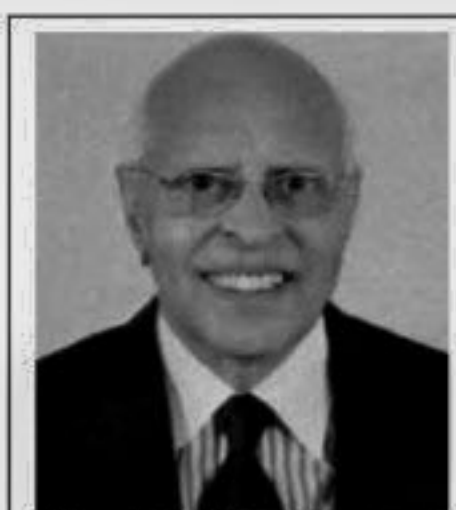


BOTTOM LINE

World Bank: Time for new direction



BARRISTER
HARUN UR RASHID

ON April 16, the majority of the World Bank's 25-member executive board chose the Korean-American physician and anthropologist Jim Yong Kim as its next president, maintaining a seven-decade US lock on the post after the first challenge by candidates from other countries.

Dr. Kim's selection was given support by Europe and the US, which has picked the Bank's president since the institution was founded in 1944. Dr. Kim also won support from major shareholders in advanced and developing economies including Japan, Canada, Mexico, Russia, India and China. Dr. Kim, will become the 12th president of the development institution on July 1.

The leading challenger, Ngozi Okonjo-Iweala, Nigeria's finance minister and a former senior World Bank official, won around 18% of the votes from twenty-five World Bank executive directors in the poll on April 16, according to people close to the process. Brazil, Argentina, Switzerland and all three African directors voted for her despite US political pressure for a consensus.

Former World Bank official Nancy Birdsall, president of the Center for Global Development, a Washington think tank, called the contested race as a historic development for the bank. "It's a way for emerging-market economies to make clear that they want more influence," she said.

Currently, some of the largest countries that have long been recipients of World Bank loans, such as China and India, are now emerging-market powerhouses that can borrow on their own in markets to finance development projects. "The bank cannot rely anymore on its old model of lending significantly large amounts of money to these countries," said Uri Dadush, a former World Bank official now at the Carnegie Endowment for International Peace. "It has to move towards being more of a knowledge bank, a specialist in a large number of sectors," he said.

Dr. Kim will take over an institution whose mission is becoming less clear. Major charitable groups have become increasingly powerful in some of the World Bank's core areas like global health. Some say that the Bank is without a single strong mandate or mission. William Easterly, a director of New York University's Development Research Institute, reportedly said: "The World Bank does not have any obvious role in the current world environment. It is in a state of crisis."

Dr. Kim's first challenge will be to set out a clear vision for the institution. During the selection process he called for an "inclusive" development strategy, including investment in health and education, while nodding to infrastructure, economic growth and climate change.

Dr. Kim's success will depend on how he articulates and implements a clear vision of how the World Bank can improve its deliveries that really matter to the poor around the world.

Dr. Kim will be the bank's first leader drawn from the development world rather than politics or finance. He is not an economist but an anthropologist and a physician. He has been a global public-health expert and president of Dartmouth College, who spent decades working on diseases such as tuberculosis and the AIDS virus.

His willingness to question the conventional wisdom about economic growth implies that he is likely to face significant resistance from the entrenched bureaucracy of the Bank. Not being an economist, he will be regarded as an "outsider," and his strength will be his experience as an expert on health and development issues, making the direction of aid more responsive to the needs of its poorer members.

By and large, economists are good in analysing a financial crisis after it occurs but cannot forecast or predict it. The US finan-

cial crisis in 2007 is a case in point.

The truth is that economists cannot explain what drives or de-accelerates economic growth, and the models are inadequate in accounting for most of the cross-country differences in growth. An open-minded approach to seeing what works and what does not, rather than being bound by specific models or theories, might actually be an advantage for Dr. Kim.

Dr. Kim said after his election: "In every single country I've been to, they are really hoping private-sector growth can happen quickly so that jobs can be created," he said, in a telephone interview from Lima, Peru, where he was concluding a "global listening tour."

Dr. Kim was confident he would have "a very strong consensus" at the bank. "The ministers and the heads of central banks and others I spoke with have been very supportive," he said. "I've presented my credentials as a development specialist, as someone who has spent his whole life investing in humans in order to enable them to go down the path of growth," he added.

Furthermore, some insiders say that if Dr. Kim can create alliances with emerging markets he could, with US support, shake up the power structure of the Bank. There is a long-standing demand for reforms in a global financial institution in which developing countries will have a greater say in setting the institution's agenda and make the process of choosing his successor quite different from the one he just had gone through.

The BRICS summit in New Delhi on March 29 expressed unhappiness about the structure of the World Bank. Much attention in the summit focused on the creation of a development bank, to be known as the "South-South Bank," which would fund infrastructure and development.

Dr. Kim's success will depend on how he articulates and implements a clear vision of how the World Bank can improve its deliveries that really matter to the poor around the world, mostly in the Least-Developed Countries -- including Bangladesh.

The writer is a former Bangladesh Ambassador to the UN, Geneva.

CONNECTING THE DOTS

How is economic growth shaping up in Asia?



A. R. CHOWDHURY

IT was beginning to feel like somebody had turned the clock back twelve months. With the first quarter of 2012 bringing a renewed sense of calm to global markets and a rebound in activity across the region, the policy debate in Asia had started to shift back to some familiar concerns: the strength of the region's currencies, fears about overheating and worries over the unbalanced nature of growth in the region. Asia is well placed to withstand the impact of any major shocks to the global economy.

The health of economic fundamentals and policymakers' room for stimulus should enable the region to grow by just below trend this year, even though global growth looks set to disappoint. However, if global risk aversion returns, currencies and equity markets are likely to weaken despite the strong start to the year.

Economic growth in emerging Asia slowed in the fourth quarter of 2011 mainly due to weakness in external demand. This lowered the export potential of a number of countries in the region. However, the recent improvement in the United States economy, a pick-up in Asia's production and the easing of supply-chain disruptions arising from Thailand's floods suggest most of the region fared better in the first quarter of 2012.

Weak global demand and the uncertain situation in the Euro-zone will continue to weigh on the region's prospects this year. Even though global growth may disappoint this year, the region should still grow by only slightly below trend in 2012.

Three main factors are likely to support growth in Asia. First, a rebound in growth in countries like Thailand and Japan as well as Pacific Rim countries Australia and New Zealand. This is particularly

Growth prospects for most of Asia's economies remain brighter than many countries in the developed world. Public balance sheets are in generally good shape, banks are fairly well capitalised and there is significant scope for policy stimulus to offset the impact of weaker external demand.

true for Japan after natural disaster caused its economy to weaken last year. Second, reduced dependence on exports to the developed world where growth prospects are weaker than before the 2008-09 global financial crisis. Third, expansionary monetary and fiscal policy pursued by the policy makers has helped to stimulate the economies.

Central banks in Asia have held back their interest rate cutting cycle in recent weeks due to the improvement in the global outlook and fears that the increase in the oil price could cause inflation to rise. However, in addition to weak global growth, commodity prices will decline and inflation will continue its downward trend across the region. In addition, I expect central banks in most countries to resume their interest rate cuts later in the year.

It needs to be pointed out that the region faces a number of major risks this year. The biggest worry is the uncertain outlook in the Euro-zone. No country in the region would be immune from a disorderly break-up which causes a slump in global demand. The countries most vulnerable are the region's trade-dependent economies such as Hong Kong and Singapore. Economic activity in the region's bigger, less trade-dependent economies such as China and India would hold up much better.

Another risk is capital inflows, which have surged since the beginning of the year due to an increase in risk appetite. Risk aversion will return before the end of 2012 and capital outflows will reverse. However, the resulting capital inflows could push up the exchange rate, harming exporters, while also fuelling inflation and asset price bubbles.

High oil prices are another risk. If oil prices remain at their current levels they could cause significant economic damage. Brent crude oil is currently selling at \$120 per barrel. Most of Asia's economies are net oil importers, so a sharp rise in oil prices would lower real incomes.

Higher oil prices would also prevent inflation from falling much lower. Inflation could increase sharply if high oil prices force governments in the region to scale back their expensive oil price subsidies. Thailand's high oil intensity and large net imports mark it out along with India as the most exposed countries in Asia to an oil price spike.

Nonetheless, a wobble in global markets at the start of the second quarter of this year is a timely reminder that the external backdrop to Asian economic growth remains extremely fragile. Here the case of the Euro-zone debt crisis should be pointed out. A spike in Spanish bond yields earlier in the month was a warning that, despite the apparent success of the European Central Bank's recent steps, the region's fundamental problems are still unresolved.

The Euro-zone debt crisis would most likely escalate further this year. This will impact Asia's growth via a sharp slowdown in capital inflows into the region and lower commodity prices. Furthermore, after a small rebound in the second quarter, I expect Chinese growth to slow again over the second half of the year, weighing on other Asian countries.

More generally, growth in many of the region's economies also continues to have a rather unbalanced feel, making them more vulnerable to a renewed global crisis than in 2008. The strength of commodity prices and foreign capital inflows has underpinned robust domestic demand growth. However, a concurrent appreciation of real exchange rates has squeezed the competitiveness of domestic industry.

Crucially, though, the growth prospects for most of Asia's economies remain brighter than many countries in the developed world. Public balance sheets are in generally good shape, banks are fairly well capitalised and there is significant scope for policy stimulus to offset the impact of weaker external demand.

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MIZANUR RAHMAN KHAN

THE validity of the cabinet is in question after the first public acknowledgement by the prime minister that she has the right to determine the fate of ministerial resignation letters.

The cabinet is now *Coram non judice*, meaning without proper jurisdiction, as there are two "strangers" (Suranjit Sengupta and Sohel Taj) in the cabinet. Our apex court frequently relies on the doctrine of *Coram non judice*. This week may also see a state minister seek dismissal of his corruption case in the High Court hearing. The minister is expected to argue that after the resignation of the commissioners, the then ACC became a *Coram non judice* and thus its filing of case against him was without lawful authority. The Appellate Division has already endorsed this view in similar cases.

Are our cabinet proceedings flawed? The PM initiated an interesting debate by not sending the two resignation letters to the president, which virtually amounts to "appropriating" the powers of the president. The April 21 issue of *The Daily Star* reports that jurists have unanimously opined that there is no question about acceptance of ministerial resignation letters. Indeed, resigning from any constitutional post is not subject to anyone's approval. In a monarchy, the resignation of a minister becomes effective only when the king approves it.

It will be interesting to see how the speaker deals with the vacancy of Sohel Taj's parliamentary seat after his resignation on April 23. Mahmudul Islam wrote in his *Constitutional Law of Bangladesh* (Page 353): "The members of Parliament, like holders of other constitutional posts and offices, have the unilateral right of resignation, effectiveness of which is not dependent on the acceptance of the resignation by any authority."

The PM's interpretation may have been appropriate if a proposed provision had been passed in 1972. The constitution framing committee, on June 3, 1972, recom-

mended a provision to the Constituent assembly that "the president shall accept the resignation of a minister (other than the PM) on the advice of the PM." It was incorporated in Article 64 (15) but was dropped. So the president should act immediately to preserve, protect and defend the constitutionality of the cabinet to end the controversy.

"As the railway minister, I'm responsible for all the good and bad in my ministry," asserted our fallen crusader of ethical politics. It reminds us about the essence of ministerial responsibility. The issue of ministe-

Resignation is not defined in the constitution but it means the "discontinuation" of a minister's presence in the cabinet.

rial resignation is essentially an ethical issue which derives from the master's (read public) grievance or perception far from authoritarian or legal compulsion.

In the UK, there are 11 different areas for which resignation can be enforced. They are personal, departmental error, sexual or financial scandal, policy disagreement, personality clash, performance, retirement, alternative appointment, reshuffle and "other controversy."

In 40 years we have not yet been able to sensitise the issue of ministerial resignation brought about by any of those categories. It is even unknown to our media and opposition that there are more significant usages of "calls for resignation," a benchmark of quality democracy. England saw 69 resignations in 56 years (1945 to 1991), 43 for individual responsibility and 26 were due to policy differences. But there were 123 "non-resignation" occasions where ministers refused to resign.

It has been more than one year since the Syed Abul Hossain episode, where the media

or the opposition was not able to come up with any credible specific allegations. There were calls for the resignation of Sahara Khatun and Shajahan Khan among others, but without vigour. In UK, the opposition parties called for resignation 78% of the time when ministers do not resign and 66% of the time when they have resigned. Begum Khaleda Zia, after formation of the cabinet in 2001, said that a ministerial job was not permanent but was based on performance.

The convention of ministerial resignations is to hang on for as long as possible. How long a minister hangs on following protests by the opposition and the media depends on his or her political weight. Having a 55-year long multicoloured political career, Sengupta hung on for five days in the railwaygate scandal, succumbing only after meeting the PM.

I recall the high voltage resignation drama in India in 2005 regarding a minister without portfolio, K. Natwar Singh, being named as a "non-contractual" beneficiary of the UN's Oil for Food programme in Iraq. The Indian ministers hold office at the pleasure of the president not the PM. Mr. Singh, the then foreign minister, telephoned Manmohan Singh during his visit to Moscow and expressed his intention to resign. The PMO declared that "Mr. K. Natwar Singh met the PM and requested to be relieved, which was accepted. The PM wrote to the president that Mr. Natwar Singh will be minister without portfolio." Sengupta has resigned by "placing his resignation in the hands of the PM." Resignation is not defined in the constitution but it means the "discontinuation" of a minister's presence in the cabinet.

Resignation leaves an acid taste as argued by Stuart Weir and David Beetham: "Resignation usually ends a minister's career at the highest level." Shakespeare wrote: "Nothing in his life became him like the leaving of it" (*Macbeth*). If only the same could be said about the many who leave ministerial life in Bangladesh.

The writer is a journalist.

Constitutionality of the cabinet