

Signals still Dismal from Jute Sector

The Consultative Committee on Jute met in Dhaka last week and reviewed export performance of the fibre this year. As expected, it was found that exports were running below last year's level. Remembering that jute exports had put up a lacklustre show last year as well, we can only conclude that the situation remains dismal.

It was widely reported early in the season that huge quantities of jute were being smuggled out to India. There has been a major shortfall in production in India. On the other hand, our mills and traders were tardy in buying jute. Smuggling of jute across the border was a natural consequence. It also bears mentioning that India had eased restrictions on import of jute to tackle the shortage. Thus, some of the jute smuggled out could as well be exported to that country through normal trade channels. The government later withdrew Export Price Check (EPC) on jute. At the Consultative Committee meeting, there were talks of withdrawing the Export Registration Form (ERF) system as well. However, all such measures come too late in the day, after huge stocks of jute had been smuggled out. There is an obvious lack of forward planning. Altogether, it smacks of policy failures.

Meanwhile, the jute sector restructuring programme has been launched with a workshop held in the city. Jointly organised by the government and the World Bank, the two-day workshop dwelt on the components of the Jute Sector Adjustment Credit (JSAC) signed earlier for the uplift of the ailing industry. Here also, doubts continue to linger as to how effective and comprehensive the new programme is going to be.

Increasing the productivity of the jute industry is the principal task ahead. Productivity in our mills is less than half of the jute industries located in the main competing countries. The initial thrust of the programme for restructuring the industry appears to centre on closing down nearly half the public sector mills to reduce excess capacity in the jute sector and lowering labour costs through large-scale retrenchments. These measures would apparently make the financial performance of the jute industry look better. Yet, cost-cutting measures alone would not tone up labour productivity. It is more likely that the reforms would initially spell only a lowering of the output, productivity remaining as poor as before.

Improving efficiency by privatizing most of the public sector mills is another policy objective of the reform programme. Experience of disinvestment of public sector jute mills in the past does not hold out any definite hope that by itself, privatization would help the industry grow more efficient, rather, available indications tend to suggest that the reverse could very well turn out to be the case in our situation.

To be sure, training of workers in the retained public sector and the private mills is an essential component of the programme. Hopefully, training would help improve labour productivity. However, sequencing of the training component in the programme matrix is crucial to raising labour productivity in the shortest possible time. Launching of the training programme should not wait for retrenchment of workers, closure and privatization of public sector mills, to be completed.

Jute sector is and will remain vital to our economy. Use of jute has to be diversified in the face of the planned reduction of output in the existing mills. The reform programme must also include a comprehensive agenda for diversification of the use of jute.

Rwanda Bleeds

A tragedy of epic proportion minus grace and greatness is now taking place in the central African country Rwanda. After its neighbour Burundi, Rwanda is bleeding and bleeding profusely. The massacre of 200,000 in just three weeks' time — perhaps a record killing of such a large number of civilian people in so short a time — is a true reflection of the carnage that has swept across the country. The spate of violence and slaughter has the potential to trigger a chain reaction in both the countries. It is such an apprehension that has led to the largest human exodus in the shortest possible time. In fact, 2,50,000 refugees have fled the country divided on ethnic lines in just 24 hours to neighbouring Tanzania.

Africa, many historians convincingly argue today, is afflicted by the legacy its former colonists have left with it as a burden foreign to its way of conducting its affairs. The concept of nation-state has been imposed on geographically demarcated areas on that continent without understanding the indigenous culture. The tragedy largely owes to this failure of understanding Africa. Burundi and Rwanda are no exceptions. Both countries have a population composed of mainly two ethnic groups: Hutu and Tutsi. In Burundi the Hutu-Tutsi proportions are 85 per cent to 14 per cent and for Rwanda it is 90 per cent to 9 per cent. Significantly, the Tutsi tribe has a greater representation in the army although the government has traditionally had a majority from the Hutu tribe.

The death of the presidents of Rwanda and Burundi at Kigali airport may have sparked the latest round of carnage but the situation had been explosive from beforehand. The two presidents in fact met their tragic end at the time of returning from Tanzania where they talked peace with the Tanzanian President. The plane carrying them is thought to have been ambushed by rebel forces. When the majority Hutu went on a rampage, the Tutsi rebel forces started advancing towards capital Kigali. Today Kigali, surrounded by the rebel forces and the government under siege, some ministers in hiding, only waits for the worst to happen there.

It is in this situation of total lawlessness and the absence of government that the majority Rwandese are fleeing their home and hearth. International aid agencies are building a refugee camp what they think is going to be the largest in the world. The International Committee of Red Cross (ICRC) has been able to feed the refugees so far because of its prompt move and Tanzanian government's readiness to co-operate. But an outside human tragedy will follow if the refugees are forced to stay there for long. The peacekeeping attempts made so far by international communities for a negotiated settlement of the dispute fall far short of the requirement. Compared to the scale of tragedy the international focus on it has been disproportionately narrow. Unless the conflict in Rwanda — and even Burundi can be resolved through proper international mediation, blood-letting in Rwanda will continue.

A most recent example of how leaders can set the tone of the political atmosphere inside the country is of course South Africa. Following his defeat in the hands of the ANC, de Klerk said "Mr Mandela has walked a long road, and now stands at the top of the Hill... I hold out my hand to Mr Mandela in friendship and in cooperation." This one sentence did more to stabilise the infant democracy in South Africa than thousand other actions. And take Mandela's own victory speech. The tone of conciliation, the invitation to work together, the respect for all political forces, and the repeated emphasis on all the people, and not just the Blacks, not to speak of his breadth of vision and the sense of history that his speech marks, strengthens the forces of unity and harmony.

The reason I cite the Mandela-de Klerk instance is because there is hardly any other example of two leaders, two opponents, who have so much to hate each other for. It was de Klerk's party, and the policy it formulated, that kept Mandela incarcerated for long, lonely, deeply frustrating 27 years, during much of which the world had all but forgotten him. This experience could have easily made him a bitter, hateful and revenge seeking man — and we could not have faulted him for that. From de Klerk's side, Mandela represented everything that his white racist society built over the decades. These two men, normally destined to be bitter enemies, and the most unlikely partners for a shared dream, are now taking South Africa towards a new journey of freedom, justice and hope.

fully, prosperity. They have both realised, much to the benefit of their people, that they need each other.

Without de Klerk, Mandela's dream of a free and democratic South Africa would have remained a dream for, who knows, how long. And for de Klerk, Mandela is the best opportunity for South Africa to be a vibrant and dynamic part of the 21st Century world. Nobody else can unite the whole of South Africa as Mandela can. He is the only one who has the stature. De Klerk has had the maturity to realise it, and enough patriotism to act on that realisation. He could have hung on to power for sometime more. At least his party and his own class of people could have been in power for some years more. And yet he created the situation of his own, and that of his party's eclipse from power. But in return he gave his country a new birth, a new stature and a new identity in the comity of nations. De Klerk chose for himself a place in HISTORY rather than a place in POWER. And he is by far the wiser for it. What better way could there be for South Africa to enter the 21st Century than the way it is doing now. And what better role could Mandela and de Klerk have played, than the one they are playing — in partnership, one in power, and one in the opposition. That is the key word — PARTNERSHIP.

It is exactly here, tragically, that our two leaders are so

Our Leaders are Letting Us Down — 'Shadow Prime Minister' Remains a Mirage

very different. THEY DO NOT SEEM TO UNDERSTAND THAT THEY NEED EACH OTHER. And yet their political fortunes show more than anything else that their fate is intertwined. Neither of them alone could have toppled the autocracy, and neither of them alone can face the enormous development challenge that our country faces. The South African example brings home the point that history throws

in a sense that politicians are known to do. In fact, during their relatively short political careers, they have actually acted more as partners, than as foes. Then why is this bitterness, this non-communication? The cause, I think lies with their respective past, from which both are unable or unwilling to de-link themselves. I feel partly it has to do with a sense of superiority that Sheikh Hasina has. Deep down,

lifted a finger for our liberation war till March '71. History placed Zia in a strategic location, and he played his patriotic role like other freedom fighters. History again gave him a chance, and this time to lead the nation which he did to the best of his ability. As a student Khaleda is not known to have been involved in any student politics. Subsequently as Zia's wife, she remained well within the confines of her home. This is Khaleda Zia's legacy.

The Third View by Mahfuz Anam

in strange partners, and a clever leader is he or she, who understands the message of the moment, seizes the opportunity, forges the necessary partnership with the person that history throws up at that moment, and together take the nation forward.

For the good of the country, far bitter adversaries than Begum Zia and Sheikh Hasina had made common cause. And for a poor, overpopulated, resource scarce, low literacy, low nutrition, low savings, low investment and low performance country like ours, there is absolutely no scope for our leadership to waste in partisan quarrels.

I have often wondered as to the cause of the bitterness between our two leaders. They have not harmed one another

Sheikh Hasina feels that she is a far greater politician than Begum Zia. She comes from a political family, her father was the greatest political leader this country ever produced — the man who gave us leadership in the Liberation War and who is the Founder of the State of Bangladesh. He was a man who spent more than a decade in prison for the sake of his people. Hasina saw some politics as a student. She did what many Bengali youth did in those days, — take part in student politics and participate in student movements. Perhaps she did more than others, because her father was the leader of many of those movements. That is her political heritage.

Compared to that Ziaur Rahman was a military man, who is not known to have

Undoubtedly Sheikh Hasina's political legacy is far greater than Begum Zia's. But, candidly put, so what? Political legacy counts for a lot in our society. But far more important is what you do with it. In my view, it is an exaggerated sense of the importance of that legacy, that lies behind many of Sheikh Hasina's couldn't-care-less attitude towards her opponent.

For example, during the election campaign of '91 Hasina's uncharitable remarks about Ziaur Rahman, as an "unknown Major" and other remarks referring to his background as a military man who served the "Pakistani Masters" while her father fought them, I think, caused the first serious personality clashes to come out, and the relationship to become bitter. That was the beginning of the 'Great Divide'.

But Hasina did not care. She never expected that the people of Bangladesh, the country that her father founded, would prefer a "Major's wife," a "General's wife" (as she reportedly often referred to Begum Zia in those days), to the daughter of the great Bangabandhu.

The irony of it all is, that our people did. This was the second shock that Sheikh Hasina received from the people of Bangladesh. The first, and by far the greater shock, was the mute reaction of the people of this country to the brutal assassination of her great father, along with members of his family. The man that our people adored and adulated should be so brutally dealt with, naturally shocked young Hasina. She never understood how could such a thing happen, and she understood even less how our people could allow Bangabandhu's killers to go unpunished.

The challenge before Sheikh Hasina now is to de-link her present state of mind, from the tragedies that cloud her life. This is easier said than done. But it has to be done for her own sake. She must realise that she might have started her political life as Bangabandhu's daughter (as Khaleda Zia started as Ziaur Rahman's wife). But now she has become her own person. She has a party to lead, and an electorate to win over if she ever wants to govern this country.

She can tear a leaf out of Benazir Bhutto's life, whose father was also 'killed' by the military. But didn't Benazir serve under Golam Ishaq Khan, the very man most responsible for the coup, and as such for the death of her father?

In my view the psychological baggage that Sheikh Hasina carries, gives her rather a myopic view of the role as the Leader of the Opposition. She appears to lay more emphasis on the word 'Opposition' than on the word 'Leader'. She ignores the fact that in a parliamentary system she is also the 'Shadow Prime Minister'. In the latter role she is, for the people, the alternate leader, the one that the public is likely to put in the driver's seat. If the present one proves to be inadequate, So Sheikh Hasina has two tasks in front of her. One is to show how bad the present 'driver' — that is the government — is, and how good she and her party would be as the PM and the government, if given a chance.

But are they doing it? Even the ruling party's staunch supporters talk of BNP's miserable record of governance, better still, of non-governance. The

poor ADP performance, the delay in project implementation; the almost non-existent local investment, the lackluster performance of the economy in spite of bumper harvest and three years of almost natural disaster free period, near derailling of the education system, especially of higher education; the almost universal dissatisfaction of government servants, school teachers, small traders etc. Seldom has any government been more criticised for its failure to protect lives and properties of its citizens as the BNP government.

And yet, with all these failures on its back, and with factionalism tearing the party from inside, with talks of corruption, nepotism, pushing party cadres into government job, the FOCUS OF THE PUBLIC IS NOT ON THE RULING PARTY, BUT ON 'AWAMI LEAGUE'. Thanks to their now deja vu programme of parliament boycott and of hartals, and new ones like the secretariat 'siege', not to mention the talk of launching fresh movement till this government is 'pulled down', the questions in the mind of the public is what will AL do? What is the fate of the Parliament now that the Opposition has decided to continue to boycott it.

It is the ruling party which should have been in the "public dock". The popular talk should have been how bad the BNP is performing and to 'teach' the ruling party a lesson in the next poll. In its place, it is AL's behaviour that people are talking about. It is as if AL and not BNP is on the 'dock'. Ask any street-side vendor, a shopkeeper, a trader, a wholesaler as to what they think of the immediate political scene, and they will all reply: "We don't know. Let us see what AL does."

AL has been unable to capitalize on the failings and non-governance of the present rulers and as such has not been able to build on the swing of public opinion that we saw in the Dhaka-Chittagong Mayoral polls. Instead it has totally, completely — and I daresay foolishly — diverted the public attention from the failure of BNP government to the issue of the future of this parliament (with opposition's continuous boycott) and to the fate of the coming elections.

Instead of the people thinking as to whether or not to give the AL a chance to form the next government in the next elections, what they are thinking about is the future of the parliament, whether there will be peace or hartals and strikes, and whether and how the next election will be held. To be in the public mind, associated with a feeling of uncertainty, is not what AL should be looking for. It is to be in the public mind, with hope, enthusiasm and optimism is what gets a party elected.

Whatever may be the system under which the next election is held, for Awami League to win votes it must give more positive programmes to the people — its own vision of things to come. Except for one new and well chosen slogan — 'Krishak Bachao — Desh Bachao' (Save the farmer — save the country) nothing new has been offered by the AL to the people as a programme. After foot-dragging for long AL switched over from socialism to market oriented economy. Now with talks that there is no alternative to hartals in a democratic struggle, the AL is scaring every entrepreneur who has set up industry, and forcing a second thought on those who want to set up new ones. The AL is moving away from the aspiration of the Bengali entrepreneurs and the industrialists, on whom now rests the burden of market oriented growth. The AL must realise that it is pushing this powerful group away from its ranks.

Sheikh Hasina must emphasize more and more on her role as the 'Shadow Prime Minister' and give an alternative vision of things to the people. She will have to convince the public that she and her party are a better 'alternative' compared to what exists now. As for now, the AL appears more apt in saying 'No', than in giving alternative suggestions to the people to solve problems.

Effective External Audits Help Banks Do Better

BANGLADESH Bank asked the scheduled banks recently to submit monthly statements furnishing details of loans of one crore taka and above on their books. The central bank has also formed a Large Loan Review Cell to analyze these loan portfolios to assess, in particular, if these carry any undue risk. Available reports suggest that the move has evoked mixed feelings in the banking sector. The state-owned banks see no problem in the new dispensation. Rather, it would help diffuse their responsibility. Private banks, on the other hand, are not all that happy with the new regulation. They mostly view this as a restriction on their freedom to operate loan accounts.

The central bank's move seems to reflect its unease over the quality of large loans on the banks' books. The flow of information on relatively large loans on a regular basis would enhance its capability for off-site supervision. Such data could also improve its preventive supervision by enabling it to locate early, what it considers problem loans, so that corrective action could be taken in time. The central bank's on-site inspection will be more effective as its functionalities would be aware of the incidence and status of the problem loans in advance.

A central bank's supervision of the scheduled banks is primarily designed to promote a safe, stable and efficient financial system. The main difficulty for central bank supervisors arises from complications in identifying problem areas in advance and put remedial measures in place in a way that prudential considerations would permit. Perceptions of the central bank and the concerned scheduled bank management may not necessarily converge in such matters. The bank management may view the supervisors' prescriptions as uncalled for interference. On such an occasion, the findings of an independent agency like external auditors, can serve a good purpose. Though analogous, central bank inspections are not audits. An external audit report, which analyzes the financial situation of the concerned institution, contains information about potential problem areas, would provide not only early warning to the supervisors but would also help the bank management avoid pitfalls.

The ongoing financial sector reform programme calls for substantial strengthening of the central bank's supervision

functions. So has the donor community at this year's Paris Club meeting. However, the assignment is also required to be carried out in a manner that would ensure that a careful balance is maintained between sound and effective banking supervision and avoiding undue interference in the day-to-day operations of the commercial banks. Timely and effective external audit of banks helps the supervisors maintain this delicate balance. At the same time, flow of adequate information from external audit would place the bank management in a better position to evaluate performance, take corrective action in problem areas and locate scope for improvements.

The financial sector reform programme does take cognizance of the role of external audit in promoting better banking. Tucked into its ma-

The guidelines require the auditors to certify if the existing banking rules and norms have been followed in sanctioning and disbursing loans. Presumably, this would take care of such aspects of risk management as loan concentration, poor risk selection and excessive exposure otherwise.

The guidelines are more specific about risks arising out of forward transactions in foreign exchange, contingent liabilities such as guarantees, letters of credit and the like. Off-balance-sheet risks also are to be evaluated specifically. Likewise, the guidelines are more explicit about portfolio management and want the auditors to check if there is a mismatch between the maturity periods of deposits on the one hand and loans and advances on the other. If so, the implications of such a mismatch for the concerned bank's liquidity also

sued by the bank's management were duly being observed. Information furnished by the auditors on these counts would help the management detect flaws in the system and take corrective action. The bank would run better for that.

The guidelines have set the parameters for bank external audits. All the same, the procedure for reviewing the audit reports needs to be streamlined. The utility of external audits depends overwhelmingly on how effectively the auditors fulfil their mandate and how transparent the reports are. The guidelines specifically asks that the conformity of the audit with the criteria set, must be checked while reviewing the report. The guidelines also require that the audit report must be placed before the Board of Directors of the concerned bank forthwith for consideration and appropriate action. External audits would serve an even more useful purpose if the report is reviewed immediately thereafter, in a tripartite meeting of the supervisors, auditors and the management of the concerned bank. Such dialogues would provide opportunity for meeting of minds — could lead to a blending of the perceptions of supervisors and bank management. These sittings would also render the auditors more responsive to the requirements of the financial sector. Prudential regulation of banks would perhaps then turn smoother and more meaningful.

As noted earlier, the criteria for bank external audits were developed in the early stage of financial sector reforms. Meanwhile, the continuing process of deregulation is adding new dimensions to the supervision functions of the central bank. Parallely, risk management has assumed a new urgency for the banks, particularly in the context of the progress towards currency convertibility. Greater freedom in dealing the foreign currency is increasing banks' exposures and they would have to assume even higher risks as they move to engage in financial derivatives such as futures, options and swaps. The auditing approach adopted by the central bank guidelines needs to be redefined, bringing risk management to a sharper focus. Perhaps the time has come to draw up a bank external audits manual, using the resources of the ongoing technical assistance project for the financial sector reforms programme.

are to be spelled out.

Understandably, the guidelines' orientation towards the central bank's supervision functions, is pronounced. The auditors are asked to ascertain if the concerned bank has fully complied with all instructions issued by the central bank from time to time. Measures taken to rectify lapses identified during central bank inspections need to be reported upon. The auditors are required to scrutinize if central bank's directives on loan classification, provisioning and interest suspension on non-performing loans have strictly been observed. And of course, the external auditors would advise the central bank immediately if they come across instances of serious irregularities, including violation of banking laws, criminal offences arising out of fraud and dishonest dealings, erosion of capital, nonpayment of liabilities and so forth.

At the same time, the bank management would probably benefit more than the central bank supervisors from certain other provisions of the guidelines. The external auditors' findings about the net worth of the bank would tell the management of the institution's true financial situation. The auditors are required to check on the internal monitoring system of the bank and also ascertain if the instructions is-

ALONG MY WAY

S B Chaudhuri

trix of policy actions, there is a component, which requires criteria for bank external audits to be established and the audit reports to be reviewed by the central bank. Accordingly, the central bank had set up a committee during the early stage of the reforms for formulating the criteria. Representatives of professional bodies were associated in the work of the committee. Guidelines for external audit of banks thus came to be set about a couple of years back and still remain in force.

The guidelines lay down the qualification of external auditors as well as the scope and content of the audit. The auditors are required to certify if standard accounting practices have been followed by the concerned bank and if the statement of accounts reflects the financial situation of the institution accurately. The auditors have also to ascertain if the provision for bad and doubtful loans and advances on the bank's books, is adequate. In addition, to provisioning for nonperforming loans, the guidelines require the external auditors to pay special attention to certain other areas of operations of the concerned bank and record their findings in this regard.

The areas that would come under special scrutiny by the external auditors include risk management, albeit indirectly,

To the Editor...

AIDS awareness in Bangladesh

Sir, The undersigned has noted the entitled: "Help Create Mass Awareness about Prevention of AIDS" in the Daily Star and other articles on the subject of AIDS in the press in recent days. As a Bangladeshi who has lived in an African country for the past twenty years, I am only too aware of the total, mindless havoc the Acquired Immunity Deficiency Syndrome (AIDS) has created in its socio-economic structure. To watch one's close friends die one by one, brings home to most the dangers of complacency in tackling this silent but terrifying disease.

Realising the urgency of

anti-AIDS research and education, the undersigned and his wife, in early 1987, undertook two fund raising events which raised approximately US dollars one thousand under the "Naima Rahman AIDS Research" fund raising project. Despite this small attempt, and other major programmes subsequently undertaken by donor communities, people have been dying in alarming numbers in this African country.

During my current visit to Dhaka, I have been appalled to note the complacency and ignorance among even educated members of its society, in respect of AIDS, and have felt a great sense of 'deja vu' and impending disaster unless something is done, and soon, to educate the Bangladeshi

masses on the extreme dangers of this deadly disease.

Bangladesh is exporting more and more of its labour forces, separating husbands from wives and sending them off to countries without the same rigid moral and religious codes they face at home. The more elite members of society find themselves travelling more and more often to exotic places all over the world. Both these sectors of society, with human nature being what it is, could easily be importing this lethal virus in a manner no customs scanner can detect at points of entry.

By means of this letter, I would strongly urge the authorities to undertake early and major prevention measures if it is to avoid the tragedy that faces countries

now infested with this disease.

A Rahman
Magbazar, Dhaka

Low-cost housing

Sir, The people living in huts in our villages are mostly poor farmers. Most of them have to repair their huts every year which is always a cost recurring matter to them. I think our Government can come forward to provide them with a plan for making houses at a low cost, but durable for a considerable period.

The Building Research Institute should undertake such responsibility and make at least one house in a thana for demonstration. This will help our poor villagers to live a better and also hygienic life.

I hope the concerned authority will pay due importance to this matter.

Motius Samad Chowdhury
Phultola T.E. Sylhet

BBC

Sir, BBC, London has been broadcasting and telecasting world news which is also relayed to Bangladesh and heard and seen on our radio and television. BBC prides itself on its objective news-casting, but recently it is noticed that its news is, very subtly, against the government and the party in power — the BNP. The views, comments and activities of the opposition, specially of the Awami League are given precedence and much longer time over those of the gov-

ernment's.

The news item dated 26th and 27th April had been accredited to Andrew Whitewhead who appears to be a roving correspondent. We understand that there is a Dhaka based Bangladeshi BBC correspondent who is expected to be much more informed about both sides of the political situation. What part is he playing in such one-sided broadcasts and telecasts. We hope the BBC will be more circumspect, objective and nonpartisan in its broadcasts and telecasts in future, which should reflect the political, social and cultural realities of the predominantly Muslim population of Bangladesh.

A Rashid
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