce. This problem may not be easy to resolve.

Perhaps the problem of an ordinance etc. can be avoided if a non-profit company is set up under the Company's Act. The memorandum of the company will not say about banking or insurance, nor will the name of the company suggest that.

Setting up of a Mutual Fund may too require authority's special permission. But this may be easier for Mutual Fund than for a bankassurance company. If the choice is for an NGO, no problem is likely to be faced in getting approval.

In case of a Mutual Fund or NGO, since neither will be authorised to issue life insurance policies, insurance cover will have to be secured from a life insurance company through a group scheme.

It has already been mentioned that once a GBO, whatever be the kind of organisation, has been set up Delta Life would like to transfer its Grameen Bima portfolio to this new organisation. The process of transfer will have to be worked out very carefully sorting all the financial and the legal matters.

Investment of Funds

An outline, in very general terms, is now given about the investment of funds to be made by the investment department of the GBO. The principle of investment, as always, is to earn the highest rate of profit without endangering the security of capital.

It is possible that all the available funds will be utilised in the credit programme. But this need not always be so. If a sufficient number of viable projects are not available some fund may be put in other good investments.

In each thana covered by the programme, there shall be a Thana Investment Committee. The funds generated in a thana will be put in charge of the respective TIC. The profits added to policies in a thana will reflect the investment performance of that thana. If the thana 'X', for example, earns higher return on its fund compared to the thana 'Y', then expenses and claims remaining same, the policyholders in 'X' will receive higher profits than will those in 'Y'. If a TIC performs too badly, the Central Investment Committee in the head office will take charge of investments of that thana.

The CIC will be formed with representatives from TICs. The CIC will watch the investment performance of each thana through a central monitoring cell. Day to day investment decisions will be left with the respective TIC.

If the decentralisation can be extended further there may be Union Investment Committees too under umbrella of the TIC.

Non-life Insurance : Group Concept

We mentioned at beginning about some non-life insurances, such as, crop insurance, livestock insurance, health insurance etc., that the GBO might take up. It has been observed that since long the authorities of the country have been exhorting upon the insurance corporations/companies to enter into these insurance businesses. But fears of claim hazards have kept them away.

It has to be admitted, in all fairness, that insurance companies have reasons to be reluctant. These insurances can not be conducted in the usual manner where a client deals directly with the company. Checking on frauds will be a difficult task and number of false claims can assume unacceptable proportions.

Can the Grameen Bima model provide a solution? We think it can. Under GBO, the insureds will organise themselves into groups as they do in the Grameen Bank. A claim will be entertained only after it has been processed through the group. Unless a group enjoying authority is placed in between the insureds and insurer (the GBO, in the present case), the insurer will be inundated with false claims. Group members have stake in fair operation of insurance. In case of the Grameen Bank, group pressure works to ensure recovery of loans. In GBO, group pressure will work to ensure control on claims.

Concluded

OPINION

The Petroleum Act of 1974 versus Import Policy of 1993-95

I have read with interest the report "Private diesel importer asked to show cause". The report on Bangladesh Petroleum Corporation serving a show cause notice on a private importer for having violated the law of the land questions the import policy announced by the govt, not to speak of the embarrassment it entails. The first question that comes up in one's mind is whether the parties in conflict are citizens of this country and decision which have caused the conflict has been taken by one Govt of single State or two Govts of two States. If Petroleum Act of 1974 and BPC Ordinance of 1976 empower BPC with the singular right to import, process and market petroleum product in the country and therefore are enforceable. Then what stops a private entrepreneur from importing petroleum product under Import Policy of 1993-95 which allows import of petroleum products without any stipulation that such importers would require concurrence of Bangladesh Petroleum Corporation.

As a tax-payer my question to the govt machinery — the Assistant Secretaries, the Deputy Secretaries, the Secretaries, the Ministers and the Cabinet Committee — is, were they not aware of the existence of the Petroleum Act of 1974, while formulating import policy of 1993-95.

While Import Policy of 1993-95 intends liberalizing import as a step towards free market economy, the Petroleum Act of 1974 is a product of monopolistic economic policy of the past. I personally think the Import Policy announced by the Hon'ble Finance Minister was honest and well intended. Quoting Petroleum Act now, at best it can be called a naked case of filibustering. If govt is sincere in its approach to free market economy then such attempts from quarter benefiting from inefficiency of monopolistic economy has to be stopped forthwith. Otherwise private entrepreneurs would have no reason to come forward and our goal of free market economy would remain a dream.

A R Chowdhury

To the Editor...

Intolerance

Sir, The Quadianis have been living peacefully with other communities of Bangladesh for decades. People of other sects have taken it easy. But very recently some groups are trying to raise the public emotion against them. They demand that the government declare the Quadianis as non-Muslims, and put a ban on their religious activities. There is no doubt that this demand is totally unconstitutional and inhuman. A democratic country like ours should be governed by the legislators, not by any group fundamentalist or otherwise. The UN Human Charter as well as our Constitution also ensures equal right of all communities. Again, this movement against a community is totally contrary to the true spirit of the liberation war which was fought jointly by people of all sects. There should be no doubt about the nature of this movement which is trying to germinate a huge problem in a country which is already burdened by numerous other problems.

A poverty-ridden country like ours needs peace and harmony, not further chaos and confusions. Therefore I appeal fervently to all peace loving people to be aware of the design of the vested quarters who want to exploit the emotion of our religious minded people. At the same time, I express my full solidarity with the editorial published on this topic in your daily.

Shamim Awlad Khan,
Gandaria, Dhaka

Policy and industry

Sir, The government has issued directives not to install any further polythene bag industry, and has also asked the present manufacturing units to sell out all their present stocks by 15th January. The government, however, has not spelled out any instructions regarding exhaustion of stocks lying at the retailer level.

The step has been taken to contain environmental hazard. The polythene shopping bag is not widely used in rural areas where most of our people live. Now the question is many of the owners of the present polythene bag industry have bank liabilities. How will they be able to square up the liabilities? The government has suggested the owners to go for diversification. How the employees will be paid during the erection period of industries/factories for diversified products? Are our entrepreneurs very solvent? There is every likelihood that these industries too will only turn into sick industries.

The previous government imposed restriction on export of wet blue hide. As a result all the wet blue hide tanneries are lying idle for the last few years. The owners of these tanneries have huge bank liabilities. Neither they are repaying that nor are they modernising their existing units making them fit for export of finished leather. These old tanneries have turned into sick industries. After all, policies play a vital role in boosting new industry.

Mahbubul Haque Chowdhury
Kalabagan, Dhaka

Bottle dance

Sir, I would like to draw attention to the 'Star photo' printed in your esteemed daily on December 28 on second page.

The caption described that Bottle dance was performed by the members of the Chakma tribe from the Chittagong Hill Tracts.

We do not know whether The Daily Star is well informed or not, the Chakma and the Tripura communities are completely different in language, culture, religion and customs.

So, we like to give a correction to that printed photo caption. Because, the Bottle dance (wedding dance) exclusively belongs to the Tripura community, other communities cannot perform this dance without the prior permission of the Tripura community. So we assume the Bottle dance was performed by the members of the Tripura tribe from Chittagong Hill Tracts, not by those of the Chakma tribe.

Arunendu Tripura
Reserve Mukh, Rangamati

WASA water connection

Sir, The inefficient WASA water connection to different houses within newly declared Ward No 2 Dakshin Khan, from the main roads, have been damaging the newly constructed pucca and brick-laid roads. Rampant water connection along Ashkona-Dakshin Khan Road which was brick-laid a year ago, has damaged the site following leaking of water from the main connection. This unchecked leakage, and non-filling of dug up sites have already made the roads hazardous for both pedestrians and vehicles, particularly rickshaws.

Efforts to provide water connection with good workmanship is lacking. Authorities concerned have been paying no heed towards ensuring safe and secure water connection.

It is also unknown to the public whether the water line connections are being installed with due authorisation or illegally, when formal inauguration of WASA water supply in Ward No 2 Dakshin Khan has not reportedly been made still today.

Will the authorities concerned look into this to ameliorate the suffering of the dwellers?

M A Rub
Dakshin Khan, Uttara, Dhaka