

## Menacing drugs

*'Value yourself, make healthy choices'*

THE menace of drugs is engulfing our society with such rapidity that preventing it is being emphasised today more than dealing with a fait accompli. Whether it would be possible or how would it be possible -- is the million dollar question now.

According to statistics, the drug trade at present amounts to Tk 6,000 crore in the country, while the budgetary allocation for the narcotics department stands at Tk 1,063 crore, which evidently falls far short of the requirement. Such disparity evidently causes failure in combating the threat that drugs trafficking poses to our country. Thanks to inadequate anti-narcotic budget and inefficient enforcement mechanism, the concerned authorities have nearly always failed to catch up with the real culprits. They must be better financed, better equipped. Taking the magnitude of the problem into account, we wonder how would it be possible to tackle the situation with so little help in hand.

The poor allocation is actually a cruel reflection of the level of priority we give to the dual problem of drugs trafficking and addiction.

The number of drug related cases -- a staggering 27,000 are awaiting disposal. It's a big number no doubt, but it's also the tip of the iceberg. We have no doubt that there have been thousands of unreported cases of drug dealing in the country. Though we cry hoarse over the issue of trafficking, the drug barons have managed to stay out of the reach. They continue to mentor the whole business, run the illegal multi-billion dollar trade without getting caught. They must be tracked down, caught and punished severely.

One of the ways to scare them would be to speed up the process of disposing of the pending cases with deterrent punishments meted out to the culprits. According to the government, raids at potential drug dens around the country have resulted in decrease of drug trade. But unless the law enforcement and penal systems are made more dynamic, the menace cannot be effectively deterred.

At the same time, a social movement along with an aggressive media campaign can raise the level of mass awareness about the negative aspects of this dangerous obsession. We have to save our younger generation, the most vulnerable group of victims, from the danger of drugs. We should not keep our eyes shut any longer.

The UN slogan Value yourself, make healthy choices, should be the buzz words for our youngsters today.

## Election in Iran

*People have spoken*

TO some, the election of Ahamadinejad as the next president of Iran may have come as a surprise, but it must be acknowledged by all that his election reflects the majority will of the Iranian people. The outcome may not be regarded as propitious by some countries and some may have their reservations on the conduct of the elections, but let us not forget that it is their democratic process conducted through their institutions that has yielded the result.

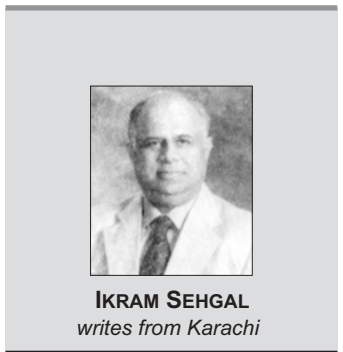
The new incumbent is the first non-cleric to have been elected to the post of the president of a country that has been ruled by clerics since the fall of the Shah in 1979. What this win of a religious hard-liner against a twice tested cleric, Rafsanjani, seemingly a liberal, signifies is that the presidency and the parliament are now on the same wave length insofar as foreign and internal policies are concerned since now the conservatives have a monopoly control of all the elected and appointed institutions that govern the country.

The president-elect, whose description varies between a 'Robin Hood' and an 'inveterate' religious extremist, depending on who is looking at him, has promised to address the economic inequality that persists in Iran today. Insofar as the economy is concerned, the promised move to bring in distributive justice to the earning from oil, must come as a welcome pro-poor move, as much as his express intention of dealing severely with corruption. But then there is a fear, unfounded, one hopes, that there may be a clampdown on social freedom, as well as rollback of Khatemi's modest but cautious liberalisation.

Observers credit him with very little expertise on foreign policy matters. It appears that Ahamadinejad is in no hurry to mend fences with the west particularly the US and has made it quite clear that any development in bilateral relations will be on the principle of sovereign equality, without being dictated to by anybody. The west also fears the worst insofar as Iran's nuclear policy is concerned. The nuclear negotiations have been difficult so far, and these are likely to be more so in future.

We would like to congratulate the new Iranian president hoping for an earnest endeavour on the part of new leadership to lead their nation into the new millennium.

# Privatisation concerns



IKRAM SEHGAL  
writes from Karachi

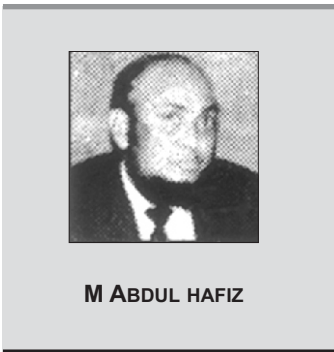
DESPITE my strong reservations about handing over control of "national security" assets like PTCL and PSO to foreign ownership, privatisation is a must for Pakistan's economic revival, not only does it get much needed funds to retire our accumulated country debt but it also brings in much required expertise and better management as well as access to technology. Given the "fait accompli" about PTCL one must recognise that, viz (1) the price offered for 26 percent shares by the winning bidder was far more than anticipated, and therefore extremely welcome and (3) the purchaser was Etisalat, the telecommunications company of one of

our closest nation-friends, the UAE, therefore quailing some of our nation-security concerns. Congratulations are in order for Privatisation Minister Dr Abdul Hafeez Shaikh and his team for a job extremely well done, one will keep hoping and praying that we are as lucky with PSO.

Dr Hafeez Shaikh is an extraordinary person. One can hardly blame people who seem to develop an enhanced sense of "inferiority complex" around him. He is a national asset who is being under-utilised for petty personal reasons, that is the tragedy of this country, merit is not a qualification, it is a disqualifier. When the first computer came to GHQ more than three decades ago, a young major was selected to run the "contraption". The officer programmed the computer so that whenever a list of officer candidates for prized foreign courses were asked for, his name was always on top of the list. This went on till one day his superiors asked the computer about the further utility of the "brightest" young major of the Army. The computer replied, "he is of no further use to the Army!"

In Pakistan's case, the data bank has been programmed for favourites only, mostly mediocre, and therefore it is not surprising we get dismal results in public

# French 'No': A fatal blow to EU



M ABDUL HAFIZ

THE establishment of the European Economic Community in 1957 with six founding members have been regarded as a landmark venture in multilateral cooperation that started a trend in post-war world. The regional cooperation became a model for regional integration and set the pace for the rest of the world by a progressive increase in areas of integration. The community became the European Union in 1992 when its membership reached 13. It so accelerated economic and social progress in the member countries and virtually the whole of Europe joined it. By 2004 the membership reached 25.

As the membership was due to reach 25 the organisation began work on a constitution that would provide the foundation for a truly United Europe. It required a great deal of negotiation and debate to reach consensus among the authors representing membership at different

stages of economic development. The founders, notably France and Germany, envisaged a change in the principle of equality and consensus that had hitherto characterised the decision-making in the grouping to a more pragmatic system in which the role of the members would reflect their size and strength. When a constitution was thus crafted for taking effect it had to be ratified by all 25 members in accordance with their

and economic fallout from France's negative vote cannot therefore be without their profound impact on the EU. Notwithstanding a leadership crisis within the EU and growing public disenchantment with what many see as an elite-driven European project the EU leaders are struggling hard to control the damage afflicted by French and Dutch votes while hoping that they can keep the show alive. In the meantime, Luxem-

frustration with the politics of president Jacques Chirac. But significantly this is the first time that the population of a founding member of the EU and a country which has traditionally spearheaded European integration efforts have expressed themselves so strongly against EU policies. French action plunged the country into political upheaval and the EU into the deepest crisis in its fifty years' history. The Dutch vote

fighting the former for the best part of 700 years. Yet they admit their ignorance of what animates their nearest European neighbour and makes it so combustible. It is an enigma to them now as it was when the French revolution," the mother of all revolutions, in 1789 burst upon Europe.

Now some of the France's leading parliamentarians are warning that the state's political institutions are bankrupt and that another political convul-

bly, France could not have driven European integration as hard as it did. Today every European democracy is suffering from a crisis of democratic engagement and an enfeeblement of political parties but the rot has gone the farthest in France. The presidency supposedly the embodiment of the state is structurally unaccountable. When things go well, the lack of accountability is seldom exposed. But when the system is challenged, say, for continuing unemployment, suddenly its frailty is exposed.

However, the French 'no' camp -- a strange coalition of politicians from the left and the right of the French political spectrum -- was not defending a common cause. The rights illustrated a hankering for Gaullist past. In spite of Soviet disintegration the hard left remain strong in EU. The EU vote provided a welcome, if temporary, rallying point to them. The recent return of France's massed left that includes civil servants, teachers, industrial workers and pensioners all fearful of missing the gravy train by desperately needed labour and welfare reforms -- appears to have instinctively scuttled what was painstakingly built up over last half a century -- that too by adopting an anti-immigrant, anti-EU protectionist agenda of France's far right.

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# PRSP and the proposed budget

DR. BADIUL ALAM MAJUMDAR

THE draft Poverty Reduction Strategy Paper (PRSP), designed to provide a roadmap for accelerated poverty reduction in Bangladesh, is now being finalised. It has, for this purpose, identified seven strategic agendas: employment, nutrition, maternal health, quality education, sanitation and safe water, criminal justice, and local governance. However, although the PRSP document is still in draft form, its implementation had already begun with a three-year rolling plan being implemented from the current fiscal year. Admittedly, the proposed budget for 2005-06 has been formulated to further its implementation.

## The conceptual problem with PRSP

The draft PRSP entitled "Unlocking the Potential: National Strategy for Accelerated Poverty Reduction" is a well-written, comprehensive document, and the authors deserve congratulations for their work. However, the critical question is: would the strategy work? Would it accelerate the rate of poverty reduction? I have grave doubts. My skepticism is founded on the fact that the draft document employs the same growth-oriented, trickle-down approach which we have been using, rather unsuccessfully, within the structural adjustment policies prescribed by The World Bank and IMF since the 1970s. The premise of the trickle-down approach is that, given macroeconomic stability and other incentives for production, growth will be stimulated -- which will, in turn, increase employment and consequently reduce poverty.

The trickle-down approach has not worked in Bangladesh, and experts doubt whether it worked anywhere at all. Despite generous incentives and fairly stable macroeconomic conditions, there appears to be, at best, stagnation in our industrial sector. For example, during the past five years, the Gross Domestic Investment share of GDP has increased by the negligible rate of 0.3 percent. The performance of public investment is even more dismal. In fact, Bangladesh continues to be an under-invested country, with its gross savings rate (26.49 percent) higher than the gross investment rate (24.43 percent) for the current fiscal year. This is caused by the disabling environment that exists due to corruption, security concerns and bureaucratic hassles. Some experts are even claiming that we have been going through a gradual process of de-industrialisation. Not only were many large manufacturing enterprises such as Adamjee Jute Mills closed down

over the years, so were also many small enterprises. A survey by Midas in 2003 showed that nearly 564,658 micro, small and medium sized enterprises folded in the previous five years.

More importantly, the effect of GDP growth on poverty reduction in Bangladesh has been modest at best, despite the many efforts of the government and non-government organizations and despite the spending of enormous sums of our own and donor money. The average rate of poverty reduction has been roughly 1 percent, despite a 4.8 percent increase in GDP in during the 1990s. During the same period, the rural poverty on the average declined by only 0.4 percent and urban poverty by 0.9 percent. The preliminary report of the Poverty Monitoring Survey 2004 indicates that the rate of poverty reduction during 2000-04 was rather dismal, only 0.52 percent per year.

Not only has the trickle-down

changing our approach to a *peoples-centred development strategy* -- a strategy to empower people to become authors of their own future -- will there be an opportunity for economic growth to significantly benefit the poor.

## The implementation problems

Serious problems also exist with the implementation, or lack thereof, of PRSP. The implementation problem arises for three principal reasons: first, the lack of seriousness on the part of the government; second, the decline in the implementation capacity of the government; and third, the lack of good economic governance.

Let us take the issue of local governance to show the government's demonstrated unwillingness to take actions to strengthen local bodies consistent with the PRSP policy recommendations. Strengthening

three days later confirmed the trend. Has there been referendum also in other EU countries the result wouldn't have been much dissimilar.

Reaching to the flow of the events Francois Bayron, the leader of France's centrist UOF declared that the fifty republic ran out of breath. It was an observation echoed by Jean-Marc Ayrault, socialist leader in the parliament. "This is the end of a political cycle," he said, "there are parallels with the death of Fourth republic. The French are somewhat stranger to the British who have been

sion is on the way. And when France convulses, Europe changes. The French revolution changed Europe for ever. The bankruptcy of France's political system in 1930s and consequent French weakness created the opening for Hitler's armies. Then came Fifth republic in 1958 under De Gaulle that allowed successive French presidents to pursue European integration with vigour.

Without the concentration of power in the president on which De Gaulle insisted along with visceration of its national assembly, the French 'no' camp -- already in bad shape because of the multiplicity of bureaucratic controls and undue intrusions of MPs. In fact, the very future of UPs is now at stake.

It must be pointed out that the draft PRSP rightly emphasised the need for strong local governance for accelerated poverty reduction. The day-to-day challenges the people face in the areas of health, education, nutrition, sanitation, environment, women's status, family planning, law and order etc. are local and must also be solved locally. The UP representatives, as local elected leaders, can awaken and mobilise people for solving many of these problems locally. For example, if the people are mobilised to initiate a social movement against mistreatment of women, dowry, early marriage, drug addiction, hooliganism, and the necessary habit and behavior changes, these social problems will

the government could be significantly enhanced and also more resources made available to the poor by increased allocation to local bodies -- an idea to which our Honourable Finance Minister has no interest.

Another serious challenge faced by the implementation of PRSP is the deteriorating quality of our economic governance. It is alleged that many projects are included in ADP not because of their true contributions to poverty reduction, but primarily to give patronage to vested interest groups. Given the impending parliamentary elections, this tendency has only worsened. Thus, the transparency of the budget making process is now a crying need of the day. Furthermore, increased allocation is no doubt important for poverty reduction, but the quality of spending is at least equally important.

## Conclusions

Although the proposed budget is intended to implement the draft PRSP for accelerated poverty reduction, it is unlikely to be successful. The growth oriented trickle-down approach, which underlies the PRSP and also the proposed budget, has not worked in the past to significantly reduce poverty, and is unlikely to be successful in the future. More importantly, the government does not even seem to be serious about implementing the recommendations of the PRSP. Other issues impeding its implementation are the reduced capacity of the government functionaries and the deteriorating quality of economic governance. In addition, much of the allocations for poverty reductions are in the form of transfer payments, which does not permanently reduce poverty.

In order to achieve accelerated poverty reduction, we clearly need a new development strategy, a people-centred strategy. The strategy should be designed to unleash the people's productivity and creativity in order to help them become the authors of their own future. Such a strategy would stimulate "production by the masses" along with mass production and truly unlock the potential of our nation. This would obviously require a radical change in the mindset of our policymakers, a radical restructuring of the government machinery and a radical change in resource allocation. This cannot be achieved by thinking "within the box".

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approach failed to accelerate the rate of poverty reduction, it has produced inequality of income and opportunities as a serious (hopefully) unintended consequence. For example, according to government statistics, the income share of the poorest 5 percent families of our country declined from 1.03 percent in 1991-92 to 0.88 percent in 1995-96, and then to 0.67 percent in 2000. During the same period, the income share of the richest 5 percent families increased from 18.85 percent in 1991-92 to 23.62 percent, then to 30.66 percent. Thus, the rich-poor income disparity increased from 18 fold in 1991-92 to 46 fold in 2000. The disparity has, unfortunately, continued unabated in recent years. Thus, in spite of rhetoric claiming otherwise, we seemed to have followed a strange strategy of further enriching the rich in the name of reducing the poverty of the poor. This growing disparity has, in essence, created two homes -- one for the rich and other for the poor -- in the same soil under one flag, thus threatening the very future of our society.

In view of the growing disparity resulting from the past blunders, the draft PRSP used the rhetoric of pro-poor growth. The experiences of Bangladesh and elsewhere show that growth has never been pro-poor, and perhaps it will never be as long as the trickle-down approach reigns. Only by

local governance, designed to establish participatory, decentralised governance, is a core strategic agenda of PRSP. Similarly, it is an important election commitment of the ruling BNP. In its published manifesto prior to the last parliamentary election, BNP made the commitment: "In order to achieve administrative decentralisation, Upazila and Zila Parishad will be formed and they will be made, in a planned manner, the centre of all development activities. Special measures will be taken to make Union Parishads effective, dynamic and self-sufficient ... In order to take local governance to the grassroots level and create competent leadership at the village level, Gram Sarkar system will be reintroduced and invigorated."

Nevertheless, Zila Parishad and Upazila Parishad elections were not held. It must be noted that the failure to hold Zila and Upazila Parishad elections is a clear violation of the Constitution and the Bangladesh Supreme Court directive. Article 59 of the Constitution mandates the creation of elected autonomous local government bodies at each declared administrative unit, namely the Zila, Upazila and Union. In *Kudrat-E-Elahi Panik vs Bangladesh*, the Appellate Division of the Bangladesh Supreme Court, the guardian of our Constitution, in 1992, directed the government to hold local body elections at relevant administra-

have become hostage to the coterie interests of our MPs.

Not only has the government ignored its constitutional obligations, defied the Supreme Court order and violated its own election manifesto by not establishing elected local bodies at the Zila and Upazila levels, it has also greatly neglected, contrary to the recommendations of PRSP, the elected City Corporations, Paurashavas and Union Parishads in its budgetary allocations. For example, the total block grants for these three elected bodies increased by less than 3 percent -- from 360 crore in 2004-05 to Tk. 370 crore for the coming year -- even though the proposed ADP allocation has been increased by 20 percent. However, despite this very modest increase, the total block grant allocation for the three bodies has remained an insignificant share (2.12 percent) of ADP, which is even less than the average (2.67 percent) for the last 15 years. These allocations in no way reflect the stated commitment of the government toward elected local bodies. Furthermore, the proposed block grant allocation for the Gram Sarkar, which has been emerging as a parallel body for the Union Parishad, has increased by 50 percent to Tk. 60 crore in the new budget, while the proposed allocation for UPs increased by only 20 percent to Tk. 120 crore. It must be noted that the Union

get rather automatically solved through the creation of what is called "social capital". Similar positive results can be expected if UP representatives take stands for marriage and birth registration, cleanliness, good sanitation etc.

Experiences show that social capital can complement economic capital and, with the solution of social problems, the ways and means for solving many difficult economic problems also emerge. The elected UP representatives can play an all important catalytic role in their solutions. Thus, strengthening of the grassroots-level local government bodies with the necessary power, authority and resources is an essential prerequisite for ushering in a peoples-centred development approach and, ultimately, the accelerated eradication of poverty. Nevertheless, the government has so far taken no serious initiative, budgetary or otherwise, to make the local bodies effective.

The implementation capacity of the government has been greatly shrunk by the growing problems of graft, corruption and inefficiency within the central bureaucracy. This problem has been accentuated by the breakdown of long-held norms of neutrality and discipline fuelled by the extreme partisan behaviour of political masters in handing out rewards and punishment. The implementation capacity of

**AS I SEE IT**

**The truth is that the private sector, particularly in Pakistan, is profit-oriented (as they should be) but have displayed very little social-consciousness as many multi-nationals have. Whatever safeguards have built in by the government will not work; what has any government in Pakistan done about the backward areas except for media-oriented projects and plenty of lip-service?**

sector enterprises. Those with talent and expertise are almost never tapped for their potential, and even if they are called upon, they are mostly slotted in jobs that they are either not equipped for, or more importantly, they may be over-qualified for, the latter being the case even with Dr Shaikh.

In a recently written article on PTCL's privatisation controversy Zaffar Khan, Chairman PTCL responded to "the most often cited questions and concerns". Addressing the first question "why privatise a profitable state enterprise?" Zaffar Khan said, "My assessment is that PTCL will have to recast itself if it is to remain profitable and be a significant service provider. If it remains a commercial organisation of the State, it will not be allowed to change at the

speed required and it will find it exceedingly difficult to respond to competition and remain profitable. Cumbersome procedures, lack of trust, interference, pushing non-commercial considerations etc all get in the way of quick and merit-based decision making".

Serving on the Board of a privatised financial services entity for eight years, my response is that the change will certainly be of better management (and maybe some induction of funds). With proper oversight and pro-active control over the 100 percent Pakistani management, the entity I am honoured to be associated with has performed in an outstanding fashion. In this particular case the transfer of 26 percent shares to the new owners for strategic control was

right, on the other hand one hopes that in PTCL the ownership i.e. 51 percent will always be kept in government hands despite the fact that one sleeps easier knowing that Etisalat is the new owner and not Singtel or China Mobile (HK). I have nothing against Singtel or China Mobile but at least Etisalat belongs to a most friendly country.

To the second question addressed, "why sell it to foreigners?" Zaffar Khan says, "they would have been happy to sell PTCL to local investors but the large value of the transaction and possibly the absence of telecom expertise in local companies is what perhaps did not evoke a response to the well publicised invitation to bid". My response is that shares could have been off-loaded in smaller lots over a period to facilitate

both local and foreign entrepreneurs. Don't foreign equity funds invest in our share market?

The third question the PTCL Chairman addressed was about "Foreigners repatriating profit and compromising national security". He rightly states that no group in Pakistan could have bid US\$ 2.4 billion in one go, what to talk of individual companies. Having made a successful bid it is the right of the foreigner purchasers to repatriate for the foreign ownership to repatriate profits. But one disagrees with him about compromising national security. Etisalat has many foreign nationals as employees, how will we sift the loyalties of friend from foe? By the same token why not put loss-making units of Army Welfare Trust, Fauji Foundation, etc up for

auction. What about NLC and FWO? They certainly pose less security concerns than PTCL or PSO!

The fourth and sixth questions are inter-linked "privatisation will cause job lay-offs and add to the country's unemployment" and "PTCL in private hands will not allow other private enterprises to get established!" One agrees with Zaffar Khan who says, "A very large number (almost 70%) of PTCL employees are civil servants and their terms of employment are protected under law similar to all other government servants." With new telecom companies coming up in the private sector, a lot of PTCL employees will find new jobs in the telecom sector, competition will provide better services at lower cost to the consumer.

To the fifth question, "Private enterprise will work for profit and not serve backward areas and other social causes", Zaffar Khan disagrees, "the telecom policy of the government has built in sufficient safeguards to ensure that telecom facilities reach the remotest areas of the country". The truth is that the private sector, particularly in Pakistan, is profit-oriented (as they should be) but have displayed very little social-consciousness as many multi-nationals have. Whatever safeguards

have built in by the government will not work; what has any government in Pakistan done about the backward areas except for media-oriented projects and plenty of lip-service?

An outstanding corporate executive, Zaffar Ahmed Khan was in the Shaukat Mirza inner group that did a most successful employee (ESOP) takeover in ENGRO. Forgive me for being mystified about his not opting for the Employee Stock Ownership Plan (ESOP) route for PTCL. We could have had an employee takeover along with a white knight investor providing funds and management expertise, with a sizeable lot of shares offered to the public, the public sector retaining a major interest. While that is now a part of history, one hopes we will not pay heavily in the future for the actions of the present fathers of the country.

By the way who has the majority shareholding of Etisalat itself, is it a public sector or private sector enterprise?

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