

## Kabul's Self-inflicted Agony

The blood-letting in Afghanistan began on 1 January. When most other nations in the world greeted a new year, the Afghan people could only put up a tearful face — caught as they were in the cross-fire of factional fighting and heading for Pakistan for shelter.

President Burhanuddin Rabbani on one side and Ex-Communist General Abdur Rashid Dostum and his ally Prime Minister Gulbuddin Hekmatyar on the other are trading cannon balls from their fortified strongholds but it is the civilian people in the open who are sustaining all the casualties.

The last few days saw reinforcements and supplies being ferried by jets flying at dangerously low altitudes and spraying rocket-fire until it all intensified terribly on Saturday centering near the Kabul river, in the southeastern part of the city, a hotly contested area now. There were harrowing casualties.

The prime option that we have always emphasised for the Afghan factional leaders to take is that they settle their disputes all by themselves. There has to be an Afghan solution to an Afghan problem. If they persist in fighting they would weaken their own positions in an attritional war of a suicidal proportion in a virtually no-win situation created by a sizable possession of arms on either side.

Pakistan being at the receiving end of the refugee exodus has offered to arrange a regional peace conference on Afghanistan with a possibility that the Central Asian countries bordering Afghanistan, Pakistan, Iran and even Saudi Arabia might participate in it. An international or regional approach capable of bringing about national reconciliation in Afghanistan finds our support as the key element of advancing the cause of democratic transition for the country.

As a Muslim country with shared history and on the borderline of SAARC, Afghanistan is close to the hearts of Bangladeshis. We want their agony to end.

## Winter's Marauding Mood

The much-dreaded cold spell, as forecast earlier by the weather men, at last seems to have set in. Coupled with light drizzles and gathering fog, a sharp fall in temperature has given the first indication of the cold waves that can wreak havoc with the lives of the poor.

Weather this time is marked for its queer behaviour, but such complaints against the capriciousness of nature or weather have always been there throughout the ages. This time the weather's erratic behaviour has been brought in sharp outline mostly because of the growing environmental concern in the country, at least in some sections of people.

Environmental consciousness apart, however, there are really noticeable changes in the weather pattern. During the last three months there were no rains anywhere in the country until yesterday and sometimes the weather has even betrayed an unmistakable symptom of the spring in, of all places, some areas of Rajshahi known for its atrocious temperature — both high and low.

The Meteorological Office is not always known to be very accurate in its forecasts but this time at least it came pretty close to warning about the cold spell under which the whole country ought to smart for a while. According to its prediction, the winter should not have been biting as yet — not before the last week of this month. But this is just a small misadjustment people will be only too willing to pardon the establishment for. Now the Met office says the current chill will not last long and the real last bite is expected to follow.

If the weather office is correct, that chilly spell may cause real headache not only for the poor section of the population but also for the government. The death of seven people due to the brief spell of cold is indicative of the excessive vulnerability of a section of the people. A large number of people's death caused by a spell of severe cold is undesirable and indicative of an uncaring society. The phenomenon should be treated as a natural calamity one that calls for emergency measures. The absence of cheap warm wears in the market has complicated the problem further. Voluntary contribution by the affluent class and distribution of such old garments by relief workers and agencies can save many a life. As an exigency measure, the government should also do its part in lessening the sufferings of the vulnerable section of the people.

INFORMATION available suggests that the banking system has started the year 1994 with surplus lendable funds at its disposal, or with excess liquidity, as it has come to be known. Banks are obliged to retain a portion of their funds with the central bank as compulsory deposits to ensure liquidity. The current level of this statutory liquidity requirement (SLR) prescribed by the central bank stands at 20 per cent. Out of the SLR, the cash reserve requirement (CRR) or the amount to be maintained in the form of cash, comes to 5 per cent of the deposits with the banks. The balance 15 per cent of the SLR can be maintained in the form of liquid assets other than cash, as prescribed by the central bank, such as approved securities. Banks are free to lend the rest of the funds. Excess liquidity emerges when these lendable funds lie idle with the banks.

Central banks also use SLR, particularly its CRR component, as a monetary policy instrument. During a phase of easy monetary policy, the central bank may lower the CRR, releasing a portion of the banks' cash funds held by it, thus flushing more money into the banking system. When following a tight credit policy, the central bank may raise the CRR, forcing the banks to deposit more money with it in cash, thus mopping up funds from the banking system. Excess liquidity would surface when the central bank pumps more money into the banking system by lowering CRR but the banks do not or cannot, make use of the additional lendable funds coming their way.

Between the third quarter-end of FY 91 and the last quarter

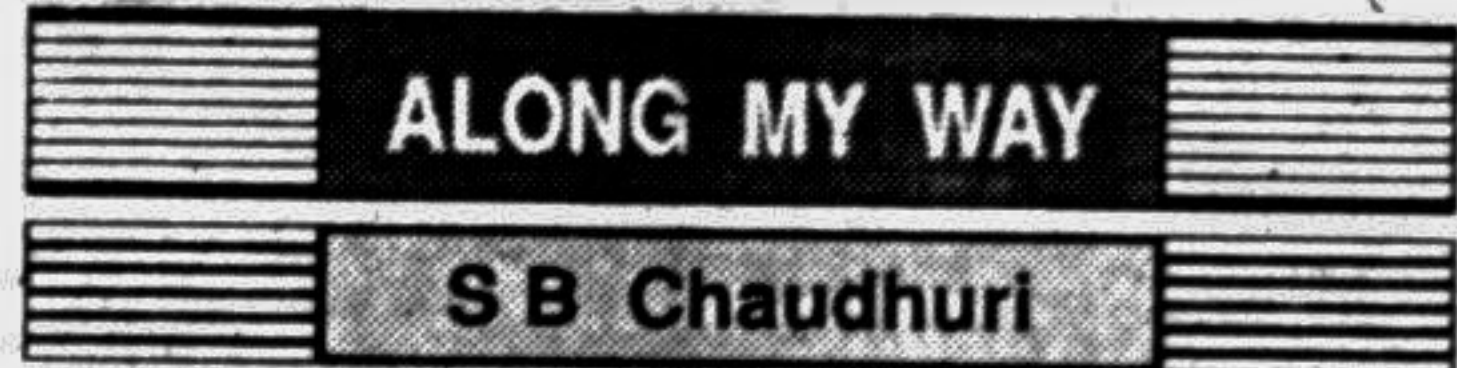
# Banks' Liquidity Overhang may Persist

of FY 92, the central bank lowered the SLR from 25 per cent to 20 per cent by reducing CRR from 10 per cent to 5 per cent in phases. In the process, over a period of one year or so, additional lendable funds of around one thousand crore taka were pumped into the banking system. Normally, banks would immediately try to place the surplus funds in government treasury bills while looking for ways to invest more in trade, industry and other productive sectors. However, the government had scaled down its borrowings from the banking sector. Supply of new treasury bills had dried up. In other words, the banks would have had to expand their lending programme to make use of the additional funds. That was the general idea too. It was thought that with surplus funds in hand, the banks would turn more aggressive in lending and thus help revive the economy.

The banks, on their part, had turned more pragmatic by then. The increased degree of accountability brought into play by the ongoing financial sector reform programme, especially the enforcement of stricter loan classification procedure, had taught the banks to be more prudent in lending. They were learning to differentiate between free-riders and genuine entrepreneurs. Besides, there usually is a timelag for an economic stimulus programme to take hold. In the event, the economy continued to underperform. The level of bank lending to the private sector did not expand in FY 92. The

base of outstanding bank advances to the private sector did rise nearly to 19,900 crore taka in FY 93, recording an expansion of about 8 per cent. However, adjusted for interest application, the net expansion of bank lending to the private sector in this year was marginal at the most. Meanwhile, the banks' deposit base also grew, although at a slower pace in FY 93. All in all, the banking system was left with excess liquidity.

The nationalised commercial



banks still dominate the banking system. The government issued to them recapitalisation bonds in excess of 2,200 crore taka in value. These bonds qualify for treatment as approved securities for the purpose of SLR deposits and so added to the liquidity of the nationalised commercial banks (NCBs). Then, towards the end of 1993, the government is said to have provided the NCBs with a cash amount of one thousand crore taka by way of recapitalisation. Taken together, all these infusions of funds would have added more than four thousand crore taka to the banking system's liquidity, or an additional amount roughly equal to 18 per cent of its current deposit base adjusted for SLR.

In the final analysis, the pace of the economy's revival

will determine how quickly the banking system gets rid of the excess liquidity. If and when the economy forges ahead, the banking system at least would not be strapped for funds for financing the upturn. This lends a measure of strength to the efforts of the authorities to foster a higher growth through increased participation of the private sector. Meanwhile, the banks have reduced their borrowings from the central bank by 1300 crore taka, or nearly one-third, between FY 91 and

starting small-scale industrial ventures without providing collateral. Genuine entrepreneurs, unable to secure bank loans for setting up small industrial units because of their inability to furnish collateral, would stand to gain most from the initiative.

The entrepreneur will have to put up his equity. The participating bank will match the equity with its own funds, extended by way of a loan without obtaining collateral. The bank would then be in a position to extend additional amounts of loan equal to double the amount of equity, against guarantee provided by the central bank, which will administer the scheme. However, a ceiling of twenty-five lakh taka has been prescribed for the guaranteed loan. This implies that the maximum investment, both in equity and loan, would work out at fifty lakh taka for ventures covered by the scheme. The debt equity ratio would be 75:25. Not a bad bargain altogether for entrepreneurs who cannot furnish collateral for bank loans. The arrangement could also meet the need for venture capital, at least in part.

On a first reading, the scheme also invites certain questions. Although the bank cannot take collateral for its loan amount, it would be free to take recourse to securing the debt through pledge and hypothecation. Presumably, these arrangements would apply to all the assets of the venture. The coverage of the scheme has been extended to small industries only. It is not clear if this would include service-oriented

ventures such as those relating to health and tourism sectors. Professionals should not be excluded from the benefits of the scheme.

The central bank would charge a premium of two per cent on the guaranteed portion of the loan. However, the financing bank will charge normal rate of interest from the customer on the guaranteed portion of the loan too. In other words, the premium paid to the central bank for obtaining the credit guarantee would have to be borne wholly by the financing bank. The composite return on the total loan in such cases would be less attractive than the normal rate of interest. Banks may not find the proposition tempting. The proposed arrangement could be rationalised on the ground of lowering of the participating bank's risk. In practice, the banks' intermediation costs on these loans may not be lower. In order to qualify for disbursement of the guaranteed amount in case of default, the financing bank would have to institute intensive supervision and monitoring of the project and also exhaust all normal recovery efforts before it can claim reimbursement. Handling these loan portfolios would probably cost the banks more.

The government is said to have placed a fund of fifty crore taka initially with the central bank for financing the scheme. The central bank cannot invest its funds locally. Thus, the start-up fund as well as premium receipts would lie frozen with the central bank without yielding any income. Perhaps a way would be found to make these funds yield a return. This could improve the prospects of the scheme turning self-financing.

WHATSOEVER happens in 1994 is destined to be writ large in African history books. It will be the year three centuries of while rule ended in Southern Africa and the year everyone in South Africa got the vote.

It will also be a critical year for that giant of Africa at the other end of the continent — Nigeria. As it opens a huge question mark hangs over the country which failed in 1993 to cure the plague of military rule and become the properly democratic country which South Africa is now on the brink of becoming.

Events in South Africa will be watched by the world with hope, fascination and trepidation, for they involved an act almost unheard of in political history: the voluntary relinquishment of power within a country by a minority.

If voluntary does not seem quite the right word because that minority has been under huge pressure over a long period, it is nonetheless the case that the change has not been brought about as a result of full-scale war as at one time expected.

Threats of war in South Africa were thick on the ground in 1993 and everyone will be waiting in the coming months to see to what lengths the hard core of the white minority plan to go to disrupt the campaigning and peaceful holding of one-person-one-vote elections on April 27.

## LOOKING INTO 1994 — AFRICA

### All Eyes on South Africa — and Nigeria

by Derek Ingram

In the first half of 1994, the focus of attention in Africa will be on South Africa. Every step of way to the first one-person-one-vote elections and the almost certain assumption of the presidency by Nelson Mandela will be watched with fascination and anxiety. Gemini News Service forecasts that the fate of a second country will be almost equally important: Nigeria.

The most serious danger of disruption must come from elements within the army, police and other security forces, whose loyalty will be in question.

The wayward Chief Gatsha Buthelezi and his Inkatha Freedom Party and the ragbag of white extremists with whom they are allied may prove less of a danger as the weeks pass because of their vulnerability to internal division.

Bloodshed is certain to continue, but the approach of the election could as easily produce a winding down of violence as it could an increase.

Whatever happens, the election must be unstoppage. Even a short delay could have appalling consequences. The reaction from the blacks, who have waited so long to cast their vote, would be disastrous for the country's future.

From the election Nelson Mandela is bound to emerge as the new President. When challenged, President FW de Klerk says this is not necessarily the

### OPINION

#### Political Tolerance

The month of December, just passed, bears much significance in our history for in this month besides observing the Victory Day we also observe Martyred Intellectuals' Day and Democracy Day. This month reminds us of the heroic sacrifices made by our valiant sons of the soil. Their dauntless struggle, 22 years back, to make Bangladesh an independent and progressive nation where fundamental rights of the people would be ensured, is remembered with due solemnity and reverence.

Though 22 years have elapsed since our victory, we are yet to win a war against poverty, hunger, illiteracy, population boom, terrorism, corruption etc which, in fact, now have become our greatest foes. Despite our awareness to combat these problems, we are unnecessarily splitting into many dissenting groups; and if a nation is so divided, its problems would rather multiply. We can no more endure nor we can afford, after so much sacrifices, to let violence, political intolerance, terrorism, corruption etc, undo our hard earned independence and democracy.

It is rather painfully observed that as days go by the political intolerance, whether in national politics or in student politics, is brewing so maliciously that we are just behaving like some warring tribes or like frenzied soccer fans. Political bickering like accusing and abusing one another has over-ridden the political sagacity when both ruling and the opposition ones often posed themselves in a state of challenge to show their superiority over one another.

Since our democracy is at the nascent stage we should be wary of our conduct particularly of political one, which in no way should become an obligatory to pave the way for the lurking opportunists to exploit the situation to their malicious intent. In my suggestion we must first create a situation conducive to the healthy growth of democracy in order to sustain our socio-economic progress. Though it may sound uncanny, it is hoped that keeping at bayance all kinds of political activities outside the parliament and

become as much the power house of West Africa as South Africa is in the south.

The repeated delays in transfer to civilian rule followed by an annulled election has created disillusionment and bewilderment among the people that will be difficult to dispel. The holding of a truly free and fair election for which people will turn out becomes increasingly difficult to envisage.

The spectre of the Biafran civil war holds people back from risking repetition of such a disaster and predictions of the country breaking up are almost certainly wrong. As 1994 opens no one seems to be able to read the mind of the new military ruler, General Sani Abacha.

If South Africa pulls off the great change successfully Nigeria may — just may — take its tune from what has happened. After all, Nigeria's voice was among the most vocal in Africa over many years calling for democracy in South Africa. It would be extraordinary if the people of Nigeria were now denied the rights that South Africans have now won with their help.

DEREK INGRAM is editor of Gemini News Service.

### To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

#### Livelihood

Sir, It is evident that the police have now become too active in removing unauthorised shops from the market places and hawkers from the foot-paths. The police is undoubtedly carrying out all these operations as per the law of the land. But still a question remains — where would these poor folk go to earn their livelihood by doing some small business fairly? I have noticed that in most of the market places the unauthorised shopkeepers and hawkers return to their business soon after the law enforcing agencies leave the place after demolishing unauthorised constructions and shops.

In these hard days, it is really tough on the part of an individual to earn his bread by doing a fair and honest job. So, I think these people should not be discouraged to live by doing some small business which is fair enough although on illegal sites. Perhaps the authority should work out a more realistic plan to rehabilitate the small traders in and around the city's commercial areas.

M Zahidul Haque, Assit Prof. BAI, Dhaka

#### Paper from jute plant

Sir, The Industries Minister is quite right to term the prospect of manufacturing paper from jute plant (whole plant) a major event. And I congratulate you for placing the news as the main item of that day. The hon'ble minister would be doing a great service to the nation if he can save the venture from bureaucratic mishandling that is common when lo-

of people will manage the new gas company. This is nothing but putting old wine in a new bottle. The creation of DESA was to reduce system loss in power sector, but alleged theft in the name of system loss could not be reduced substantially.

#### New gas company

Sir, Through your widely circulated newspaper, I have come to know that a new gas transmission company as a subsidiary of Petrobangla is going to be launched in the near future. The objective of the gas company seems to be better management and coordination and reduction of system loss in the gas sector. It baffles one's imagination how the creation of a new public sector company will achieve this when the existing ones cannot function efficiently. Worldwide experience, especially in the third world countries, have shown that government monopoly in business does not reduce inefficiency and corruption. Centralisation, especially in government sector, rather breeds corruption, nepotism and inefficiency. Apparently, launching of this new company will only create some posts for interested individuals at the expense of the tax payers. Moreover, the same set

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#### Level crossings

Sir, While we are thankful, that most of the major city roads are now paved and repaired, yet we can't rest easy until the level crossings are made safe for the vehicular traffic. In fact, all what is needed is the filling up of the depression along the train track at the level crossings. This work can easily be done at night after ten, without causing any dislocation or traffic jam.

I hope the concerned authority would urgently take up this work and thus avoid the danger of a major accident.

H Rahman, Banani, Dhaka

#### A bad news for smokers

Sir, All we know it very well that smoking is totally a bad habit. Cigarette smoking is hazardous to health — the slogan is also printed on the packet! But we can't stop it. Therefore, here is a very small but very bad news for the smokers. A British study at St Mary's hospital in London has confirmed suspicions that smoking hastens the scourge of AIDS: HIV-infected smokers were

found to develop full-blown AIDS twice as quickly as HIV-infected non-smokers. So, think it. Love or leave the cigarettes. Arup Kishan, New Eskaton, Dhaka

found to develop full-blown AIDS twice as quickly as HIV-infected non-smokers. So, think it. Love or leave the cigarettes. Arup Kishan, New Eskaton, Dhaka

#### For public transportation and bicycles

Sir, Readers of S A M S Kibria's report and suggestions, "Traffic Problem in Bangkok and Dhaka" (The Daily Star, January 14, 1994), may be interested to know that there is a thriving movement in my home country, USA, to encourage the use of public transportation and even of bicycles.

I belong to several organisations in America that promote non-motorised transportation, mainly bicycles. Transportation Alternatives, the largest of the grassroots groups, has grown from a dozen or so enthusiasts in 1986 to now over 2,500 members in New York city alone. We have been instrumental in making traffic and road conditions more 'friendly' to bicyclists and pedestrians. We have helped to launch an ambitious programme to install a network of 'greenways', paths designed for human-powered travel, between and within cities.

Experience throughout the crowded cities of the world has shown that increasing the number or size of roads only invites more cars to congest them. An important solution to traffic congestion is a reduction in low-capacity vehicles, such as cars, as Mr Kibria suggests, and a return to buses, trolleys, trains and bicycles, when and where this is possible.

The return to public transportation and to bicycles in increasing not only in North American cities, but in European ones as well. I recommend it for one of my favourite cities — Dhaka.

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