

Rejuvenating SMEs

Commercial banks' role cut out

THE Bangladesh Bank (BB)'s decision to set financial targets for the commercial banks in order to enhance their lending operation for the Small and Medium Enterprise (SME) sector is commendable in view of the fact that it will go to ensure better use of the huge funds known to be lying idle with them. This renewed attention of the central bank towards this mostly labour-intensive sector will help stimulate the sector better and create employment.

Though the SMEs have a capacity to employ a considerable chunk of the total industrial labour force, this sector has long remained on the back burner, its accessibility to bank credit was limited as the commercial banks were more at ease with bigger industrial and trading concerns so far as substantial longer-term lending was concerned.

The BB's fresh look at the issue will help mainstream lending institutions to diversify their traditional lending practices and provide a boost to this potential sector of the economy.

The experience of the farm sector, in reaping the benefits of enhanced credit supply has meanwhile been amply demonstrated. The cash-strapped SMEs, too, stand to benefit from it immensely.

The good news is, according to the BB data, the commercial banks and other financial institutions have already increased their lending to the SMEs by 140 per cent between March 2008 and March 2009. Compared to previous years, this is undoubtedly a commendable achievement. However, there is still no cause for complacency. On this score, the central bank's critique of certain lending practices such as diverting other sectors' credit in the name of the SMEs at higher interest merits attention. This needs to be stopped.

The SME sector that employs around a quarter of the industrial labour force and accounts for about 45 per cent value addition in the manufacturing is something to build up on. The sector can be so developed as to significantly meet the goals of export diversification. The government's role as a facilitator should not be wanting.

Once the SMEs are able to come out of their financial hurdles they have been facing so far, it is hoped that they would emerge as a very productive and useful sector of the economy.

To make the BB's initiative to rejuvenate the SME sector a success, a concrete strategy has to be devised. Some experienced bankers have already suggested identification of potential SME units, especially in the backward regions of the country. This will help effective distribution of the banking credit resources for the SMEs.

Lanes on the roads

Enforcing the rules is all-important

THE emphasis that has been placed of late on improving traffic conditions in the city is surely welcome. It is a sign of how seriously the authorities, especially those in the traffic police department, are looking at the problem. And now that they have come up with plans for a three-lane based movement of vehicular traffic, all we can say is that we as citizens desperately hope the measure yields results. Indeed, that there should be different lanes on the roads is a given anywhere in the world. Unfortunately, in our instance, the idea of lanes, despite being there all the time, has not quite worked owing to a multiplicity of reasons. Such a condition cannot any more be permitted to continue, for reasons that should be obvious.

Envisaging three lanes to allow for unhindered movement of a varied category of vehicles now raises the question of what needs to be done in order for the plan to be implemented. A major point that must not be overlooked is speed. There has never been any indication over the years of whether the traffic authorities have any rules relating to speed limits. One is sure they do, but now comes the matter of whether the police will enforce them enough to convince vehicle users they cannot get away with any flouting of them. With that comes the matter of road space vehicles can use without hindrance. As things stand, a very large number of roads are occupied in various ways, so much so that road space gets to be severely limited. The authorities should, in light of their new plans, first ensure that the space already lost is recovered before lanes can be used without impediment. That done, it becomes necessary that motivation come from the traffic police where educating vehicle users is concerned. Unless people on their own learn to respect the rules, no step toward traffic control will work.

Which brings us to the question of what the authorities mean to do on their own. If they are of the opinion that minibuses as well as old vehicles should be taken off the streets, they should be in a position to enforce their plans. That is important if the congestion and the recklessness of drivers on the roads is to be brought to an end.

The hungry billion

Such a situation clearly reveals that hunger is not a phenomenon resulting from food shortage only but also from denial of rights to food and lack of fair and equitable food governance system

A. N. M. NURUL HAQUE

ONE with nine zeroes on the right looks quite tidy as a figure, but it gives an uneasy feeling when FAO says that the number of hungry people in the world has reached a historic high of more than one billion. FAO organised a three-day summit of the heads of states and governments in Rome from November 16 to 18 with a view to achieving its goal of eradicating global hunger by 2025.

Only 60 leaders, most of them from developing countries, attended the summit. The lone G-8 leader to attend the summit was the Silvio Berlusconi, the prime minister of Italy, who hosted the summit. The FAO had expected that the rich countries would participate in the summit as around \$44 billion are required to end global hunger and there has been little progress on the \$20 billion in agriculture aid promised in July by G-8 countries.

However, it augurs well that the summit on food security has adopted a 41-point declaration promising to take urgent action to eradicate hunger. The idea of setting a timeline for eradication of hunger was presented to summit by FAO and supported by Latin American, Middle Eastern

and African nations. But it was rejected by the US, the European Union, Canada, Japan, New Zealand and Australia.

The declaration of the summit reaffirmed its commitment to the UN Millennium Development Goals of halving the number of hungry people by 2015. The director general of FAO regretted their failure in setting a timeline for total eradication of global hunger.

Shortly before the delegates from 192 countries approved the declaration, UN Secretary General Ban Ki-moon called on the rich countries to tackle global hunger, saying that the world has more than enough food, yet today more than one billion people are hungry. Pope Benedict, who spoke on the occasion, was also critical of the opulence and waste in the rich countries and blamed the greed of speculators in the food markets for soaring food prices and aggravation of hunger.

FAO estimated that about 960 million people in the world were chronically hungry in 2008. The head of the UN's World Food Programme said recently that high food prices had pushed another 105 million people into hunger in the first half of 2009, raising the number of chronically hungry people to over one billion.

Impact of remittance on development

Remittances help Bangladesh to make investments for industrial development, modernise its industries by importing high-tech machineries for export-oriented manufacturing, modernise its agriculture, invest in education, etc.

NADIM RAHMAN

In Bangladesh 156 million people live in an area of 143,998 sq.km, which means 1,083 persons per sq.km, or one person per square meter. In terms of population, Bangladesh is the 7th largest country in the world whereas in terms of GDP (PPT, Per Capita Income Parity) its position in the world is 196. About 45% of the population lives below the poverty line and each year natural calamities like devastating flood, cyclone, drought, etc. push millions of people below the poverty line. A big percentage of its 70.86 million labour is either unemployed or nominally employed. Under such a grim socio-economic condition what is the impact of remittances on the socio-economic development of Bangladesh?

Currently, about 6 million Bangladeshis work abroad, and when they send money to their families back home these are in foreign currencies, and for the government these remittances are one of the most important sources of foreign exchange

earnings. According to the Bangladesh Bureau on Manpower and Training (BMET), Bangladesh received more than \$9 billion as remittances in 2008. According to BMET, during the last 33 years (1976-2008) Bangladesh experienced a significant rise in remittance growth -- it was only \$23.71 million in 1976 whereas it has reached \$9.02 billion (formal remittance) in 2008.

As one of the Least Developed Countries (LDC), foreign currency is needed for socio-economic development. Remittances help Bangladesh to make investments for industrial development, modernise its industries by importing high-tech machineries for export-oriented manufacturing, modernise its agriculture, invest in education, etc.

On the one hand, these factors create more employment in the country and, on the other, help the country to increase its export of manufactured goods as opposed to agricultural products, raw materials, low quality finished products etc., as they were

Before the food crisis started in 2007, there were less than 850 million chronically hungry people in the world, a level that has been roughly constant since early 1990s, owing to the global fight against poverty. The food crisis has reversed the past quarter-century's slow but constant decline in the proportion of undernourished people in the developing world, the percentage of whom has risen to almost 18 per cent.

Asia and the Pacific are the home to 642 million hungry people, followed by Sub-Saharan Africa with 265 million. Latin America and the Caribbean countries have 53 million hungry people while the Near East and North Africa have 42 million. A UN report said hunger in South Asia had reached its highest level in 40 years because of food price rises and global financial crisis.

The problem of hunger is related to income. When a poor family has a regular source of income, even high food prices do not make it chronically hungry. When poverty is compounded by unemployment, the number of hungry people rises. Global food prices came down from their peak two years back, still people in some poor countries are eating less.

Global hunger is also interconnected with climate change. Food security cannot be achieved without tackling climate change. Melting Himalayan glaciers and other climate change impacts pose a direct threat to food security of more than 1.6 billion people in South Asia. Bangladesh, India, Nepal and Afghanistan are particu-

larly vulnerable to falling crop yields caused by glacier retreat, floods, draughts, erratic rainfall and other climate change impacts.

The Chronic Poverty Report 2008-09, launched by the Chronic Poverty Research Centre presented a grim picture of extreme poverty in Bangladesh. According to the report, around three crore people in the country living in extreme poverty go hungry.

It worries us that one-sixth of humanity goes hungry today, while the world has enough food to feed all the 6.5 billion people on the planet. Such a situation clearly reveals that hunger is not a phenomenon resulting from food shortage only but also from denial of rights to food and lack of fair and equitable food governance system.

Prime Minister Sheikh Hasina, who played a commendable role in the summit, very rightly stressed the need for a fair and equitable food governance system both at national and international levels to fight the global hunger. The world leaders should pay heed to her statements in the summit.

The world leaders have pledged to reinforce their efforts for halving the incidence of hunger by 2015. They should also commit to invest in agriculture, particularly in the developing countries, as the rise in world's population to nine billion by 2050 will force doubling of the current food production.

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in the past.

In 2008, the total value of exports from its agricultural, industrial and service sectors was \$13.97 billion whereas in 2008 it received \$9.02 billion from its overseas workers as formal remittances. Thus, we must consider remittance as a very important source of foreign exchange earnings for the country. If we combine both formal and informal remittances the total exceeds the total earnings from its exports.

Remittances also help Bangladesh in making the balance of payments favourable, or make up the deficit between total export and import. For example, in 2008, Bangladesh exported \$13.97 billion worth of goods and services and in turn imported \$19.59 billion worth of goods and services. This gave a deficit of \$5.62 billion in Bangladesh's Balance of Payment (BOP).

However, in 2008, the amount of remittances that Bangladesh received from its migrant workers abroad amounted to \$9.02 billion and that helped Bangladesh correct its BOP deficit to a surplus of \$3.4 billion. In July 2009, Bangladesh's BOP surplus reached \$1.39 billion. Remittance in the first 11 months of the fiscal year 2008-2009 was \$8.76 billion, which helped boost the country's BOP.

A World Bank analysis said: "Remittance has been a key driver of economic growth and poverty reduction in

Bangladesh." The migrants send back billions of dollars and the country can then use these resources for investment for industrial development, improvement of educational facilities and services, and extend and improve its health services. The money that is sent back is also beneficial to the families and to the country in that it helps reduce poverty and also allows for investment in small businesses and chances for furthering education.

The government also believes that there is compelling evidence that international migration -- through remittances and the transfer of social capital -- can positively contribute towards alleviating poverty. The government is also convinced that the effects are both direct and also through consumption and investment multipliers. Migration provides job opportunities to the young population in Bangladesh. These views are also supported by the 2005 IOM report "The MDGs and Migration," which explains how migration can not only increase income (remittances) but also reduce economic inequality in the society, and thus recommends mainstreaming migration into poverty reduction strategies.

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Pakistan makes good beginning

The resumption will also benefit New Delhi. It will send a message to the Taliban and other jihadis that the relationship between the two countries is on the mend. What Pakistan is doing against them is what the two countries should be doing together. Were the two to combat terrorists jointly, it would be good for both.

KULDIP NAYAR

I found a big difference between the perceptions in India and Pakistan on the anniversary of 26/11, the terror attack on Mumbai. India reconstructed the 60-hour tragedy and vowed not to "tolerate" any such act in the future. Pakistan said that it had expressed its horror adequately in the past and that by dwelling on it India was avoiding a composite dialogue. And there was a string of familiar accusations and counter-accusations. Sometimes I think that only a miracle can bring them close.

The reactions underline their mistrust in each other. The two countries are stuck at partition. They have more or less the same bent of mind, which they had when the British left in August 1947, drawing the borders of Pakistan and India.

True, there was a lot of bloodshed in the wake of division but neither of them emerged with glory. They killed their inhabitants without the tug of conscience or against the religious teachings. Therefore, the present stalemate only emphasises that the crust of alienation has not been broken in any way despite the passage of time.

Even today, Pakistan remains the number one enemy in India as is the latter in Pakistan. And the governments on both sides go out of the way to hurt each other in international forums.

Had we kept at least travel and trade separate from our disputes, which were

easy to tackle till the late eighties, we might have retained some contact to build upon. If nothing else, it would not have allowed the situation to deteriorate to the extent it has. The media in both the countries could have played a constructive role. But it has not been able to rise above jingo nationalism and self-righteousness.

In any case, Pakistan although belatedly, has initiated the process to prepare the ground for talks. India had laid down two conditions: one, bringing the culprits of Mumbai carnage to justice, and two, dismantling the structure of terrorists in Pakistan. Islamabad has filed cases against seven suspects in custody, including Zakir Rehman Lakhvi, reportedly the mastermind, for having committed "international murder."

It would have been better if Hafiz Saeed had been in custody. He is the face of Lashkar-e-Toibba and Jamaat-ud Dawa. For India, what Pakistan does to him is the litmus test of its efforts to combat terrorism. This is also clear from Obama's curt letter to Zardari not to use Lashkar to pursue the state's policy goals.

Manmohan Singh must have given a list of places attacked by the Lashkar. They included the Parliament House and Akshardam Temple in Gujarat. The arrest of David Headley and Tahawwur Rana in US shows the Lashkar hand behind all these attacks because the two were reportedly in touch with it. Saeed was under the house arrest till the other day. But the Pakistan government has set him free although the

needle of suspicion continues to be directed towards him.

Unfortunately, Pakistan has taken one year to register cases against the perpetrators of Mumbai attack. This has given an impression in India that Islamabad is dragging its feet. But then Pakistan can also blame India for the slow court proceedings against Kasab, the only terrorist caught alive. There is some weight in Home Minister P Chidambaram's defence that India should not look like doling out justice as if the trial at Mumbai is before a kangaroo court.

Still the fact remains that one year has passed since the arrest of Kasab. Now the defence lawyer has been changed for his tactics to go slow. The case will be further delayed because there are 400 witnesses and 580 affidavits -- all will have to be examined all over again. Was it necessary to have so many witnesses to testify? The delay may create suspicion in the mind of Pakistan that is already unhappy over the information about the Mumbai attack given in dribbles.

The second condition by India is that Pakistan should dismantle the infrastructure of terrorists. I am confident that an assurance by Pakistan Prime Minister Yousuf Reza Gilani can allay New Delhi's fears. When the Pakistan army has claimed that it has dismantled much terrorism infrastructure, including suicide-bomber training camps south of Waziristan, it can easily carry out the same operation against terrorists operating against India.

It may look needless to Islamabad, but Indian opinion would feel assured if it were to say categorically that the terrorists would not be allowed to operate from Pakistani soil against India. Here the ISI comes into picture. It has "allowed" the seven persons involved in the Mumbai attack to be brought to book. There may be realisation that terrorism against India would be too heavy a price to pay. The Kerry-Lugar-Berman Act, assuring \$750 billion to Islamabad for the next five years is

like a Damocles' sword hanging over its head. Washington's special team is keeping a tab on what is going out in cash or kind and how it is being utilised.

Coming to the talks, the resumption will also benefit New Delhi. It will send a message to the Taliban and other jihadis that the relationship between the two countries is on the mend. What Pakistan is doing against them is what the two countries should be doing together. Were the two to combat terrorists jointly, it would be good for both. Pakistan is our first line of defence. Such statements like a limited war against Pakistan made by chief of army staff Deepak Kapoor are irresponsible and provocative. They only injure India's credibility.

Pakistan is in the midst of a war for its survival. However, its people too need to sort themselves out. They have created a culture of what might be called "subjective history." Former foreign minister Sartaj Aziz has said in his latest book, *Between Dreams and Realities*, "[...] events are seen through coloured glasses, conclusions are rooted in pre-conceived notions and heroes and villains are identified within this biased framework[...]"

A survey conducted by Nielson Research Company has said that only 1 in 10 has confidence in the government. Most see themselves as Muslim first and Pakistani second, and they are now entering a work force in which the majority cannot find jobs. The rise of Islamisation may have its fallout in our country, particularly when the Taliban are saying that India is their next target.

Prime Minister Manmohan Singh has reiterated that people to people contact should deepen. It is a welcome statement. But how can this be possible when it is almost impossible for a Pakistani to get a visa? At least, the Prime Minister can unilaterally lift all restrictions on the sale of Pakistani newspapers in India.

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