

How conducive are WB and IMF conditionalities to growth?

MD. GHULAM MURTAZA

NOWADAYS a lot of economic jargon is flying around in the news media, about internal management, external challenges and external conditions being imposed on poor and developing countries like Bangladesh. Blame for economic underdevelopment is generally heaped upon poor governance, corruption and a host of other similar factors. The World Bank, IMF and other donor agencies seem to be the whipping boys for almost all the ills of our economy -- alleged, perceived, or real.

In a recent interview with The Daily Star on internal management as key to economic health in Bangladesh, a reputed economist of the country commented that it made sense on the part of the government functionaries to waste less time on dealing with the IMF and other international funding agencies, and more on finding solutions to the problems faced. However, a little reflection will show that it is "dealing with the problems faced" in these countries that the donor agencies are concerned about, and conditionalities for aid/loan disbursement are a way of ensuring that the solutions to these problems come through better internal management such that the real value/costs of resources is reflected. In view of the confusion often created in the minds of the common people, a short review of the functions of donor agencies, particularly the World Bank and IMF is placed here.

The World Bank, the name commonly used to denote the International Bank for Reconstruction and Development (IBRD), was established at the close of the Second World War to serve as a pivotal institution to lend money to the then undeveloped and underdeveloped nations. The World Bank loans have been provided at discounted interest rates for developing projects in the LDCs or 'developing countries' that over the years have dealt with education, health, infrastructure development, nutri-

Although WB- and IMF-supported programmes are designed to alleviate poverty, they have in fact been exacerbating the problem because fiscal discipline has reduced government spending on social development and "right-sizing" in public sector institutions has increased unemployment. While the World Bank, IMF and other donor agencies' efforts are aimed at improving long-term growth in developing countries through support for better economic management, they will have to go beyond the giving-more-aid-to-better-performing-countries attitude and deliver aid differently to countries that have different kinds of circumstances.

tion, poverty-focused rural strategies, environmental protection, and more recently, specific issues like fighting HIV/AIDS etc.

The IMF comes to the assistance of countries hit by unmanageable balance of payment problems. According to Mosley (2000) of Sheffield University, the poor and developing countries have a restricted production base due to which they cannot come out of the balance of payment trap. Recognising this, the Fund has brought in medium-term lending instruments, and associated those with, additional conditions of a more structural and micro-economic nature. The policy conditions attached to such loans typically require cuts in public expenditure and in central bank borrowing, sometimes also devaluation.

A common characteristic of poor countries is their relatively weak political capacity to deal with external shocks. This is because of absence of consensus behind the measures needed to come out of these shocks. While the ruling party in a country agrees to go by the IMF conditionalities to get a loan that will help tide over an economic problem, the opposition protests the proposals in the name of "unacceptable" conditionalities.

Lloyd and Wiessman (2001) of the Multinational Monitor reviewed loan documents between the IMF and World Bank and 26 countries. The review shows that the institutions' loan conditionalities generally include civil service downsizing;

privatisation of government-owned enterprises; promotion of labour flexibility and pension reforms.

According to them, perhaps the most consistent theme in the IMF/World Bank structural adjustment loans is that the size of government should be reduced. The initiative for government downsizing is premised on the notion that the private sector generally performs more efficiently than the government sector. The range of IMF and Bank-supported or mandated privatisations is staggering. In Argentina, according to the World Bank, "virtually all public services and federally owned enterprises" have been privatised. In Malawi, a massive privatisation effort has included the "outsourcing, privatisation or liquidation of specific services and agencies of four of the largest ministries. In Uruguay, ports and roads have been privatised.

What are the effects of conditionalities on developing countries? A few cross-country illustrations may help. In 1989, the World Bank initiated a major attempt to improve forest management in Cameroon by tying forest policy reforms to structural adjustment lending. The first round of negotiations between the World Bank and the government of Cameroon culminated in the 1994 Forest Law, which introduced far-reaching changes in the way that forest concessions were allocated, taxed, and managed. The law also included provisions that, for the

first time in Central Africa, granted local communities the right to benefit financially from wood cutting in their customary forests.

In Pakistan, the World Bank financed around 15 percent of the public investment programme since 1952. These have been used for expanding and rehabilitating physical infrastructure in the areas of transportation, gas production, transmission, and distribution; and oil production and refining. According to a study by Cheema (2004), a thorough and in-depth analysis of World Bank and IMF-supported programmes in Pakistan reveals mixed results. On the one hand, these programmes, by emphasising financial discipline and reduction in budget have been helpful in bringing about macro-economic stability in the country. On the other hand, they have also created many economic problems. He quotes critics that although WB- and IMF-supported programmes are designed to alleviate poverty, they have in fact been exacerbating the problem because fiscal discipline has reduced government spending on social development and "right-sizing" in public sector institutions has increased unemployment.

The Meltzer Commission found that 70% of the World Bank non-aid resources flowed into 11 countries that enjoyed access to private sector resource flows. The Commission recommended that the future lending by World Bank and the regional development banks like the Asian Development Bank

(ADB) and Inter-American Development Bank (IADB) should be channelled into countries that do not have access to private capital flows, strictly excluding countries with per capita incomes above \$4000 and concentrating in countries with per capita income less than \$2500. It is also alleged that the IMF has a dogmatic approach towards privatisation, different from the way China is moving. The Chinese expanded the market economy by encouraging private investment and creating new productive capacities, and not by wholesale privatisation.

William Easterly (2005) of New York University maintains that the World Bank in low-income countries is now suffering from a really bad case of "mission creep". By "mission creep" he means that when the interventions tried by the World Bank were unsatisfactory, it tried a more ambitious set of interventions to make up for the failure of the previous intervention. To reverse the trend, he argues, the first step is to introduce some sort of accountability for achieving results in low-income countries.

Another strong criticism of the Bank and other donors prescriptions is their replicability across countries -- the "one size fits all" attitude. So they have to do a better job of recognising that not all developing countries are alike, and to differentiate the strategies that are used within developing countries.

In conclusion it may be said that while the World Bank, IMF and other donor agencies' efforts are aimed at improving long-term growth in developing countries through support for better economic management, they will have to go beyond the giving-more-aid-to-better-performing-countries attitude and deliver aid differently to countries that have different kinds of circumstances.

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IN MEMORIAM

Nasreen Huq

Following in her principle of 'charity begins at home'

SYLVIA JALAL

WHEN I received the phone call from my mother who in a sorrowful voice said that she had bad news to share, I thought that something had happened to one of my elderly or sick relatives but I was simply shocked at hearing that Nasreen Apa, whom I address as Happy Apa, had just passed away. But how could that be? She was not sick or even that old! On that morning of 24th April 2006, in the office at CIDA in Ottawa (Canada), I could not function any more and broke down crying. Across from my office I could hear Fahmeeda Apa, my senior colleague and Happy Apa's childhood friend, also weeping away.

We both kept saying "why her and why not one of us?" For us, may be a handful of people would have mourned, but she touched the lives of so many people. She needed to live for her daughter Jamila, whom she was ecstatic to have in her life after all these years, for Choton Da (Nurul Islam Bhuyian, renowned journalist and editor), her friend, husband and soulmate of nearly twenty years and also for all the people she had helped and for the many more lives she was capable of changing for the better. Bangladesh had just lost its biggest asset; she was one of the most precious jewels of Bangladesh. More than a month has passed by and I am still at a loss for words and trying to make sense of her untimely death. She is being missed sorely by one and all who had the honour and privilege to know her.

A lot of people have written about her accomplishments and how she had helped different sectors of society through her work with the acid attack survivors, the blind, the victims of abuse and violence and the very poor, but Happy Apa was not limited to only helping these people, she reached out to provide support and comfort to anyone in distress. When my father, Sheikh Ahmed Jalal, was admitted to hospital, it was Happy Apa and Choton Da who were regular visitors and when he died in 2003, it was again they who were by my side to provide support. When I was in need of work, it was Happy Apa who gave me the consultancy work she had been offered but asked me to do it instead. It was entirely Happy Apa and Choton Da's idea for me to apply for the Chevening Commonwealth Scholarship for my Master's in the UK and no-one was



more delighted than her when I won the award. She took me out to celebrate that night. I could go on reminiscing about the many occasions when I accompanied her to social gatherings and worked together on several projects for the Naripokkha and Action Aid Bangladesh and laughed at so many experiences and incidents. Not once during all this time had I ever seen Happy Apa lose her temper or even speak to anyone in a harsh tone. She was simply incapable of being ill-spirited. She tried to accommodate and help everyone who needed any sort of assistance, whether rich or poor.

A lot of us do not practice what we preach in life, but that was not the case with Happy Apa. I have gone to her Apt. in Road No. 4 Dhamond, when the door had been opened by different girls who were victims of acid attacks. They were either staying at her place temporarily, for shelter, for singing lessons for leisure. Happy Apa used to tell me that she gave the keys to her apartment to the girls so they could have a place to come to for recreation, since they had nothing much to look forward to in life. When her maid became too old to work, she asked her not to work anymore and instead provided her pension, telling me that there was no welfare system in Bangladesh and so she provided the support for the elderly woman to retire. Happy Apa even gave her entire seven years severance pay, when she left Hellen Keller for Action Aid, to the hospitals for treatment and drugs for the poor. Her statement was "Charity begins at home." She truly was an amazingly generous woman. It was her acts and deeds that made me enter the world of development work instead of being an economist in the corporate world. I looked up to her as an elder sister, a friend, an adviser and my mentor.

It is still a shock for me to think that she can no longer be found in any corner of this world. She used to travel all the time. Whenever I called from Canada or England, she was either flying off to a conference in some far corner of the world or going off to attend a meeting or two in some remote village of Bangladesh. It is still very difficult for me to fathom that for someone who traveled so much, that death would meet her so gruesomely at her own doorstep. How ironic! This is poetic-in-justice!

I wonder what she is doing at this moment? Can she see us and observe how much grief we are suffering at her loss? Can she see that the void she has left behind by her early departure will be so difficult, if not impossible, to fill? The impact she has had on so many people's lives, the gift she had in being able to communicate with the Heads of States of a country to the most vulnerable, needy and helpless poor people, is unmatched. My father used to say that she is our 'Mother Teresa'. That's what she was, a saint, a gracious, selfless, noble, humble, big-hearted and visionary lady. What a costly and irreplaceable loss for Bangladesh!

Happy Apa, known to the world as Nasreen Huq, will be missed dearly by innumerable people. Now that she has left us, the onus is on us to continue with her work and realize her unfinished dreams. Only in working towards helping the poor or showing acts of kindness to the less fortunate can we show the respect and love to the person who gave so much to each one of us personally and to the people of Bangladesh in general. No matter which part of this world we live in, we should follow her principles by being compassionate and thoughtful of the needs of others. Indeed, charity needs to begin at home.

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Why there is crisis in RMG sector for no big reason?

K. MOWLA CHOWDHURY

THE crisis in the RMG sector has reached such an alarming level that it has prompted me to write this article though I am not a columnist. Therefore, the feature I will be trying to produce here may not be decorously presented, I will try to clarify the points about the recent situation in RMG sector.

In the year 2004 everybody used to say either of the following two lines about this sector:

01. 2005 is a wall and nobody can see what is behind this. Which means that there was total uncertainty about this sector in those days.

02. After 2005 the sector will totally collapse.

In reality, what has happened is known to everybody, yet I would like to write about it in detail. Orders in Bangladesh were drastically reduced and buyers started placing orders in China.

Fortunately for Bangladesh, the buyers started coming back due to the following two reasons:

01. Prior to 2005 China had a mechanism for re-exporting from Hong Kong and Dubai and probably from a few more countries by attaching the country of origin label in those countries. They stopped the practice when free global trade was introduced in 2005 after the elimination of quota regime. When everything started entering U.S.A in the name of China, a part of which earlier used to enter in the name of other countries, the U.S Custom record started showing alarming figures like an increase of 200-350 percent from China in 3-4 months.

02. China was accepted as member of WTO on condition that, if any product from China entered USA or any European country, those countries could ask China for discussion about restricting entry of those products.

Anyway, while those discussions between China and USA did not end up peacefully, USA as per the condition, has slapped quota on China.

This imposed quota will be for three years from 2005. This means that the future of garment industry after 2007 is again uncertain since we still cannot compete with China.

That is the turning point for Bangladesh to be lucky to get its market back and even having a better share than it used to enjoy before.

Taking the opportunity, many businessmen built new factories and some of those factories are equipped with the best machinery and comply with all the existing

most of the factories pay attendance bonus and festival bonus to their workers though it is not required by law. These and some other facilities in few factories should continue to remain as optional facilities given by the employers. The workers and the owners are for each other.

rules and regulations in the country.

There is now a shortage of skilled workers in the sector. An operator of whatever standard she or he may be does not have to remain unemployed for a day. Even unskilled workers are not available because of the law restricting under-aged workers.

Everybody is talking about a minimum wage of Tk. 930.00, which a prudent employer will not really want to pay, because for that amount of money you cannot hire a worker who is fit to work in a garment factory. In my factory, the minimum wage is Tk. 1,000 in the sewing department and Tk. 1,100 in the finishing department. Nobody has pushed me to increase the salary. But I had to do it because below this amount I do not get workers. I have started feeling that, this amount too is not enough. Enough help is not still available and I have started thinking about another increase in salary. I think the increase I had to make or am planning to make is due to natural economic factor, not due to demand from any quarter.

Nobody should think much of the minimum wages. Why should a worker remain in that level to get the minimum wages. Most of the RM. line chief and supervisors today entered the industry in the grade where they too had drawn minimum wages. All the operators obviously had been helpers and had drawn minimum wages. There is scope for skill development in this trade and somebody who has got the potential will automatically go up and put himself in a position to bargain for his salary. This is possible if they concentrate on their respective jobs. I feel that an intelligent and diligent worker can raise his position for drawing about Tk. 10,000.00 in 6/7 years. Why then should they be on the street for agitating leaving their place of work?

I have seen in some newspaper that workers' group are asking for salary of 60% basic, 30% house rent, 10% medical allowance, Tk. 12.00 transport daily, Tk. 20.00 for lunch daily and Tk. 150.00 attendance bonus. Roughly, I can say that except the lunch allowance most of the factories pay everything. In fact, while recruiting, we determine the gross wages we have got to pay and allocate this gross wage up to the

given structure. So there is no problem here, either.

So, where is the confrontation? Why have the factories which are paying regularly, as per rules, been set on fire, broken up and the owners harassed or the workers killed. Let there be a committee formed to inquire into the incidents in every factory, and to take action against the perpetrators. There may be some problems in a number of factories but not in the industry as a whole. Those problems then can be investigated, the reasons ascertained and corrective measures taken by the appropriate authority.

Delay in the payment of salaries is another issue for which the workers are agitating. I very much understand that surviving for a week or two without salary is difficult for the workers. Yet, since running a garment industry is a business there is always a chance of incurring losses as well. Therefore, even if he wanted to from the core of his heart, an owner may not be able to pay the workers on 7th or 10th every month. There must be some kind of relaxation in payment of salary - in whatever form it is possible.

Friday work is another issue. In fact, Friday working is required when there is over booking of orders and / or lower rate of production than planned and no extension of shipment date has been received from buyer.

I would now like to focus on two more issues; trade union and productivity level.

Desh Garments Limited, the pioneer in the sector and the factory which is responsible for the industry to be at this level today, had trade union since I have seen in 1984.

In those days the agreement with the trade union in respect of production was 90 pc of basic shirt per line per hour using 22 plain machine + other auxiliary machine. As I remember the salary the helpers used to get at those days was Tk. 150.00 per month and the operator about Tk. 700.00 per month. Today, the operators are getting salaries of Tk. 2,300.00 to 2,700.00 a month and as already mentioned, the helpers get Tk. 1000.00 to 1100.00 + payment for overtime work. The Minimum Wage Board ask for highest gross wages of Tk. 2,100.00 for an operator. We are paying more for natural economic

reasons. Why should the workers then be on the street to agitate for an increase in their earnings? Not only the wages, but even the staff salary we pay for the same natural reason is much more than that which is recommended by the Minimum Wage Board.

The productivity level in my opinion could have marginally increased, while the cost of making changes we get from buyers has gone down; which means that the additional amount we are paying to workers is being derived from the devaluation of currency. Real income of the workers has not gone up although the money income has risen; inflation has eaten up the additional income.

If Trade Union / CBA is established in the garment industry it will be suicidal because of the attitude of the political leaders of Bangladesh. The CBA leaders will be close associate of the leaders of that area, the local leaders will act as guardians of the CBA leaders and the factories will be a common place of visit by the leaders, and the factory workers will start thinking of getting paid even without working.

To get a better income, the productivity level has got to go up maintaining the required quality level as well. There is no short cut to it.

To end the present crisis, and for a long healthy employer-employee relationship, I think the following points can be considered for adoption by all the RMG Units:

01. Let the minimum wages be fixed at Tk. 1350.00 for confirmed workers.

02. Let the skilled workers fix their own gross salary which will be allocated under different head.

03. There must be weekly holiday, preferably on Friday. If required to work due to unavoidable circumstances working hours on Friday should not cross beyond 2.00 PM, I suggest it should be from 7.00 AM to 1.00 PM with alternative Fridays remaining closed. Friday work will be considered to be over time work. The point requires amendment of existing law.

04. Basic salaries should be fixed at 60% for workers of all grades. The existing system, which allows different percentage requires amendment.

05. There must be a separate formula drawn for the piece rate

workers.

06. Factories in EPZ should follow the rules framed by BEPZA.

07. Maternity leave should be allowed with basic pay only, for twelve weeks if the date of birth of the baby falls after eighteen months from the date of joining. For the 2nd child the leave should be allowed with pay if it is after 05 years. Nothing for any more children should be entertained. The existing law in this respect needs to be amended.

08. There should be 10 days festival leave, 12 days of earned leave and 10 days of sick or casual leave with half pay. The existing law in this respect needs to be amended.

09. Employment letter and identity card can be given to workers.

10. A permanent worker must give 01 month's notice before leaving the job.

11. A worker on probation should give at least 03 days time for leaving the job. I mean that the worker cannot come and go at will and still get paid.

One must not forget that most of the factories pay attendance bonus and festival bonus to their workers though it is not required by law. These and some other facilities in few factories should continue to remain as optional facilities given by the employers.

Given rate of production must be maintained throughout the period the workers are at work. Basically, it will be the responsibility of the management to get the optimum production or they will fail to pay in time and the problem will come up. If the system continues for months together the factory is bound to become sick.

The owners should be in direct touch with the factories which will help them because the mid-level management who are responsible for running the factories are not educated enough or capable enough to run the show.

The workers and the owners are for each other. They cannot survive without each other. Therefore, the solution has been drawn keeping in mind the interest of the industry and the country.

If this sector collapses the total economy of the country will be drastically affected. From Pan Pacific Sonargaon Hotel down to the cosmetic company -- every sector will suffer.

For the industry I have got to say that we still have not taken enough measures to be competitive in the world market. A time will come when we will have to compete with China and other countries of the world.

K. Mowla Chowdhury is Managing Director, Niponika Garments Limited.

PIASH KARIM

I never met Nasreen Haq. When Nasreen was at the peak of her social activism, I was teaching in a liberal arts college in Mid-America, far away from the concrete, on the ground milieu of Bangladesh.

During my prolonged self-exile, I could have met her in the United States. I read in the newspapers that she received her Masters degree in Nutritional Sciences from University of California, Berkeley in 1989. That was the year when I was teaching in a Midwestern State University, hurriedly putting final touches on my PhD dissertation. But our paths never crossed in the diaspora universe of the metropolitan West. I could have met her in Dhaka, when I, on my sabbatical leave, was teaching in Gono Bishwabidyalaya. I remember being with Dr Zafrullah Chowdhury and Shirin Haq one evening in their Dhamond residence, along with their two Indian friends. No, I did not meet her then either.

Sayida Gulrukh first told me over the phone from Vancouver, Canada about Nasreen's death. The tragedy, with its suddenness, with the impacts that it left on the people's lives she touched in multiplicity of ways, was intensely moving. My sense of sorrow was exacerbated by a personal empathy for Zafrullah Bhai. Tragedy has this extraordinary ability to bring people, who have drifted apart for years, together.

A few days after that, I happened to call Dr Ahmed Kamal, the professor of history at Dhaka University. Kamal Bhai and Bhabi were visiting their daughter Shithi, in California. The first thing Kamal Bhai mentioned was how traumatised they were on the news of Nasreen's death. They could not sleep for a few nights thinking about Nasreen, Kamal Bhai said. The whole phone conversation, intended to be a routine social call, ended up being a reminiscence on Nasreen, her personality, her work, her memory.

There are speculations surrounding Nasreen's death. Questions are emerging from human rights activists. Was it a homicide? Did some individuals or groups wanted to obliterate her voice because of the threats she posed to the power that be? Because of her desire to speak truth to power? That concern was re-articulated in a recent meeting of Bangladesh Mohila Parishad, Ubining, Naripokkha, along with a group of lawyers, human rights activists, and researchers. It was suggested that Nasreen's position against the coal extraction plan by Asia Energy, her part in the movement against the plundering of our oil and gas resources, her stance against immunity offered to the World Bank may have something to do with her untimely death. Claims were made that she had stumbled across some important documents in regard to Asia Energy's questionable coal dealings. Death may be the price she had to pay for access to this forbidden knowledge (Jugantar, May 26).

Are these claims symptomatic of a conspiracy theory? Is there any empirical validity to these arguments? Did the driver act out of any individual malicious intent, or worked on behalf of some powerful interests? Or was it merely an unintentional episode of a momentary lapse? I do not know the answer to these questions. Knowing how things tend to unfold (or not to unfold) in Bangladesh, it is likely that we will never have any definitive answer.

Conspiracy theories are anchored in plurality of

social, psychological, epistemological, anthropological terrains. Among other things, it helps us deal with a messy, camera obscura reality that cannot be explicated through intersubjectively available empirical means. Conspiracy theories, in that sense, may also be forms of resistance -- resistance against a system that thrives on its determination and ability to shut the members of society out of the knowledge base that makes concrete differences in their lives.

But then again, the line of demarcation between conspiracy theory and critical appropriation of reality is often fuzzy, shifting. They may constantly, sometimes explicitly, sometimes unannounced, creep into each other's space. Assumptions of conspiracy, be it about global capitalism, transnational corporations, or authoritarian state, may very well be validated by real life. Critical theorisation, on the other hand, may gather its life blood from the narratives of conspiracy in everyday life. As W I Thomas once reminded us, if you define a situation as real, it becomes real in its consequences.

There is an abundance of reasons, in relation to issues of life and death, why foul play is often suspected in Bangladesh. Investigations barely reach their logical, legitimate conclusions whether it is about the killing of Kazi Arif, Shah AMS Kibria, or garments workers, bombings in Udichi function, Bangla Nababarsha celebration, or CPB and Awami League meetings. Justice is obscured and defeated by layers of self-serving vested interests. Our state acts and speaks in the language of RAB, our political rhetoric is constantly impregnated by Orwellian doublespeak, our citizenry is deprived of basic material rights, justice, access to knowledge. The speculations about Nasreen's death needs to be read in that larger context. We often have to take recourse to speculations because we are almost never on a solid ground of democratically accessible information.

In the mean time, the police will perhaps continue to interrogate the driver of that fateful car, a member of the working class, a husband, a father of two children. Knowing how police interrogation works in our country, it is likely that his legal rights will be transgressed every now and then. Confessions will be sought through intimidation and torture. It is also not beyond the realm of rational speculation that scapegoats will be sought to camouflage the real movers and shakers. And someday, perhaps we will stop talking about Nasreen, as we have ceased talking about many others before her. Life will continue to go on, with its day in day out crises, defeats, and struggles.

I never knew Nasreen personally. Our personal worlds only intersected through our location in a common slice of history, a common membership in a snippet of collective social existence. Our paths overlapped only through common friends and acquaintances. But I know definitely, in my bones, that while Nasreen's death is a tragedy for her family, for the people who came to know her, it is also symptomatic of the tragedy of our political life. It is an epiphenomenon of the legitimization crisis of our state apparatus.

The task of nurturing Nasreen's memory is thus a task of retrieving the truth. The battle for seeking justice is thus a battle for a transparent democracy.

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