

Haemorrhagic Vendetta

AFTER 12 days of hogwash by Laxmipur local administration since the abduction of BNP district unit's organising secretary advocate Nurul Islam we now have the gory details of his execution. On the very night of his being picked up he was butchered into pieces, his decapitated parts put in a sack and sewn up before the whole thing was quietly jettisoned into the rolling waters of the Meghna. Reports suggest that within 14 hours of the gruesome murder the district administration came to know about the identity and whereabouts of the killers. That much of the information was volunteered to the authorities by the murderers themselves, as if those were being shared 'within a family', read ominous alright, but even more sinister was the bystander's role the police deliberately chose to play despite having tracked down the culprits to their temporary refuge. The widely suspected killers - local AL general secretary and *pourasabha* chairman Abu Taher's son and adopted son - were at the latter's residence up to 9 pm on 22nd September and that too allegedly in the company of AL MP Harunur Rashid. And when AL leader Abu Taher's visitors were leaving his house in a fleet of microbuses and cars the police, or for that matter the local administration, decided to look the other way apparently to save them from the wrath of the ruling party. While the inaction amounted to connivance by the police what strikes us as even more outrageous is their participation in the disorientation campaign launched by the local AL quarters to save their skin. The visiting BNP leaders were hoodwinked much the same way that dusts were thrown into the eyes of the citizenry.

The incidence of political murders, as consequences of inter- and intra-party rivalries, has been lately on the rise. But with the general elections drawing nearer there is a possibility that inter-party conflicts will exacerbate to a point where the more powerful could try to remove the thorn in the flesh perceived to have been stuck in by the less powerful. The Prime Minister tells the police not to even spare her son if he has committed a crime. But some sons of ruling party top brass or ministerial rank holders are going scot-free, what with their criminal antecedents with the PM's writ stopping short of those. To the PM let's say this "Please try to realise before it is too late as to where these people are landing you in terms of your own image and that of your party, the AL."

After BNP leader Nurul Islam's dastardly murder neither the home minister nor the IG Police have conveyed any sense of what they would like to do to punish the culprits or stave off its recurrence. It might be business as usual for them but the citizens are thoroughly distraught with the whole range of so-called unsolved murders, let alone the galling lack of conviction of the killers under the spread-out umbrella of the ruling party.

Frail Drug Control

OUR drug markets are said to be flooded with unregistered substandard medicines - thanks to Drug Administration's lack of regulatory efforts. Free flow of smuggled drugs from India has already resulted in mushrooming of underground markets in old town, Mirpur, Rampura and Malibagh areas of the capital city and Khulna, Comilla and Chittagong among the outlying districts. Also, there are "local agents" at work to promote Indian medicines in the country and news reports suggest they have carved a reasonably comfortable niche in the market. With the lure of kickbacks, the exponents of illegal trade have made quite a few friends at important places. They have their 'own' men in BDR, police, customs departments and even on the Drug Administration. And frighteningly still, according to a report front-paged in this paper on Saturday, they have persuaded a few renowned physicians of the country into sometimes prescribing such unregistered substandard drugs.

The fallout of the thriving illegal trade has been two-dimensional with far-reaching effect on citizens' health and the economy. There could be an intense debate on whether the smuggled medicines are more, or less, potent than the registered ones. What, however, is beyond any dispute is the fact that there is no legally binding guarantee for their quality. Also indisputable is the detrimental impact the parallel drugs market has on the local pharmaceutical industries and thereby the economy. An unhealthy competition, if allowed to continue any further, would simply leave our pharmaceutical products out in the cold.

We need to take a holistic, and essentially top-down, approach to the whole issue. Obviously, there are some wrong people in the Drug Administration who need to be immediately identified and removed from the key positions they are holding. Monitoring and enforcement ability of this regulatory body must be enhanced not essentially by way of fresh recruitment but by effectively linking it with police, customs, border patrol etc. Simply put, these agencies should help the Drug Administration in vigilance and enforcement of the relevant laws.

Finally, a reminder for the physicians - have you not taken the Hippocratic oath at the beginning of your career to give the best possible service to your patients? Then why some of you facilitate such an illegal practice?

Withdraw the Hartal Fully

THE decision of the four-party opposition alliance to spare the flood-affected districts from Monday's hartal call has been thoughtful of them. We also note that this is not for the first time they have relaxed a hartal programme. There were occasions, in the past, on which the opposition had shown prudence by curtailing the length of pre-announced hartal hours. These are good signs of reconciling to the prevailing public mood of disenchantment with frequent shut-down. But evidently, they do not go far enough. If they could adopt a no-hartal resolution for the flood-affected areas, why should not they, by the same token, withdraw hartal for the rest of the country? If they do so, it would not only be seen as a correct response to the calamitous situation but also go to meet popular expectations about all political parties taking part in flood relief operations.

And if we have consistently tried to dissuade the opposition from hartal to save huge losses it causes to the national economy then there is all the more reason why we should press them to withdraw the hartal call for 2nd October on the ground that the flood itself is set to put severe strains on the national economy anyway. The opposition, this time, wants to register its protests against the deteriorating law and order in the country. True, the law and order is worsening by the day with gruesome incidents taking place. But does it mean that every time a law and order incident occurs the opposition would go for hartal? Can this issue be not deliberated inside the Jatiya Sangsad? Is it not worthwhile for the opposition to go back to parliament as an electoral strategy?

EARLIER this week, the Transparency International Bangladesh (TIB) released its report on the extent of corruption in different sectors of the economy. The report was prepared on the basis of press reports on corruption published in several national dailies during the first six months of this year. According to the TIB, the Bangladesh government has incurred a loss of about 115 billion taka due to corruption reported within this short period of time. Given that this loss estimate is based only on published reports, it is very likely that the actual loss is much higher.

The TIB has played a laudable role in pointing out the adverse effect that corruption is having on our national economy. The ranking of different sectors on the corruption scale, as reported in the study, only reinforces the perception that prevails among the general population in this country. The TIB report reminds me of another report published last year by the Mahbub ul Huq Human Development Centre. The report dealt with the status of human development in South Asia. Overall, the tone of the report was quite alarming. It referred to South Asia as one of the "...most poorly governed regions in the world with unstable political regimes and poor economic management". An interesting aspect of the report was the result of a survey conducted on a random sample of both urban and rural population in Bangladesh. The majority of the respondents believed that the political leaders are corrupt (comes as no surprise). In fact, three-fourths of those surveyed spoke of corruption mostly in the form of bribery and misuse of power by those in authority as one of the most staggering problems impeding development. The general public has noticed the

Why is the effort to stamp out bribery and corruption so important? First, because it is right. But also because bribery of public officials and politicians hurts real people. Citizens of a country with corrupt officials must suffer under, and pay for, government decisions motivated by the self-interest of bureaucrats and elected officials, not by the best interests of the nation.

upward trend in corruption in this country. More than one-third of those sampled in that study felt that corruption has increased over the last five years. This perception is also echoed in the Report which showed that, in Bangladesh, implicit private taxes and cost of corruption in setting up a business come to 340 per cent of the estimated initial official costs. The TIB study also refers to the recent surge in corruption in Bangladesh.

Until recently, corruption was relegated to the status of a second order issue in the quest for socio-economic development in countries like Bangladesh. As late as the early 1990s, with most developing countries gaining reasonably good control of their macroeconomy, trade and market liberalisation gained popularity where efforts to reduce state intervention and curb monopoly emerged as the major policy concern.

During the last few years, however, these issues came to be superseded by concerns with corruption. This is not surprising since the underlying rationale behind the trade and market liberalisation drive was the recognition that economic rent seeking thrives in highly protected environments, creating many informal arbitrage opportunities for public officials. Today I would like to concentrate solely on corrupt public practices that reduce the economic efficiency of governments. The TIN report identified the law-enforcing agencies of Bangladesh as the most corrupt sector followed by the local government, education, and health sector. Where government

regulations are pervasive and government officials have discretion in applying them, individuals are often willing to offer bribes to officials to circumvent the rules and officials are, more often than not, tempted to accept these bribes. Throughout the world, bureaucrats and people in authority are indefatigably



Connecting the Dots.
Dr. A. R. Choudhury

maneuvering to position themselves in a tiny monopoly where they can be bribed for providing favours.

What is the consequence of such rent-seeking behaviour by certain individuals? Empirical research on this issue has come up with convincing evidence to show that it slows economic growth through a wide range of channels. The major findings of a large body of studies can be summarised as follows. First, in the presence of corruption, businesses are often made aware that an up-front bribe is necessary before an enterprise can be started and that afterwards corrupt officials may demand part of the proceeds from the investment. Businesses, therefore, interpret corruption as a species of tax though of a particularly pernicious nature, given the need for secrecy and the uncertainty that the bribe-taker will fulfill his part of the bargain that reduces their incentive to invest. A recently published study has shown that "...a one

standard deviation improvement in bureaucratic inefficiency is significantly associated with an increase in the average investment rate by 4.3 per cent of GDP" and "...with a 1.3 percentage point increase in the annual growth of GDP per capita."

Second, where rent seeking proves more lucrative than pro-

ductivity work, talent will be misallocated. Financial incentives may attract the more talented and better educated individual to engage in rent seeking rather than in productive work, with adverse consequences for the country's growth rate. Third, of particular relevance to Bangladesh is the possibility that corruption might reduce the effectiveness of aid flows through diversion of funds. Aid, being fungible, may ultimately support unproductive and wasteful government expenditures. Fourth, when it takes the form of tax evasion or claiming improper tax exemptions, corruption may lead to loss of tax revenue. This, in turn, may have adverse budgetary consequences.

Last, but not the least, corruption may distort the composition of government expenditure. It may tempt public officials to choose government expenditures less on the basis of public welfare than on the opportunity they provide for extorting bribes. Large projects may present lucrative opportunities for corruption. This may also lead to lower quality of infrastructure and public services. Bribery of government officials has been an all too frequent factor in international business transactions. Developed countries have also not been immune from corruption. In recent months, for example, several of the local organisers of the Olympics Committee in the Salt Lake City have been accused of bribing the members of the International Olympics Committee so that their city could stage the 2002 Winter Olympics. Recently published U.S. government reports indicate that between May 1997 and April 1998, instances of bribery were identified in more than sixty important international contracts valued at nearly 30 billion dollars. And most of the world simply looked the other way. Several developed countries have recently taken an important step in the fight against corruption by signing the OECD Convention on Combating Bribery. This Convention requires signatory nations to criminalise bribery of foreign public officials. However, only twelve countries have so far signed the Convention and adopted laws for its implementation. Unbelievably, several OECD member countries still allow tax deductions for bribes paid to foreign officials.

Combating corruption is now increasingly recognised as a crucial step in stimulating economic growth and reducing poverty. Our government can no longer afford to sweep the issue under the rug. The thrust of the

government's strategy in combating corruption should revolve around improving governance: reducing arbitrary state intervention, reforming the management of the public sector, and introducing legal and judicial reforms. A broad conceptual framework needs to be developed for addressing corruption. High priority should be given to correcting market distortions that impair fair competition and foster excessive monopoly rents. Corruption thrives in an environment governed by weak checks and balances. Any attempt to eradicate corruption from our society must involve citizen's participation in decision making. Such participation through elections, voice mechanisms, and the media creates pressure on public officials to provide public services efficiently and to formulate policies that promote the general welfare of the country. It introduces the necessary element of public accountability of elected officials and civil servants without which corruption cannot be adequately checked.

Why is the effort to stamp out bribery and corruption so important? First, because it is right. But also because bribery of public officials and politicians hurts real people. Citizens of a country with corrupt officials must suffer under, and pay for, government decisions motivated by the self-interest of bureaucrats and elected officials, not by the best interests of the nation. And if the Asian financial crisis has taught us anything, it is that government corruption creates a financial structure that cannot be maintained.

It is time we, as a nation, get serious about bribery and corruption. If the recent past has taught us anything, it is that we cannot tolerate bribery and corruption as "business as usual". It is simply unacceptable.

Will Sri Lankan Polls be Free and Fair?

The civil war is proving too costly for the country and political instability may cause further harm. If the elections are not free and fair, this may further compound the situation. Hopefully, Sri Lanka will witness a parliamentary election truly reflective of her people's aspirations.

unprecedented national cheers at her success in the Games.

However, the message for concern on free polls was also clear. The rivalry for political ascendancy in one hand and the unending civil war on the other has put the small but otherwise relatively prosperous nation in the South Asian region at a crossroads where it is fighting to maintain country's integrity and also political stability. President Chandrika Kumaratunga won a second mandate in the office not too long ago and this time her difference in the voting with main opposition challenger Ranil Wickremasinghe was narrow and this raised questions about a stable government. The ruling People's Alliance (PA) wanted to push through some amendments to the constitution in a bid to grant autonomy to the north as a part of an effort to placate the militant Tamils towards a negotiated settlement of the civil war. But this did not work because of lack of required majority in the parliament and at one stage the opponents to the move charged the government with "horse trading" meaning luring opposition and independent members to its fold. Finally, nothing worked and the parliament was dissolved at the height of political differences. On the other side, there is no

letup to the civil war as both government troops and the Tamil militants are claiming successes in the battles and the fortunes in the warfront swing both ways. The Tamils after losing their stronghold Jaffna to the government side in 1995 in the 17-year-old war demonstrated stunning success when they came close to recovering it a few months ago. They took the strategic Elephant pass and then

were also invited. Indian External Affairs Minister Jaswant Singh was in Colombo some time back to discuss the matter with government side. He met President Chandrika Kumaratunga and Foreign Minister Laxman Kadirgamar and exchanged views on different aspects of the problem. The Norwegian government also stepped up its effort in the direction of a negotiated settlement of the ethnic conflict. The



MATTERS AROUND US
Zaglul Ahmed Chowdhury

moved towards Jaffna but were halted by a reinforced government side. Later, a stand-off persists in the area with both sides occasionally claiming to have gained grounds in the battles.

While this is the scenario in the warfront, there have been abortive moves towards a negotiated end to the 17-year-old civil war. Earlier, the government and the opposition parties worked together to devise a mechanism to end the war through a process of dialogue. Countries seeking to help find a negotiated solution

United States, which favours talks to end the conflict, expressed its opposition against partition of Sri Lanka. Sri Lankan government and the opposition leaders had broadly agreed to form an interim administrative council for the embattled north-east as part of a controversial plan aimed at ending the bloodshed. In the landmark bipartisan talks, President Kumaratunga led the government side as main opposition United National Party (UNP) agreed on the council as a likely effective measure to help end the strife.

The new administrative council is meant to give enough power to the north and east areas considering them as one region and the country of Sri Lanka may turn into a de facto federal state from the current unitary system. The new idea was with an interim council for five years and both government and the opposition hoped that such a proposal could be a strong basis for peace talks with the Tamils who want independence in the north-east. A senior minister earlier said that a new proposal would be presented to the Tamil Tigers before being placed in the parliament in a bid to end the civil war. But it could not be pushed through the parliament. Instead, the legislature was dissolved.

The government and the opposition are at daggers-drawn relationship over the coming parliamentary elections. Some time ago, the government announced a 10 per cent hike for all state employees and pensioners, a move greeted with the scathing criticism from the opposition, who feels that it is a ploy to garner votes for the ruling alliance. The decision, to be effective from today (October 1), will benefit more than seven lakh people. 'This is a reaction to our election manifesto,' said United National Party (UNP) leader Karunasena

Kodituwakku. The party has promised to increase wages and allowances if voted to power. The government, in defence of the move, said that it had been an earlier decision.

Both sides say that they are keen to settle the civil war through negotiations, but at the same time maintain that integrity of the nation cannot be compromised. The Tamils, who are concentrated in the north-east region of the country and form 18 per cent of the total population, are vehemently against anyone opposing their demand for independence, regardless of his or her political affiliation. In their eyes, President Chandrika Kumaratunga is a hard-liner. In fear of Tamil attacks, security has been stepped up in the capital city and elsewhere in the country ahead of the parliamentary polls. Sri Lanka attracts international attention for the seemingly unending civil war. Now it is the parliamentary polls raising a lot of dust in the nation's political milieu. It remains to be seen how the coming polls go off, and whether the voting will strengthen the hands of President Kumaratunga or cause a setback for her. The civil war is proving too costly for the country and political instability may cause further harm. If the elections are not free and fair, they may further compound the situation. Hopefully, Sri Lanka will witness a parliamentary election truly reflective of her people's aspirations.

Economic Wilderness

The regime in Pakistan needs to shake itself from the opium of rhetoric they are being fed to lull their defences. They must get their act (and instincts) together. Pakistan needs financial guides who are not only outstanding but hold the country's interests supreme. Can we afford to experiment any further with this country's future? Cheap popularity and rhetoric will not be enough to guide us out of the economic wilderness we are in.

fool both the IMF and the public. Barely three months into Budget 2000-2001 this pack of lies has unravelled. Hiking prices of essentials mid-strain is a time-tested bureaucratic method of making up shortages in revenue projections and increased expenditures, unfortunately at an unusually high cost. Mini-budgets not only dampen economic fervour but also put severe financial strain on everyone but a handful of the very rich.

The finance minister's special expertise in banking was in acquiring new accounts, basically a specialist financial PR job. The ultimate service to the Bank he even now serves was in arranging a massive injection of liquidity from a Saudi entrepreneur when Citibank's very existence was threatened. We should use his special expertise to shore up Pakistan's foreign exchange reserves. As foreign minister, he could do this job even better, aided by the extensive first name-basis contacts carefully cultivated at the uppermost hierarchical levels of foreign governments and international institutions. Given that a finance minister is akin to being a PM in the present circumstances, individual ambitions need to be correctly sorted to fully exploit his (or her) potential for the country.

That finance ministry initiatives are at cross-purposes is no surprise. They want to deaden the bite of accountability so that entrepreneurs do not take flight. On the other hand, they are conducting a ham-handed exercise of tax documentation

through CBR that forces businessmen to seek greener NAB-less pastures. On the basis of incontrovertible evidence, accountability can take place in major cases, not by embarking on fishing expeditions all over the country. The abolition of wealth tax was one such initiative to sop up black money without scaring it away, next would be to encourage real estate and commensurate schemes that give confidence to investors without

Franklin D. Roosevelt for his 'New Deal' in the '30s, and subsequently by Adolf Hitler in reviving Germany economically.

The second initiative requires standing up to the IMF, in no position to repay our debts we should earmark 10 per cent of the foreign exchange earned annually as debt repayment or freeze all payments till such time that we are able to pay. All interest payments must also be frozen, such measures have been

accepted for Latin and South American countries repeatedly in the past 3-4 decades. The recent re-scheduling of debts for Pakistan means the principle of debt moratorium has already been accepted. Our policymakers have to let go of self-interest. Possible future international financial careers should not circumscribe their initiatives for the country. The country's vital interests must supersede their personal ambitions.

Out of a total of \$10 billion sent by 3.5 million Pakistani expatriates, only \$1 billion approximately comes through official home remittance channels. On a pro-rata basis that comes to slightly less than \$300 per year per individual as opposed to Bangladesh \$450 per individual, India \$600, Sri Lanka \$900 and the Philippines \$2100 (all

approximate figures). Instead of looking to borrow 'peanuts' from various international agencies why not concentrate on giving our expatriates an incentive-oriented, efficient system that will not require them to send money through 'hundi's'. A survey of Pakistani missions and banks in the Gulf shows that almost 100 per cent of their personnel were sending money through 'hundi's', the very people meant to motivate Pakistani expatriates to use official channels were in fact acting as commission agents. With billions at stake, 'hundi' operators spread largesse around in plenty, both at home and abroad, to ensure that no official scheme can ever be successful. We need to concentrate our attention on the Gulf states to channel expatriate earnings through official means. The equation is simple, should we beg \$650 million from the IMF or get Pakistani expatriates to officially route what they send in unofficially (\$9 billion annually)? This scam of 'hundi' could not take place without local foreign exchange dealers, their activities should be banned immediately, only scheduled banks being allowed that privilege.

Documenting of the economy needs to be done but not in the present manner. In comparison to other departments, CBR is vital ground and needs an Army Task Force in priority to every other civilian department. All the information is available, what it needs is collation and verification in a sophisticated manner within the four walls of computer rooms. Once the full data is available, physical cross-checks can be

made. The emancipation of Pakistan's economy lies in one factor alone in suppression of all other issues, that CBR should do its job.

Nobody is asking that we thumb our collective noses at the IMF, only make them understand that this country could well be on the road to virtual anarchy (on the Somalia pattern). Certainly the world does not want nuclear capability on the loose. Purposeful initiatives can only be taken by people with imagination and national spirit, those without a tendency to slot outright crooks into suitably lucrative slots. Allied Bank almost got 'as President someone who should have been one of first people to be arrested and questioned by NAB about private bank accounts abroad. For PIA chairman the name of a highway robber was floated who had virtually committed daylight dacoity of PAF's Shaheen Foundation. The NDFC has a chairman who has sacked the company auditors for exposing the truth, no wonder he cannot darken the doorsteps of Dubai.

The question one may well ask, why were such people being recommended and who was canvassing for them? Without the right people in control over economic matters, we will go deeper into financial wilderness, what to talk of light there may not even be a candle at the end of the tunnel we are in. The military regime needs to shake itself from the opium of rhetoric they are being fed to lull their defences, they must get their act (and instincts) together. Pakistan needs financial guides who are not only outstanding but hold the country's interests supreme. Can we afford to experiment any further with this country's future? Cheap popularity and rhetoric will not be enough to guide us out of the economic wilderness we are in.