

Fatally Uncoordinated

It is infinitely more worrying to know that there is not any concerted effort to combat a problem than that there is a problem. Unfortunately, this is exactly the reality now prevailing in our air pollution situation. According to a deservingly treated news item published in yesterday's Bhorer Kagoj, there is no coordination among the different government agencies having to do with environmental health one way or the other. All of them, starting with the BRTA to the law enforcing agency are full of complaints that in reality are nothing but a tedious passing of the buck.

The report replete with statistics and figures unmistakably drives home the message that Dhaka is the most polluted city in the world. Its air contains all the polluting elements at an alarmingly huge proportion. The rate of things like Suspended Particulate Matter (SPM) is fearfully high and the saddest part of it is that we are to blame only ourselves for this poisonous content to increase in the air. If people were little careful, if the authorities, being armed with some guidelines, had gone about ensuring their enforcement, we would not have needed to panic in the manner we are doing now.

It is only natural that in a poor country plagued by illiteracy and all sorts of accompanying evils, people would be suicidal in certain facets of their life style. The knowledge to look ahead, the power to imagine the consequences of today's indiscretion and excesses is something no sane person should expect from such an ignorant Mass. And here comes the role of the government to the fore. And it is not without pain that we are forced to admit that successive governments to this date have showed nothing to improve upon the legacy of suicidal nonchalance.

The chilling picture of pollution painted in the said report however has its share of optimism. The damage may have already been done. But there is still lot that can be done to minimise the damage. And quite rightly the jeremiad of our respiratory reality calls for a coordination among the government agencies so some sort of effectiveness or result can be achieved in our crusade against pollution.

Push to Privatisation

The compulsions behind disinvesting non-viable state-owned enterprises are much too known to warrant any recital. But, to our mind, the biggest impelling factor we are having to grapple with at the present moment about it all is the very fact that the privatisation process remains mired in its infantile state even though it began as early as in 1991.

It is understood from a Financial Express Report that the government is going to reactivate the Privatisation Board with a new Chairman in the person of Syed Manzur Elahi, himself a leading private sector entrepreneur, and a former adviser in the last caretaker government.

The government's serious move to dynamise the moribund process is welcome, to say the least; but the objective conditions for divesting the un-economic SOEs of its state sector ownership remain as before. This is because basically something that has been a burden on the national economy is sought to be jettisoned. So, the potential takers might be as shy as they were before and would need to be incentivised to feel sufficiently enthusiastic about the offers. Since one cannot wrap up the SOEs into colourful presentation packets right-away what could be really helpful is a firm assurance now of logistical support to the new managements of the made-over industries. Obviously, it cannot be the same spoon-feeding that never allowed the SOEs to stand on their own feet indolently protective as that was.

To enliven the privatisation process it has to be taken out of the narrow confine of non-profitable industrial units with its scope broadened to encompass a large part of the non-manufacturing public sector that still remains very largely untouched. That will give privatisation a new, up-market magnetising look. Basically, the modalities will have to be far more transparent than we have had the experience of so far.

What could make the day for us is no doubt a collective political will to 'tackle head-on' the 400,000 employees of the SOEs. They are to be persuaded to envision that an expanded and effective private sector can be a much greater guarantee for their livelihood and well-being than a string of wobbly public sector units.

EU Softens

Commerce Minister Tofael Ahmed has come back from Brussels with a reassuring news. The angry and minatory mood of the European Union following the detection of fraudulent practice in winning the GSP facility by the local knitwear exporters has reportedly been pacified sufficiently. The twelve per cent duty exemption that our exporters were getting in their bid to enter the European market has been given a new lease of life and hopefully with no malpractice surfacing from anywhere, the preferential treatment will be enjoyed by the Bangladeshi exporters upto year 2005.

Now that the goodwill has been given a grace, we should be doubly cautious about the recurrence of any such ignominy the minister having spoken of the government's will to ensure transparency in the whole process of GSP eligibility.

In the myriad of placatory gestures and utterances and eulogy of a successful mission however, the necessity which should not be forgotten even temporarily is that we need to get a move on to develop our own textile and backward linkage industries by the year 2005. Because that is the time when we will be out on our own. And unless we get started now there is every chance that we would fall the deadline.

Luring Private Investment

Available evidences tend to show that by and large, the public sector-led investment failed to deliver the expected stimulus to private investment in many countries. Public sectors emerged as a bane instead of a boon, with a growing fiscal burden every year.

INVESTMENT is the fuel that keeps the wheels of economic growth moving. Slower growth of investment generally clogs the wheel and growth tends to face a set-back, *ipso facto*. Promotion of investment opportunities through creating an investment-friendly environment, therefore, constitutes one of the most important agenda for policy makers. In Bangladesh, for example, investment needs to account for at least one-fifth of our GDP just to make a dent in poverty syndrome with a growth rate of 6-7 per cent per annum. Unfortunately, the economy is locked into a low saving, low investment vicious circle where domestic savings and investment account for six and 15 per cent of GDP, respectively. Further, investment may take place from two sources viz, the public and the private sectors. Historically, public investment dominated the investment scenario and the situation in Bangladesh has been no exception to the general pattern in evidence among many other developing countries. A panoply of factors could, possibly, be adduced to the hefty growth of the public sector investment. Foremost among them were: constrained opportunities for the private sector to develop due to financial, managerial and technical capabilities. The spirit was furthered by the 'euphemism' that, as some economists appear to argue, absence of government investments would negate the establishment of many new industries and business enterprises. On the top of these, 'access to external expertise and capital provided by the bilateral donors and multilateral agencies' had encouraged the governments to play a lead role

in the productive sectors." Available evidences tend to show that by and large, the public sector-led investment failed to deliver the expected stimulus to private investment in many countries. Public sectors emerged as a bane instead of a boon, with a growing fiscal burden every year. The complementarity hypothesis that forestalled public sector as an engine of growth turned out to be sour. "Public investment displayed the characteristics of lumpiness and a long gestation period as well as occasional unproductiveness, and private investment was found to be positively correlated with growth." ... accordingly, a growth-oriented strategy was recommended with a stress on limiting the government role to provision of physical and social infrastructure in terms of power and transport, communications, education and health and appropriate systems and support services."

Successful governments in Bangladesh over the years also decided to tow the line of stimulating private investment, at the same time, downsizing public investment. While the motto is clear and could be productive, some knowledge on the determinants of private investment is a must so that proper policies are rightly in order.

In a recent research entitled, "Private Investment and Macro-economic Environment in the South Pacific Island Countries," T K Jayaraman of the South Pacific Regional Mission dealt with the above important issue. Although

specifically targeted to the South-Pacific island countries the observations made by Jayaraman seem to have practical relevance even for a South Asian country like Bangladesh and that is why we decide to pick up the topic.

Growth and Private Investment: Available studies appear to show that private investment is very much responsive to fluctuations in output. The higher the output growth of an economy, the higher is likely to be positive expectations build-up and more of that

likely to private investment. A demand management policy that tends to constrict growth tends to trigger pessimistic expectations and investors postpone investment decisions until recovery takes place. A slow growth of the economy might trap itself in a low-investment equilibrium.

Macro-economic Policies: In this arena, the nature of monetary and fiscal policies do, in fact, affect investment decisions. For example, the user cost of capital is an important factor in investment decisions by the private sector. Private investment becomes shy when the user cost of capital is raised. There is, however, no scope for grandiose generalization on the

Exchange Rate Policy: Private investment is also affected by the exchange rate management. In the empirical literature, private investments are reported to be affected by a real depreciation of the currency. A real depreciation does it by affecting real cost of capital goods, real interest rates and real output.

Ending Uncertainties: The weak implementation of declared policies gives rise to uncertainties. Economists like Dorbusch and Rodrik, underlining the importance of investor's perception about the government's willingness to carry out a private sector-oriented growth strategy. It is a widely held view that an important source of uncertainty crops up from policy reforms that are dubbed as less credible. The reshuffle in the resource allocation among traded vs non-traded sector by private investors is postponed till they get a correct and stable signal to move ahead. Existing literature, of course, cite two important uncertainties viz, uncertainties pertaining to changes in price levels and movements in real exchange rates. "If the investment incentive structure designed for encouraging private investment is firmly based on credibility, stability and predictability, policy measures including real depreciation will end all uncertainties and they can have strong impacts on aggregate investment."

Institutional Reforms: While credible policy reforms are real recipe to lure private investments, the building and promo-

tion of institutions for boosting private investment is no less important. Such institutions "include, rules, regulatory and legal frameworks and social norms governing the ways by which economic transactions take place between firms and individuals". Institutional reforms go to reduce transaction costs of investment and thus assure higher profits.

Jayaraman constructed a model to test his theoretical juxtaposition which postulates that 'private investment rate is a function of growth rate of the economy, public investment rate, and uncertainties with instability in the economy.' A cross-country time series econometric analysis shows that (a) instability in the real exchange rate did have a perceptible effect on private investment. This particular instability measure itself is a product of many uncertainties reflecting structural rigidities as well as fiscal and monetary imbalances; (b) growth in output in the way i.e. the growth of GDP positively affects private investment "albeit of low magnitude"; and (c) public investment had a contractionary influence on private investment. This means that public investment has a tendency to crowd out private investment.

The policy measures to lure private investment are: (a) macro-economic environment should embrace lower fiscal deficits, especially, rising current expenditures should be curtailed to beef up domestic savings; (b) public investments in total should be discouraged but those related to infrastructure and social sectors should be encouraged and (c) declared policies should remain stable and credible.

Beneath the Surface

by Abdul Bayes



est rate an important determinant of saving and investment decisions, the financial market needs to stay in order. On the fiscal front, "persistent fiscal deficits either push up interest rates or reduce the stock of credit available to the private sector and thus tend to crowd out investment". A deficit budget is a deterrent to private investment.

But to trim the deficit down, many countries try to axe public investments to crowd in private investments. However, if such reductions lead to a decrease in investment in new infrastructure facilities such as power and transport, private investment could be seriously hurt.

Making the Case for Microcredit

by Ismail Serageldin

Microentrepreneurs have shown that they repay market-based loans, and use the proceeds to increase their assets, their living standards and their roles in shaping societies. Non-governmental organizations, specialized financial institutions and some mainstream commercial banks (including in the United States) have shown that microlending can be a profitable business.

IN early February, opinion leaders from around the world will gather in Washington to explore microcredit, a way of making small loans to the very poor for self-employment and other financial and business services. The concept is gaining global momentum as an important component in the urgent fight against poverty. The Microcredit Summit's campaign aims to reach 100 million of the world's poorest families by 2005 with savings and credit for self-employment.

The World Bank knows that broad-based, sustainable economic growth coupled with improved access to education, health care, and social services reduces poverty. We are committed to a wide range of actions to combat poverty and hunger; sound macroeconomic management, investing in people, supporting agriculture, creating targeted nutrition and health programmes, focusing on environmental sustainability and expanding participation. In addition, access to financial services (both credit and savings) is fundamental to helping the poorest of the poor.

They can get jobs and raise their living standards investing in turn in education, nutrition, and household welfare. This will lead to an improvement in their quality of life. In developing countries today, the micro-enterprise sector employs an estimated 30 to 80 per cent of the economically active population. Over 500 million of the world's economically active

poor people run profitable micro and small businesses.

The fast-growing micro-finance sector now contains almost 6,000 micro-finance institutions, spurred by the success of pioneers like Grameen Bank in Bangladesh, K-Rep in Kenya, BancoSol in Bolivia, the Self Employed Women's Association (SEWA) in India, and BRI-Unit Desa in Indonesia. Other studies show that the very poor, especially women, repay their micro-credit loans at rates of more than 98 per cent; and that many of these very poor women can pull themselves out of poverty through successive loans of this type. Many of the loans are as small as US\$100 and sometimes even smaller.

Microentrepreneurs have shown that they repay market-based loans, and use the proceeds to increase their assets, their living standards and their roles in shaping societies. Non-governmental organizations, specialized financial institutions and some mainstream commercial banks (including in the United States) have shown that microlending can be a profitable business.

The big difficulty is in building capacity at the local level. These conduits for micro-

finance are eminently effective, but fewer than 2 per cent of low income entrepreneurs have access to them. Expanding such programmes' coverage of the poor is only one part of the problem. The key to effectiveness will be to do it in a sustainable way, without continuous subsidies. All major actors need to share the goal of providing sound, responsive, market-based financial services to the majority, and do it in a way that is advantageous to both the clients and the institutions that serve them. The aim should be to provide access, not welfare, to low income entrepreneurs. Only then will micro-finance come into its own, self-replicating on a scale that will make a real dent in global poverty.

This is a multi-dimensional task. As Women's World Banking, another pioneer, has recommended, performance standards must be designed to match institutions' level of development, from fledgling start-up to towering giant. Institutions, not projects, need to be supported, particularly in early operations with initial injections of credit. And as institutions expand, they will be able to train local banking officers, upgrade their technical services when needed, benchmark

against best practice, and tap into practitioner networks.

Finally, micro-finance practitioners and experts have increasingly focused on the important of an appropriate legal and policy framework for micro-finance institutions to become sustainable, formal financial intermediaries. Legal, regulatory and policy issues continue to pose obstacles to the micro-finance sector's development. This is where the World Bank and other multilateral institutions can help with policy advice, economic analysis and technical assistance.

International programmes supported by the World Bank and others, such as the Consultative Group of Assist the Poorest (CGAP) provide a vehicle for establishing sustainable financial services and channeling funds through sound micro-finance institutions. We are committing ourselves to improving the policies to create the best possible environment for micro-finance institutions. Some of the lessons of micro-finance have been incorporated into our ongoing operations, and, where appropriate, we have provided financial assistance in support of regional or national micro-finance institutions.

We join forces with all the participants in the Microcredit Summit to urge the international community to support this urgent task. We have seen that microcredit works, and

now we must stand together as partners in a global coalition that strives to eradicate extreme poverty and hunger.

The writer is World Bank vice president of Environmentally Sustainable Development and chairman of the Consultative Group of Assist the Poorest. He will also be speaking at the opening plenary of the Microcredit Summit, World Bank President James D. Wolfensohn will address the closing plenary.

To the Editor...

"Vision of the Young"

Sir, I enjoyed *The Daily Star* seminar "Vision of the Young" on 13 January, '97. I want to thank *The Daily Star*, especially the editor Mr Mahfuz Anam for this arrangement where the young men got opportunity to express their opinions about the nation. And I would like to thank all the participants for their opinions. There is a great significance of such seminar.

The young society is the heart of a nation. I think, we should try to know what the young people are 'thinking about the nation's present and future.

We have crossed a quarter-century as an independent nation. But, what have we got, what was our expectation and what is the present condition of the country? At the end of 20th century, we are the most helpless as a nation in the world.

We are going to welcome the 21st century, but what is our preparation in this regard? We really do not have any preparation. This is our limitation and that is the present reality. But our leaders do not seem to realise this reality. Here lies our miseries. But there is still time. If we fail to utilise this time, our future will sink in darkness.

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Sir, I refer to "Vision of the Young" seminar report in *The Daily Star* of the 13th January 1997, and was intrigued to read some of the comments made by Syed Nasim Elahi, an entrepreneur. He said: "Wherever there is a project, there is a foreign consultant. But we have our own experts, why don't we utilise them?" Patriotic thoughts, indeed! Then I recollected that some weeks ago an ad was published in *The Daily Star* by a company called Trikeya Grey Advertising

Bangladesh Ltd.

In the ad, the company claimed that it was 100 per cent Bangladeshi, that Syed Nasim Elahi was its director and his father Syed Manzur Elahi one of the owners. It was also mentioned that the company had hired four Indian nationals to work in the agency. The Indian nationals were on business visas and that their work permits were under process.

All these clarifications by the agency was evidently to counter press reports that were appearing in the national media about unauthorised employment of foreign nationals by them. The clarifications were also to counter protests by the Advertising Agencies Association of Bangladesh, which felt that there was enough local talent available in the country and that the hiring of foreign nationals was unnecessary.

Syed Nasim Elahi has the benefit of the proverbial silver spoon - educated at home and abroad, heir to a business empire and now his own advertising agency. When he says that "I dream of a Bangladesh where our pride will be resurrected," we share his dream. Unfortunately, I don't have his good fortune of owning an advertising agency. I just work for one.

When I returned home after studies abroad, I too had dreams - dreams that I could explore my talents in creativity and in arts. Fortunately for me, I found an opening in a 100 per cent Bangladeshi advertising agency. My employers have given me and my other colleagues (all Bangladeshis) the widest opportunities to develop ourselves, investing heavily in our training and the broadening of our horizons. Had my present employers taken the short-cut of hiring a few Indians from Calcutta, we would not have had these opportunities. Similarly, the Indians would not have developed as rapidly had the Indian government freely allowed employment of foreigners in their advertising sector.

I would like to ask Mr Elahi what are the qualifications of

his Indian employees? Are they experts in their field? What are their ages and what degrees do they hold?

He says: "Unless we utilise the people's power we always remain at least 50 years behind the modern world." If other agencies follow this example and begin to hire more foreigners, what will happen to us? Where will our visions of the future be?

He goes on to say: "We want a standard of behaviour in our society but we don't want to set it ourselves." Very true, and I can only ask him to practice what he preaches.

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Muslim Family Law Ordinance and DCC

Sir, As per Muslim Family Law Ordinance 1961, a husband or a wife is required to apply and to seek necessary clearance from the Dhaka City Corporation (DCC) in respect of his/her prayer for divorce or second marriage etc.

Unfortunately, due to alleged rampant corruption, greed for money and delaying tactics of some unscrupulous employees of the DCC, it has become very difficult, tiresome and expensive for an aggrieved person to obtain the necessary clearance from the DCC.

It appears that DCC neither cares for any accountability and transparency, nor it follows any system or procedure of work in attending different cases under Muslim Family Law Ordinance.

It may be mentioned here that whenever any person goes to the DCC office for the above-mentioned clearance, the officer-in-charge of the Law Section asks the applicant to contact the clerks of his section. And when the applicant contacts the clerks of the Law Section, they tell the applicant to discuss the relevant matter with the Law Officer. And thus

time and again an applicant has to endlessly shuttle between the officer and his clerks. It is also alleged that the Law Officer asks many irrelevant and unparliamentary questions and passes objectionable remarks against the applicants.

We would request the Mayor of the DCC, the Ministry of Local Government and the Ministry of Religious Affairs to kindly look into the affairs of Law Section of DCC holding a joint enquiry and to prepare a list of pending cases, to grant interviews to each and every applicant and record their grievances and complaints.

They are further requested to take necessary disciplinary actions against the unscrupulous officer and staff of Law Section of DCC, if found guilty of corruption, negligence in duty and gross misconduct.

A sufferer
Dhaka

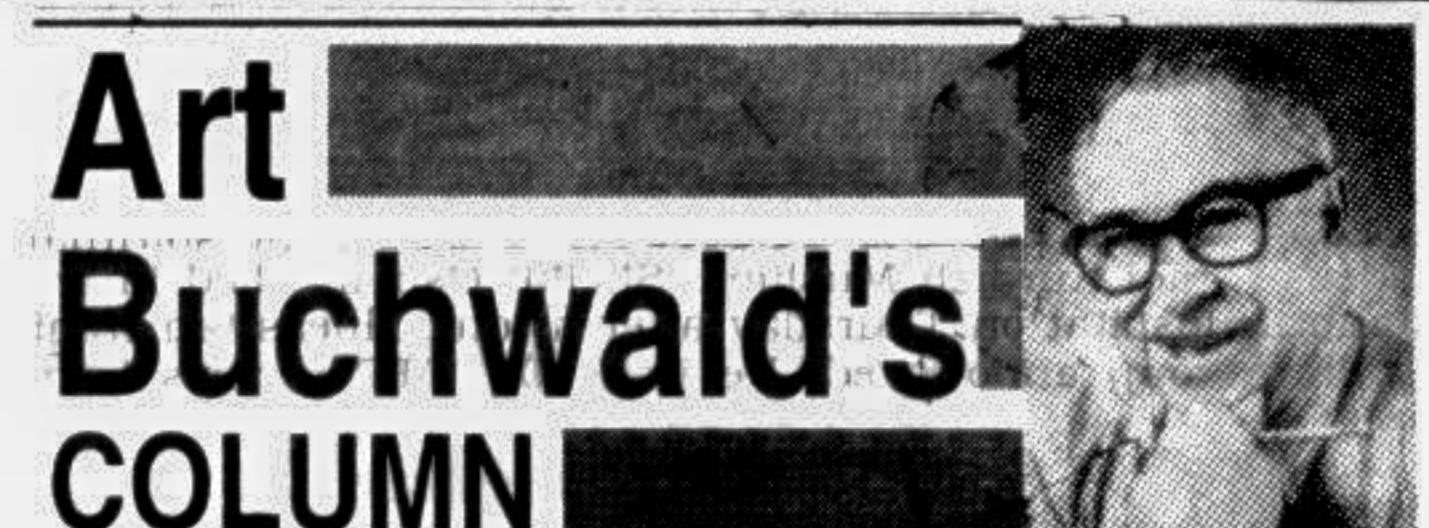
Telephone ghost-billing

Sir, The telephone bills can be paid only through banks, and not directly at any telecom office. The banks may delay in sending the returns to the telecom accounts department, thereby delaying updating of the computer accounts, as reflected in the next bill.

Computer to computer transfer of data using telephone lines may be introduced, as universally practiced; followed by paper documents, thereby saving time in entering the data.

There is no locking system in the roadside telephone junction cabinets, to prevent unauthorised tapping. This loophole has to be removed.

A Husrain
Dhaka



Art Buchwald's COLUMN

Political Ins and Outs

WHAT you saw at the inauguration the other day only did honour to the big shots - people named Clinton, Gore and Gingrich. In spite of what the commentators told you, these titled people do not run the country. Those who are really in charge weren't even in Washington that day. They were out on the side of the Beltway visiting other bureaucrats who also had the day off.

One of the most important people was Hal Riley. For 30 years Hal's main function has been going to meetings. As a matter of fact, it is impossible to find him during the work-day because his secretary keeps telling everyone he's in a meeting.

Hal's power comes from the fact he never makes any decision during the meetings. In fact, he has a swing vote that recommends another meeting be held to discuss the decision that could not be reached at the meeting that was in progress.

Another power in town is Arnold Forst in the Pentagon. Arnold was the first one to come up with a square missile that could hit the enemy from Trump Tower.

So far the missile doesn't work. But nobody knows how to stop it from being manufactured. So every time the missile blows up, the Defense Department gives Arnold another medal.

Fred Boatwright is probably one of the most creative people in the country. He invented an IN box that, by turning it around, can become an OUT box. This breakthrough has made it possible for every branch of government to handle rejection of applications that have to be adjudicated by a person sitting behind a G-6 desk.

For example, if someone is applying for a Medicare hip operation, it would go to a health expert who never graduated from high school. She would put the request in her IN basket, then another person in the office would be able to turn it around so it became an OUT basket. Once in the OUT basket it could then be sent to Anchorage, Alaska, where a decision could be made.

The government is made up of thousands upon thousands of people like this, all of whom missed the inauguration. It is these people who make the capital function so well. Bill Clinton should have given them credit in his inauguration speech - but it wouldn't have been politically correct.

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OPINION

Pollution in Dhaka

Michael Matthias

There isn't a day when you don't see an article in the dailies in Dhaka condemning pollution. The cause of pollution is now exposed, but is anyone doing anything to correct this atmosphere? Are solutions being thought of?

By now, everyone knows the fact. The two stroked engine auto-rickshaws and tempos which use petrol as fuel are now adding cheap adulterated mol to the fuel to cut costs, and as a result they are cutting life span short.

Have you ever been in a traffic jam with a bus or truck or even a baby-taxi in front of your rickshaw, blowing black smoke into your face? If the answer is 'no', please try it once. You'll then understand how it feels.

I have seen scores of vehicles blowing black smoke go past a traffic sergeant or a traffic constable. But these keepers of law, who are now using cloth mask to cover their nose, are not bothered a bit to stop the vehicles and prosecute the drivers. So is the system working? The answer is 'no'!

I think it's time for the Ministry of Health and Environmental Control, and the Public Health Engineering Department to look seriously into this matter before it's too late.

As a sufferer, I could make a few suggestions which might prove useful:

a) All engine vehicles should stay off the road throughout the country 1-day a week (24 hours). This will give the people a chance to breathe fresh air.

b) Experts should check the fuel contents of all auto-rickshaws. If mobil is detected in the fuel tank, then the auto-rickshaw should be confiscated by the authority.

c) Traffic sergeants and constables should be more vigilant and dedicated to the cause of humanity. They should be properly motivated, reminding them they are also going to suffer as others, only worse because they are exposed to it much more.

d) Ban all vehicles which use diesel. This particular fuel is the cause of black smoke.

e) All health-conscious citizens please use a face mask.

I would request all health-conscious citizens to contribute suggestions to rid of this curse.