

Financial Reforms

If reforms in the financial sector had meant washing our hand off the past and starting afresh, things would have been so much the easier for us. Unfortunately we have a backlog to clear. It is made up of unrecovered bank loans, unsettled tax-related cases, disputes over payment of bills and the like. It is only after we have cleared the deck that we can proceed *de novo* in a streamlined financial sector to reap the maximum benefit out of it.

Take for instance the unrecovered bank loans which are still a pain in the neck of the banking system as a whole. The loan courts set up with some gusto have not quite helped in the early disposal of cases against the defaulters because these have no powers to execute their own verdicts. The banks have to go to the civil courts to ensure implementation of the loan courts' decisions taking them years to wind up the cases. Thus the mere raising of the number of Rin Adalats won't help; these are to be adequately empowered to execute their own decisions. The law courts are hardly in a position to devote the time needed for disposal of loan cases when they are otherwise under a tremendous pressure of pending work. So, we need these self-contained special courts to adjudicate commercial or loan-related disputes.

Finance Minister M Saifur Rahman has urged an overhaul of the legal structure insofar as it relates to the financial-commercial sector. In this specific area of the legal system changes are rather easily brought in contrast to those being conceived for other difficult parameters of law.

The cases find their way to the court when the banks go it as the last resort. It is interesting to note that cases are filed mostly against small borrowers while the big defaulters escape any indictment. This leads us to the question of peddling political or other kinds of influence to obtain large sums of loan. Men with such a clout could also attempt to frustrate any start of a legal procedure to establish their accountability. However, we should regard this as a matter of the past having regard to the well-publicised moves by the government against the defaulters from the earlier era, which met with partial success. Some possibilities remain, both in the NCBs and the private sector banks, for "directed lending", a phrase that sums up an assortment of political or other influences having a bearing on the disbursement of loans. Our point is sanction of loans to wrong people is a disservice not only to the national economy but also to politics and culture. This must be guarded against.

That the banks and financial institutions should be able to act completely free from any extraneous or unprofessional interferences cannot be in question. They should have adequate legal instrumentalities to be able to act as such by all means. But at the same time they must take adequate precautions at the early stages to minimise the chances of bad lending. The character and background of the loan-seekers need to be seriously gone into. Well-equipped intelligence and law departments within the financial institutions themselves can help obviate the possibility of fake entrepreneurs being considered for loans. Banks seldom, if ever, go for monitoring the use of loans; they wake up when these become inexorably non-performing. They should act during the life-time of the loans, and not when these have gone into the oblivion of a record room full of files gathering dust.

Positive Approach to Afforestation

The Forest Policy, 1994 is ready for approval and implementation. It has been formulated as a radically updated version of the 1979 Forest Policy. What necessitated a reformation of the earlier forest policy, as we understand, is the growing awareness of environment as also our own precarious situation in terms of forest coverage of the total land area, which has been reduced to as low as only five per cent. By any standard, the new policy, soon to be announced, can be called ambitious. For it seeks to bring 20 per cent of the land of the country under forest cover by 2015.

Even if the forest policy looks ambitious in fixing the goal, there is one positive sign in that it is designed to ensure private — particularly from the Non-government Organisations (NGOs) — co-operation on a more participatory basis for its implementation. The stress on the closer involvement of private bodies and local people is quite significant. The NGOs have already proved that it works. Government attempts do not always have that touch of enthusiasm and passion which private initiatives can bring to bear on the task of turning the country greener.

The proposed forest policy's virtues lie in the fact that it will not just distribute favours, rather make the distribution of economic benefits conditional upon tending the trees and forests. In sum, it is going to be a sort of economic venture in which both the government and the farmers will have a stake. Chances are that people will feel encouraged in taking the advantage of the new programme. But one must hope that the procedures will be simple and liberal, favouring the people responsible for the actual plantation at the field level. In most such cases middlemen intrude and make the job difficult for the real farmers. We pronounce a caution in advance so that the programme is not infested by the parasitical characters.

Yet another hitch may be over the creation of a separate social forestry directorate. We hope it does not lengthen the bureaucratic procedures; rather becomes a more or less independent organ to do its job quickly. Of course, its area of operation will involve other ministries such as the one in charge of land and revenue. Without their co-operation, it will simply get stuck in the middle of its programme. The reason is simple. Khas lands are where most of the afforestation is going to take place. As for social forestry on the campuses of educational institutions, courtyard of residential houses and premises of religious and other establishments, the spaces are simply narrowing by every passing day. A growing population will exert further pressure on such facilities. Therefore, environmental campaigns have to be dovetailed to population and education programmes to get the best result.

THE Indian Parliament faltered twice in the last session. One was when it compromised over the Action Taken Report relating to the Rs 10,000 crore securities scam and two, when it gave constitutional cover to Tamil Nadu's 69 per cent reservation, which every state is bound to duplicate.

The harm done in the case of ATR may be possible to retrieve in the days to come. Even if the punishment to the guilty is not proportionate to their involvement, the damage will not be irreparable. But the 69 per cent reservation has dealt a blow to India's body politics that may become malignant, gnawing into vitals of the nation.

Parliament has not realised the far-reaching consequences that the hiking of reservations may have. It is a populist step, not a mature decision. That explains why the two houses took no time in effecting a constitutional amendment. There was not even the reading of the bill.

Political parties have only thought of electoral gain. They have not taken into consideration the deepening of caste bias that will follow. Such instances, in fact, are adding to cynicism against the system because the people are increasingly feeling that every political party has its eyes fixed on the polls, not on any principled policy.

The price that the nation may have to pay cannot be reckoned up in caste confrontations, in lives lost and in habitations destroyed. But the damage to the society's sensitivity will just be as real, if harder to reckon. Permanent caste polarisation may develop, not only between the upper and the lower but among the backward classes. The kitty is

small; every one will try to corner by hook or by crook the maximum number of jobs and admissions to educational, professional and technical institutions.

Poverty, hereafter, will not be judged by lack of means of subsistence but by the badge of a particular caste that the citizens will wear. Even for the left, social justice has come to be embedded in caste, not class.

The schism that plagues the nation on different scores, will widen. There may be the UP hill districts-like situation in many parts of the country, with students' boycott, disruption of normal life and absence of faith in the government. There is a limit beyond which you cannot push the people. What parliament has done is political thuggery in the name of backward. It has mocked at the constitution.

Giving reservation to the backward classes through the Mandal Commission's recommendations was a step in the right direction because it corrected the omission that the constitution makers made when it gave concession only to the scheduled castes and tribes. Politicising the neglect, as former prime minister V P Singh did, was a mistake, which the Janata Dal is still committing and driving out even liberal elements from the party. However, parliament should have stopped after undoing the injustice.

Not through Quotas Alone

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When the Supreme Court placed a limit of 50 per cent on reservation, it tried to balance the needs of lower and backward castes against the talent that the country required for development. The judgment upheld the principle of equitable distribution. And the court took upon itself the responsibility of stalling the reckless competition among the states to outdo one another in reservation. If they wanted any defence, political parties could have put the blame on

this provision is stretched beyond a point, it will extinguish the rights guaranteed in Articles 14, 15 and in clauses (1) and (2) of Article 16.

The Madras high court struck down the Tamil Nadu legislation of 69 per cent reservation on the ground that it exceeded the limit of 50 per cent. There is no reason why the Supreme Court, which had put the limit, will not uphold the Madras high court judgment. It is significant that the percentage of candidates not

ground of being inconsistent with any of the fundamental rights specified in the constitution.

The famous case struck down by the Supreme Court is that of legislation on the election of Indira Gandhi from Allahabad. The government put it in the Ninth Schedule to bar the courts from looking at it. However, the Supreme Court rejected it on the ground that the Ninth Schedule could not be used for such purposes.

The union law ministry is believed to have advised the government against the constitutional amendment bill, arguing that it could be struck down by the Supreme Court. Still the government went ahead with it because of the forthcoming assembly elections in 10 states in the next six months. The cat was out of the bag when an MP reportedly said that by the time the Supreme Court threw out the legislation, elections would be over.

Again, elections may be cited as the reason why there is no discussion on the Supreme Court's recommendation to identify the 'creamy layer' among the socially and educationally backward classes so as to exclude them from reservation. No political party has dared to raise the point, much less to try to separate the haves among the backward classes from the have-nots. The central government, which is responsible for identifying

fiction, is not willing to join issue with any segment of backward classes, definitely not before the general elections in 1996.

The exercise should have been attempted at least in the case of scheduled castes and scheduled tribes, who have been enjoying reservation since 1950 when the constitution came into force. It appears that the 'creamy layer' is too powerful to be challenged. And it is not necessary to add that none in the upper bracket is willing to voluntarily opt out of reservation. A person like vice-president K R Narayanan should have. But a few years ago his daughter got into the IFS through the reservation quota.

It is time that we have a fresh look at reservation. The target should be backward persons instead of backward classes. This is what America is doing through 'affirmative action' to give representation to the black and women. With urbanisation and industrialisation, castes have already got diluted. There are wide differences in the level of education and employment of people of a particular caste. There are visible contrasts in the economic conditions. Castes are no longer homogeneous. On the other hand, the best of talent is going abroad, because the avenues in the country are shrinking.

Reservation is means to an end, not the end itself. Concessions can to some extent help the backward to catch up with the privileged. But they can become crutches if they are extended beyond a certain time. No set of people has gone very far only through the quota, which has become an obsession with political parties.

BETWEEN THE LINES

Kuldip Nayar writes from New Delhi

the Supreme Court to dodge the pressure on them. But they wanted to impress upon the gullible electorate that they could override the constitution to placate them.

Article 14 ensures equality before law. Article 15 directs the state not to discriminate against the citizen on grounds of religion, race, caste, sex or place of birth. And clauses (1) and (2) of Article 16 give equal opportunities to all citizens in matters of public employment. True, clause (4) of Article 16 empowers the state to make special provision for reservation in favour of any backward class of citizens which is not adequately represented in the services under the state. But if

belonging to any social categorisation, who got admission in Tamil Nadu this year, was not even six per cent of the total seats.

By including the Tamil Nadu legislation in the Ninth Schedule, parliament probably believes it can shut out legal scrutiny. The Ninth Schedule is essentially meant for laws relating to land reforms. It does not provide an omnibus exemption. Nor can the government use it at random for all types of legislation.

The Supreme Court has struck down several laws on this count, despite Article 31 B which says that no law included in the Ninth Schedule will become void on the

GO-NGO Collaboration: Alternative Approach to Poverty Alleviation

by Md. Shafiqul Haque Choudhury and Kamrul Hassan Monju

IN third world countries, non-government organizations are identified as non-profit development institutions. In what is now Bangladesh, during 50s and 60s a very few social welfare clubs started service oriented programme through relief operations. Some international organizations such as CARE and OXFAM were also found to operate relief programme during the period of flood, cyclone and tornado. In the middle of 60s Comilla Academy came with a new approach of rural development through rural cooperative. But the benefit of the rural development approach did not reach the poor people due, perhaps, to the multi-class structure of the cooperatives.

After several years the NGO community also realized that working with the poor and rich together cannot benefit the suffering humanity. Through this approach the benefit of institutional resources often did not reach to the down trodden people; the elite of the society enjoyed the benefit through maintaining linkages with the people bestowed with the power to handle resources.

Identifying such draw-backs of the hierarchical rural development approach, an alternative initiative in the field of economic development came to fore to combat the poverty by providing credit to the poor which was termed as target group approach. Many non-governmental organizations integrated rural credit as a component of comprehensive rural development approach to reduce the dependency of the rural poor on the informal sources — the rural money lenders.

The intervention of NGOs in the field of development as well as rural credit has been treated as grant approach which in fact increases the dependency of NGOs on the funding agencies. Such dependency of credit giving organizations on foreign donors developed due to the absence of appropriate national financial

Traditional Banking and Limitations

Major formal credit giving institutions are — i) Rural co-operatives, ii) Agricultural bank iii) Commercial banks.

The rural cooperatives mainly distribute credit among the selected members of co-operative society which does not restrict the access of the rural elite in the cooperative society. So, while the elite members avail the opportunity of receiving financial assistance, the poor often are found to remain deprived due to the domination of the rich members.

The agricultural bank is supposed to increase agricultural production by providing agricultural loan to the farmers. But, in Bangladesh, more than 60% of the rural landless people simply fail to avail the opportunity of receiving agricultural loan due to their incapability to mortgage land to the bank. The prevalence of mortgage system restricts the poorest of the poor to get any access to agricultural bank (Krisli Bank).

The commercial banks limit their operation among the businessman, industrialists and big farmers. Banking rules and regulations which are strictly maintained by the commercial banks do not allow the poor to avail of the opportunity. Problems faced by the rural poor: i) The formal rules and regulations maintained by the commercial banks are not easy to be handled by the illiterate rural poor; ii) The credit from commercial bank is not collateral-free. So the assetless rural poor cannot apply for it; iii) The commercial banks do not allow small credit to the borrowers due to the constraints of administrative and management costs; iv) The commercial banks do not consider the borrowers risk-free, as well as the mode of operation and attitude of the bankers remain very traditional.

Grameen Approach

Considering the limitation

of the traditional banking system in serving petty loans and reaching the poor, Grameen Bank started a specialized credit programme for the rural poor, mainly the women, with the assistance of International Fund for Agricultural Development (IFAD). Providing door-step facilities to serve the interest of the rural poor, Grameen Bank created a broader impact in the field of poverty alleviation through non-collateralised credit. Receiving credit facilities, the rural poor utilized their talent and creativity for their survival and cited outstanding example with their regular repayment behaviour which became a legend in the field of poverty alleviation. Some other NGOs also initiated small credit operation with the assistance of foreign fund in the country. Few NGOs started small credit very seriously and professionally. ASA is one of the leading NGOs who started thinking of borrowing capital fund and lend money among the poor with service fees which can cover its cost.

But none of the NGOs have initiated non-grant approach in the field of poverty alleviation through rural credit to reduce the dependency on the foreign fund. The 'borrowing' concept, of GO and NGO collaboration, in the field of poverty alleviation, is being debated in the country. NGO like ASA feels that practical collaboration of GO-NGO and establishment of relationship between the banking sector and NGOs may reduce the dependency on foreign fund. Considering the question of GO-NGO collaboration the finance minister very recently asked the commercial banks to provide loan to the NGOs for encouraging small industries. Realizing the successful intervention of NGOs in credit operation among the grassroots people, the present government established a development financial institution named PKSF for collateral-free soft credit and made a grant of Tk. 75 crore to the foundation till 1994. Data reveals that at present PKSF is funding near

about 100 NGOs in Bangladesh.

ASA-PKSF Partnership

ASA, one of the leading NGOs in Bangladesh, is borrowing money from PKSF. The total amount of fund received till date is Tk 5 crore 26 lac. Utilizing the amount among 53,337 beneficiaries. ASA has increased the amount to Tk. 15 crore through a revolving process. The total borrowed amount has been repaid to PKSF in due time. Including the PKSF fund ASA at present operating Tk 1,370,577.192 among its 251,456 group members. The rate of recovery is 99.76%. (See Annexure-Page-4)

ASA credit programme follows a very simplistic approach suited to the targeted beneficiaries. Each village has one to three credit groups of 20 members in each group and 60 such groups or 1200 members are served by one unit office. Each unit office has five officials, the unit officer and community organizers. Each community organizer looks after 300 members under 15 groups. Through this organizational structure 1200 beneficiaries receive loan at slab of Tk 2,000, 3,000, 4,000, 5,000 and Tk. 6,000, gradually. The recipients repay their loan in 46 weekly instalments with

15% service charge.

The success of the ASA self-reliant model lies in ensuring a strict discipline in the group and unit. In the first and second month of the establishment of the unit, the group members are selected and the groups are formed. They are taught the rules and conduct of the group and compulsory savings is introduced. In the third month, loans to a set of members of the group are provided. The loan is repayable weekly hence the service charges are earned from the next week of the disbursement. Provision of loan to all members is completed by the 5th month. In the 6th month no fresh loan is given but the total service fees earned by this time cover the establishment cost and start making gross surplus. When the cost of money is considered a unit office comes to a break even by nine months.

Conclusion

Though ASA and other NGOs have succeeded in the field of poverty alleviation through collateral-free credit operation among the rural poor but the total coverage of poor by the NGOs are only 20% of the overall poverty ridden people. The whole poverty situation cannot only be com-

bated by the effort of the government alone. Role of NGOs needs to be further strengthened in small credit operation. Considering these factors government should come forward to replicate the success of NGOs through reformation of traditional commercial bank. To utilize the government resources the effective low cost model of NGOs like ASA can be replicated for poverty alleviation or sufficient fund may be given to them for expansion. For this a better understanding between the commercial banks and NGOs is needed. Indian commercial banks have already started lending among NGOs without any collateral. In this context, the following recommendations can be considered to reform the traditional commercial banks.

RECOMMENDATIONS: i) Government and commercial banks and effective NGOs can exchange ideas to reform the existing money lending policy; ii) Government can initiate to reform the policy of the commercial banks so that they can provide collateral-free credit to the financial institutions and NGOs for implementing rural credit; iii) Existing banking laws can also be reformed to facilitate credit directly by the banks to the poor people through simple operational procedure.

OPINION

A Ray of Hope

Sadeq Khan

The Secretary General of the Commonwealth, Chief Emeke Anyaoku of Nigeria, expressed optimism to the Press in Dhaka at the end of his recent visit that the leaders of the representative government and of the parliamentary opposition would be able to work out between them a reasonable solution to the present political stalemate in Bangladesh. He officially met the Prime Minister to have a long discussion, held two sessions of talks with the Leader of the Opposition, met other leaders of the BNP and the Awami League including important members of the Cabinet, and also had talks with the Election Commission. He said he himself put forward some specific proposals that might help resolve the differences, and expressed his categorical impression that there were enough common grounds to derive an agreed formula to end the impasse. He did not disclose the nature of his proposals. Some newspapers speculated that Chief Anyaoku essentially proposed institutionalised guarantees for the independence of the Election Commission and its effective empowerment. A UNB report, quoting unspecified diplomatic sources and Awami League leaders, claimed that the Commonwealth Secretary General proposed a Government-Opposition dialogue both on possible 'caretaker government and strengthening the Election Commission', but 'the government side seems to have shown cold response'.

Anyway, the outlook for a dialogue is certainly looking brighter, although war of words — hectic public campaigning and other forms of confrontational postures between the ruling party and the major opposition parties

are going on as before. The Awami League postures, however, are assuming more and more the character of pre-electioneering warm work. The Awami League has taken pains to explain, as reported by a vernacular daily as well as the UNB, that its current agitation 'is not necessarily aimed at removing the government, nor capturing power'. The rhetoric of the three major opposition parties remains similar in castigating the ruling party, but the emphasis of the Awami League has now perceptibly shifted towards scope of negotiating a principled resolution while the Jatiya Party is continuing to shout for the ouster of the BNP government and the Jamaat is continuing to dangle publicly its bargaining chip of caretaker issue to promote the cause of a blasphemy law.

Thus, although the media in Bangladesh by and large do not yet find it realistic to share the optimism of Chief Anyaoku, the exchange of letters between the Deputy Leader of the House and the Deputy Leader of the Opposition may yet spark the motor of a meaningful dialogue. In her broadcast to the nation, the Prime Minister strongly defended the performance of her government, but softened her criticism of the opposition action plan acknowledging common grounds for concern about free and fair elections, but advocating the wisdom of avoiding confrontation to uphold the path of democracy and development, that we had started together before the consolidation of the benefits of that democracy and development for the nation. The Leader of the Opposition in her press conference the day after maintained an uncompromis-

ing stand on the opposition formula of a caretaker government and the declared action plan of the three major opposition parties, but took care to reply to the Prime Minister on her performance. In Government and raise some substantive issues facing the nation. A public debate, if not a face-to-face dialogue, has thus already begun between the ruling Cabinet and the shadow Cabinet, transcending the earlier phase of vituperative and unproductive exercise in mutual recriminations.

Indeed, from 1987 onwards, the process of democracy in this country has been steadily advanced by common resolve between the two mainstream political parties, the BNP and the Awami League. In the present case also, such a common resolve has to be found if the political leaders in the mainstream, irrespective of their partisan compulsions and considerations, genuinely want to advance the democratic process.

Confirmation, from Sheikh Hasina Wajed in her press conference, of an earlier report in a vernacular daily (Bhorer Kago) that contrary to the furore inspired by some Jatiya Party leaders about the reported feelers given by Chief Anyaoku, the Awami League does not consider the proposals of the Commonwealth Secretary General as interference in our internal affairs and may welcome Commonwealth Secretariat involvement in hammering out an agreed formula to break the prevailing political deadlock, brings a ray of hope. Conciliatory gestures, from Begum Khaleda Zia in her steps to account for and prevent recurrence of brutalising habits of law-enforcement agencies in containing agitational excesses, are also welcome in this context.

To the Editor...

Newspaper stand

Sir, We are the inhabitants of Chawkbazar and its nearby areas, are badly in want of a newspaper stand for a long time.

Chawkbazar is a throbbing business spot of Bangladesh. It has a historical value and heritage. Some millions of people live here and its surrounding areas. Many business men, organisers move around this place every day. Thousands of customers come daily from nearby and far flung areas to buy their daily necessary commodities. Many tourists visit here from home and abroad to observe the places of historical interest.

In spite of all this there is no paper stand in Chawkbazar. Those hawkers who sit on the footpath to sell papers suffer untold miseries in humid or a rainy day. Hawkers who are engaged with the paper-selling business, maintain their family somehow, but it still causes serious problems to continue the newspapers business on the footpath due to the want of a particular place.

In the past no government

paid heed to this problem. Therefore, we urge the democratic government and our elected Mayor to look into the matter to rehabilitate the hawkers.

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'Political Brinkmanship and Game Theory'

Sir, Much insight can be gained from Prof. Wahiduddin Mahmud's Game-theoretic interpretation of the ongoing political crisis in the country (Opinion, The Daily Star, Sept. 18). Everyone should share Prof. Mahmud's concerns for political brinkmanship going out of hand and leading to a 'disaster'. We would like to believe that neither the government nor the opposition is 'totally irresponsible' in the sense of preferring a disaster to a compromise. This can, in fact, turn into a 'game of co-operation' if both sides have a common goal of establishing a system of free and fair elections and a common interest in avoiding a disaster. But if the goal is to go to power or to

remain in power at any cost, it would be more like a 'zero-sum game' in which the gain for one side means a loss for the other. No co-operative or compromise solution would be possible in such a case.

One could reasonably guess that the actual preference patterns of the government and the opposition lie somewhere in between the above two extremes. Both the sides should have an interest in keeping the democratic system in place (by avoiding a disaster), but either side would also like to have an electoral system as much favourable to itself as is possible to achieve through bargaining. This is what is called a 'mixed purpose' game in which there is scope for both conflict and co-operation. As Prof Mahmud rightly points out, in such a game, the outcome depends very much on how responsibly each side plays the game. We should remind our politicians that what is 'game' to them is a matter of life and death to the common people.

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