

## DU: Change of Focus

For a change, the spotlight on Dhaka University ought to shift from its tempestuous politics and internal squabbles to its basic functional requirements. So long as its inadequacies in terms of teacher strength and dormitory accommodation are not overcome, Dhaka University will be unable to play its due role and be a loser in equivalence rating to the foremost universities of the world. A concentration on such priorities may even help roll back the counter-productive, and often eruptive, political polarisation at the highest seat of learning.

The ratio between teachers and students has fallen from 1:20 in 1986 to 1:25 in 1996. Apparently, neither the ratio nor the decade-long decline in it sounds alarmingly bad. But one ought to take three factors into consideration for a realistic assessment of the situation. First, the mean average is not obviously reflective of the asymmetry existing in the teacher strength between one faculty and another. Almost all faculties with the exception of law and commerce are running short by 56 to 67 teachers each.

Second, some vital parts of the curricula may have been left untouched due to the dearth of subject specialists. Last but not the least, given the semester system that relies heavily on seminars, tutorials and guidance, the current teacher: student ratio is evidently quite poor.

Not a few university teachers are abroad on prolonged sabbaticals. Also they go there occasionally to read research papers at the seminars. Purely research-oriented work or consultancy assignments might keep some of them periodically busy overseas. It is mostly the eminent and be-sought among the teachers whose services the students here are sometimes deprived of, even though only temporarily.

Those who have crossed the critical threshold in their overstays abroad cannot obviously hold on to their jobs indefinitely. And keeping the other variables in mind, like short-term but long enough absences that upset academic routines, there should be a provision for stand-in part-time teachers at the university.

Isn't it surprising that the 58.5 crore DU budget for 1996-97 has nothing specific about bridging the gap between the existing number of teachers and their sanctioned strength?

## Unfortunate Deaths

The deaths of two young men — one in Dhaka Central Jail and another in Dhaka Medical College — within five days of each other have created some stir. One of them Faruq Hossain received beating from people of his locality on suspicion of being a mugger. But that beating on Monday last week, according to his father, was not the cause of his death. He alleged that police torture the next day led to the death. In the other case Ferdous Wahid Shahin succumbed to his injuries around which a controversy also swirls. Local residents alleged police brutality while a police version says that they, in fact, rescued him from angry musclemen who were beating him.

In the first case, the metropolitan magistrate did not grant police remand on Tuesday. However, Faruq had already been in police custody for some time. We do not know whether the public beating or police brutality actually caused his death.

As for the second case, Shahin hardly appears as a criminal since he had a record of working against drug trading and other immoral activities in his area. Such a man could draw the wrath of musclemen. On 'rescuing' him from the musclemen, the police should either have returned him to his family or taken him to a hospital forthwith. Neither was done.

These are just some of the unanswered questions at which we would like to draw the authorities' attention to. Let us hope the charges against the police are unfounded. But if these are not so, we are afraid, the home minister's recent instructions to the law enforcers about treating the accused with dignity have fallen on deaf ears. The qualitative change as envisioned by the home minister will only come about when those working at the field level can be motivated for it.

Meanwhile, we demand that a departmental committee look into the circumstances in which the deaths occurred and do the needful.

## A Serious Concern

Another Islami Chhatra Shibir (ICS) attempt to capture a Jahangirnagar University hall has failed in the face of combined resistance from all other student groups and general students. Since embarking on a hall capturing programme some years ago, the Shibir has virtually established a control over campuses in Chittagong and Rajshahi Universities. At JU they have come up against the solidarity of the All-Party Students Unity (APSU).

Is the Shibir trying to make up for Jamaat's poor showing in the polls through the wrong way? It may very well have come to the conclusion that before the new government is firmly in control, it can strike the halls and take some of them over. Such a tendency of the Shibir elements can be decisively checkmated if other student organisations are united by their resolve to avoid take-over bids of their own.

So the stake is great. Now the government must also act swiftly and decisively. Given its priority of eliminating terrorism including the campus variety, the government must try to rein in all student cadre. Already Barisal BCL unit's activities have been suspended. And that is how the ruling party can go about the job of setting the right tenor.

On the question of the existence of student cadres there ought to be a national consensus through the parliament.

# Economy, Corruption and National Security

THE UNHOLY NEXUS

Mr Dassault, the manufacturer of Mirages, is already under investigation for paying bribes for equipment sales to Belgium. With not many other real-buyers for the Mirage 2000-5s, the Pakistan sale may be crucial for the survival of his French conglomerate

IMF Chief Camdessus (worlds), by forcing the government to increase the taxes on the people, are ready to spend US\$ 4 billion without the bat of an eyelash, undeniably putting enormous additional burden on the people. There is something definitely wrong in the shady intent of various people. Why not make public the explanation written by the now sacked DGDP Rear Admiral Khaleel as to why he paid over the instalment for the used Mirage-3s despite the direct instructions of the Defence Minister? Maybe many things of how corruption affects national security will come to light. Obviously someone somewhere stands to make a lot of money and obviously that someone has so much influence (and access to extremely confidential information) that professional officers have been bent to his (or her) will despite the consequences of public exposure and despite knowing that it is far from the national interest. Unfortunately for Pakistan that is not a mirage (no pun intended) but a nightmarish reality.

A confidential informal note about Pakistan dated May 22, 1996 being circulated in the World Bank asserts that there will be "a significant shortfall in government revenues this year of around Rs 13 billion (0.6 per cent of GDP), and financing of the budget deficit has been far in excess of target (indicating a larger fiscal deficit than targeted under the IMF Stand-By Arrangement (SBA). Meanwhile, the level of official reserves has been kept from falling below \$1.5 billion (7.4 weeks of imports compared to 13 weeks last June) by short-term borrowing and build up of foreign currency accounts, a sudden outflow could in turn result in serious problems in the banking sector. It is critical that the government move immediately to take the necessary revenue and expenditure measures to reduce the fiscal deficit and accelerate the pace of structural reforms in the context of 1996/97 budget" far removed from the rosy picture being painted by the likes of VA Jafarey and Qazi Alimullah.

People generally fail to comprehend the full co-relation between economy, corruption and national security. An unholy nexus that needs constant monitoring by responsible functionaries, concerned citizens and a free Press. Siphoning of funds from contracts, either in form of Kickbacks or by lowering of the quality of work, commissioning white elephant projects at exorbitant prices, this is the domain of interests that have only greed as a motivation. Commission agents in the field of defence purchases are only exceeded in their disservice to the nation by the manipulations of "consultants" in league with corrupt individuals in the international finance institutions. The objective of foreign manufacturers is (1) to make a sale (2) at the highest price (3) to keep on selling more equipment and spares.

To achieve their objectives foreign manufacturers employ

local commission agents who help in making the sale by (a) using their influence with decision makers (b) ensuring the highest price and (c) acting as conduits for illegal gratification whenever necessary. An important chain in the link is the friendly banker who arranges the transfer of these illegal funds to safe havens without attracting attention. This money laundering role was previously supposedly the domain of the now defunct BCCI, supposedly facilitating the illegality of corrupt leaders and drug barons, visibly this role has been taken over by foreign banks in Pakistan, the lead being taken by one bank of US origin. The so-called consultants lobby against any indigenous production as this would terminate the gravy train of their recurring commissions. The amount of commission depending upon the volume of sales, local agents and their fiduciary collaborators actively work towards this objective.

To acquire information about the requirements of their potential clients as well as their competitors, these agents also do intelligence work of sorts for their principals, which can be very dangerous as this may come to the attention of those who may or may not be in love with Pakistan. Precious foreign exchange is diverted in sectors without as high a priority as others despite alternatives being available at much less cost. Project construction for every MW of electricity is roughly less than US\$ 1 million. When privatising Kot Addu we are receiving about half that amount (US\$ 800 million for 1600 MW) but why are we paying almost double the amount (US\$ 1.8 billion for 1200 MW) for the Ebrahaim Elawan-sponsored Hub River project, adding to the com-

pound indebtedness of the people of Pakistan? The proposed purchase of Mirage 2000-5s can be taken as a real situation to explain the ramifications to readers.

No doubt the Mirage 2000-5s is a credible force-multiplier substitute to the F-16s being denied to us by the Pressler Amendment. However, when many other aircraft of similar capabilities are available from different countries, why are we so anxious to negotiate a deal for 36 Mirage 2000-5s worth over US\$ 4 billion a total which in the next several years along with spares, etc could well go up beyond US\$ 10 billion?

With the change of the Naval Chief in November 1994 to a very accommodating persona, the immediate purchase of three French submarines worth US\$ 1.2 billion to deal with Admiral Sirovich, when he was Chairman, Joint Chiefs of Staff Committee had put on the back-burner in supersession by other defence priorities, has created an "anything goes" environment without any opposition by "Conscientious Objectors". As regards the cost-effective alternative of indigenous co-production, the aggressive "consultants" pursuing this option and their collaborators in government ensured that even the basic tooling at PAF Kamra would be delayed (well documented in a well-researched recent article written by Air Marshal (Retd) Ayaz Ahmed Khan). The irradicate rise in

the Mirage 2000-5s prices persuaded the present PAF hierarchy to have second thoughts about the deal, particularly in relation to (a) effect on other PAF priorities and (b) cost to the economy.

Thus while the USER service, the PAF, is opposing it, surprisingly, of the concerned decision-makers, the Prime Minister's Secretariat, the Ministry of Defence and the Chairman JCSC seem to be firmly for the deal. The Army, which desperately needs (at one-fourth the cost) to replace 600 battle tanks, is supporting the PAF stance. One is a little non-plussed as to why, when the USER service is having second thoughts in the greater national interest, what is the special motivation that makes others so interested in making this deal come hell or high water? The only conclusion is that the commissions involved are so vast that the supporters of the deal of the century have had to perform come out into the open.

The pointed questions asked from the Chairman JCSC by senior defence officers under training at the National Defence College (NDC) under possible corruption in the Mirage 2000-5s deal shows how all-pervasive the smell of underhand deals is. Mr Dassault, the manufacturer of Mirages, is already under investigation for paying bribes for equipment sales to Belgium. With not many other real buyers for the Mirage 2000-5s, the Pakistan sale may be crucial for the survival of this French conglomerate. Will not Mr Dassault spend money like water to achieve his objectives?

Here lies the nexus between the economy, corruption and national security. While our economy desperately needs IMF support, only available as "battlefield surgery" (in

Agreed that the affairs of the government do not concern those who are not in the "chain of cognizance" of such misdeeds, but if you are a senior army, naval or airforce officer, if not as senior civil servants, if not as Chief Justice of the Supreme Court or of the High Courts, if not even as the President of the country, have they abdicated their responsibility as citizens of this country to take suo-moto cognizance before a catastrophe befalls us if the economy goes bust? And just if will corrupt individuals can compromise national security and influence the decision-makers in gross indifference to the consequences to the economy. Can we continue to allow individuals whose only motivation is endless greed to endanger national security by corrupting even the last sacred bastions whose mission is the physical defence of the State?

## AS I SEE IT

Ikram Sehgal writes from Karachi

What is the mystery of the price jumping three times in four years to an unbelievable US\$ 90 million per copy? As late as last year the Indian Air Force Chief scuttled the deal at being too expensive at US\$ 40 million per aircraft. This 'deal of the century' will continue laying golden eggs into the future for the manufacturer and their commission agents. For gentleman farmers intending to settle abroad, this will make a very nice pension plan.

Unfortunately for Pakistan the cost of this particular dowry will be an unbearable burden on the economy. Having bought this aircraft, will the government be able to even pay salaries of defence personnel? Even at one-third the price in 1992, the PAF fleet planners were not too keen to acquire the aircraft. Various options were discussed, including one that in-

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## FINANCIAL SECTOR REFORM

# Human and Information Capital

by Tanya Gupta

Licensing to banks should be highly selective and overall banks should be highly profitable, if they are efficient. This will give them an incentive to be as competitive as possible which will in turn give them an incentive to invest in information and human capital

"ALTHOUGH banks can perform many different services and functions, they can be modeled as a mixture of four components: a portfolio of financial (and some real) assets, a stock of information capital — the bundle of skills possessed by employees and managers — and a system of rules, technologies, and decision making procedures for applying these inputs and decisions affecting the evolution of their portfolio." — Gerard Caprio in *Financial Reform*. Based on this summary of the functions of a bank, two major areas for bank reform should be the human and the information base.

Most would agree that financial sector reform cannot be achieved without upgrading human and information capital. It has been demonstrated that financial reform is more successful in countries that already have a relatively strong human capital base. Most developed countries also are rich in information and have developed a complex web of information systems.

However, these areas are assumed to improve automatically along with financial reform which may not happen. Even if we grant that these areas need special attention, if these areas are improved during reform or after reform, it may disrupt the reform process itself. Improvement in personnel and the information base is a pre-requisite for reform and must take place much before the actual reform process because, after reform,

imperfect information or human capital base may retard economic development.

For banks that were not engaged in an effort to allocate credit based on market demand, the information base they possessed before reform will be rendered useless since it relates to organizations that will not qualify for credit in the post-reform phase. This depletion of value in the information base is not replaced with new value-added information. When reform is implemented without human/information capital improvement then the reform is not always effective. For example post-reform banks will tend to be extra-cautious in lending and have high holdings of government securities. This is because they would lose their large subsidized customers. Exposed to a world of a risk-dependent return, banks will be unsure as to what course of action to take. Also post-reform human capital will not be adequately trained to function in a deregulated environment. Skills related to risk monitoring, credit analysis, portfolio balancing will be missing or deficient. Reform is

likely to fail if it takes place without accounting for factors such as these.

Let us now focus on why information/human capital is not valued in relation to the situation in developing countries. Lending rates are often low; and as the information premium is built into this rate, the returns to investment in information are reduced as well. The government in Bangladesh clearly favours certain sectors of the economy and has several directed credit programmes. This is often combined with an implicit or explicit promise to provide a guarantee to these loans, i.e. if the loans default the government will repay the banks. Given such an easy situation, banks will be loath to invest in trained loan personnel who are skilled at loan and risk-return analysis.

The human capital base is thus not given sufficient attention. Worse still, there is no incentive for building an information base as well since there is no return in doing so. In developed countries, risk assessment and risk monitoring are important functions because they are tied in to the

overall return of the banks. In such cases, positive incentives exist for investment in human capital. In developing countries, contracts are often not enforced. In such a case, the value of information and human capital is reduced.

Banks invest in information only if the cost of procuring information is sufficiently lower than the advantage provided by it. In developed economies, the cost of information is low and it is more available. In underdeveloped countries information is scarce and expensive. Return on investment in information in underdeveloped countries provide a relatively lower return as a result and this is a vicious cycle that results in a poorer information base. Developing the stock market is helpful in the building up of an information base since a developed stock market is associated with a rich information base.

A market orientation needs to be developed among these banks to help them cope with a market economy. If loans are not guaranteed by the government, there is a requirement for collection of information and credit analysis since any

losses will be suffered by the bank itself. This helps the banks in becoming efficient and also as time passes, in addition to the human capital base. The value to this information is determined by the extent to which the information deficiency is reduced.

Auditors report, financial analysts and developed stock markets are good sources for financial information. A developed stock market is likely to generate company information; at the lowest common denominator, in order to sell shares information has to be transmitted to prospective shareholders. On the flip side, this information is also used in the equity valuation process.

Human capital is invaluable in the financial reform process but without a proper incentive system, it cannot be developed. Services should be valued on a market-based system. If salaries are not at the proper level, desired personnel cannot be recruited. If appropriate incentives and training are not given, motivation and efficiency will be lacking. If bad loans cannot be recovered easily and quickly, banks will not be encouraged to invest in

information related to credit analysis. They will merely lend to established borrowers and lose out on the returns they may have earned from other borrowers.

Before reform efforts are out into place, it is necessary to review the skill level of employees, develop a measure that relates skills to the tasks they do, check to see if the wages are in line with that of the market, analyze the management success and also check the incentives for dis-incentives that are in place. Information and human capital require time to accumulate, and incentive systems take time to change, with behaviour evolving only slowly once all of these elements are in place. Licensing to banks should be highly selective and overall banks should be highly profitable, if they are efficient. This will give them an incentive to be as competitive as possible which will in turn give them an incentive to invest in information and human capital. Bank management training and reform of banking rules and regulations, improvement of accounting systems and improving the loan recovery process are elements that should be improved as soon as possible.

In conclusion, an analysis of the human and information capital should be done and if these elements are found deficient as they probably would be, reform should be initiated in these areas through the use of incentives and other measures before financial reform takes place.

## 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.

## WASA's negligence and suffering taxpayers

Sir, The main sewer along the North-South Road in Bijoy Nagar has become blocked due to lack of proper care and maintenance and servicing of the sewer by the concerned staff of WASA. As a result the sewage of my house and other houses has become stagnant.

I lodged a complaint with the WASA office in Fakirapool but no action was taken to remove the blockage. Thereafter I personally reported the matter to the concerned Assistant Engineer in charge of Bijoy Nagar area. Still no action was taken. After a few days, I talked to the Executive Engineer of the Fakirapool WASA Office over telephone. Thereafter two conservancy men of WASA Fakirapool office came to my house and told me that they did not have the bamboo strips (bakhari) now for pushing and removing the blockage. They asked me to pay Tk. 500/- for procuring the bamboo strips and as their remuneration for the work they will do. Thereafter I talked to the Chief Engineer WASA over the phone at his residence. He told me that he will look into the matter.

Now, for more than three weeks, the above sewer line

remains blocked and as a result the sewage of my house is oozing out of a manhole in my sewer line within the compound of my house creating a serious health, sanitation and environment problem.

We pay taxes regularly to WASA for maintenance of the sewerage service. Therefore whenever there is any problem of the WASA sewers under the road outside the compound of any premises, the sewerage maintenance staff of WASA must take prompt action to remove the cause of the problem.

It is most unfortunate that when any one complains about any problem because of blocking of the WASA sewer due to the negligence of the WASA staff, the complainant is asked to pay for cleaning and servicing the WASA sewer. Unless payment is made the work is not done. I had to pay once previously for the same problem as the present one.

It is the usual practice, in all cities where there is sewerage, to constantly watch, by the sewerage maintenance staff, if there is any non-working anywhere due to non-problem or inefficient working of the system and they restore to proper working condition without delay. But in Dhaka city the sewerage maintenance staff and their controlling officers do not consider it as their

duty to see whether the sewage is oozing out of any manhole and to take prompt action to remove the health, sanitation and environmental problem arising therefrom. The main sewer line along the VIP road is not in proper working condition, and sewage is oozing out of a manhole in front of Fakirapool Bazar for a long time, but the WASA maintenance staff or officers concerned have not taken notice of it or have overlooked it. The shop keepers of the said market told me that they have failed to persuade the WASA staff to remove the blockage and the serious health and sanitation problem arising therefrom.

I hope the head of WASA do realize that due to lack of proper care, maintenance and servicing in due time the sewers may become permanently blocked and totally unserviceable and the result in such case would be catastrophic and the head of WASA would have to shoulder the responsibility.

I, therefore, request his goodness to realize the seriousness of the problem and to take necessary action to motivate the officers and staff responsible for the sewerage maintenance to keep the main sewers in the city in good and efficient working condition at any cost. The sewerage system of the Dhaka city is overloaded for various reasons and any negligence of the WASA staff to do the maintenance work in due time may create problems that may cause permanent blocking of the sewers.

I would expect some quick action for removing the blockage of the WASA sewer in Bijoy Nagar because it has cre-

ated serious environmental, health and sanitation problem. Moreover it is an essential service for which we pay taxes to WASA. Such maintenance work should be done on emergency basis and WASA should remain ever vigilant and fully prepared to take up such maintenance work on emergency basis whenever it becomes necessary.

I want to say again that it is the bountiful duty of WASA to keep the sewers in good and efficient working condition for which we all pay taxes. The WASA officers and staff are paid out of the taxes we pay to WASA. I hope keeping in mind this simple fact the head of the organisation should not hesitate to even take prompt disciplinary action against such delinquent officers and staff as found neglecting their duty and thus causing suffering to the WASA tax payers.

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## Economic sanction on Israel

Sir, Due to lack of foresight, wisdom and statesmanship of some Israeli leaders the Middle East peace talks have been stagnated and jeopardised from time to time.

Forty-eight years ago the then superpowers caused and accepted the birth of the state of Israel in the peaceful and Palestine a very cunning, pre-emptive and pre-planned manner. Today many of us tend to feel that the joint-USA-UK-Russia-France crusade against the brute forces of Nazi Germany was a factitious one and the World War II was not fought for the sake of freedom,

democracy human rights and justice of the people but to meet the selfish ends of some super powers.

After the world war was over Washington, Moscow, London and Paris sold arms and ammunition worth billions of dollars to Middle East countries. The tiny state of Israel received heavy economic and military aid from some western powers. And in 1965 the jingoes of Israel dreamt of building a gargantuan empire of their own occupying hundreds of miles of territories of different Arab countries.

Today millions of Palestinians are living like slaves in their own motherland and the Israelis who migrated and settled from different parts of Europe and America have become the masters of the land of Palestine.

Under international pressure and world public opinion Washington and Moscow co-sponsored the Middle East peace conference in Madrid to get rid of the madness of Israel and to settle the Arab-Israeli dispute on land for peace basis consistent with US Security Council resolutions 242 and 338. While the Arab leaders participated in the conference for a discussion and agreement with the Israelis we were all surprised and shocked at the arrogance and aggressive role played by the then Israeli Prime Minister Yitzhak Shamir.

Following general elections in Israel in June 1992 with defeat of Shamir and victory of Rabin as new Prime Minister the events in the Middle East took a new turn and the historic PLO-Israel peace accord was signed on 13th September 1993.

Unfortunately after the assassination of Prime Minister Yitzhak Rabin on 5th November 1995 at the hand of a Jewish fanatic, the defeat of successor Prime Minister Shimon Peres in the general election held on May 29, 1996 and the emergence of hard-liner Likud leader Benjamin Netanyahu as the new Prime Minister of Israel, the Middle East peace process has once again been stalled.

How can they overcome the catastrophe in the Middle East caused due to presumptuous policy, hostility and enmity of some Israeli leaders towards the Arab world?

We have seen and we strongly feel that pen is mightier than sword. UN economic sanction on an aggressive and arrogant country bears fruitful results. The economic sanction on Iraq following its invasion of Kuwait has made Baghdad calm and cool. The economic sanction on Serbia, Bosnia and Croatia has enabled establishment of peace in the Balkans.

We wonder why a UN economic sanction has not been imposed on Israel during last four decades?

What a pen, what an economic sanction, can solve a problem in a peaceful and friendly manner no other action or measure can accomplish the task so smoothly and effectively.

I urge upon the world leaders in general and the members of the UN Security Council in particular to impose economic sanction on Israel for the sake of peace, security and prosperity in the Middle East.

O H Kabir  
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