

Tackling competitiveness constraints

Sharing experience from Bangladesh, Cambodia and Sri Lanka

The representatives from the workers, the garment factories and the government that participated in the tripartite meetings, met for a two-day conference on the 24th-25th of July 2006 in Bangkok.

[This article, the third in a series of three, is the outcome of a series of tripartite meetings among representatives of the government, the workers and the employers, facilitated by The Asia Foundation, and supported by the United States Agency for International Development (USAID)].

DR. NAUSHAD FAIZ

IN December 2005, The Asia Foundation, with funding from USAID, launched an eight-month regional project on Building Competitiveness through Economic Reforms in the Garment-Exporting Countries in Bangladesh, Cambodia and Sri Lanka during the post-MFA era.

In each of the countries, through a series of tripartite working meetings among employers, labour unions and the government, the three parties have come together to discuss areas of collaboration for improving the competitiveness of the ready-made garment (RMG) industry.

each of the countries is unique, it is useful for participants to know about the problems facing the other countries and how these problems are resolved.

The participants in Bangladesh expressed that the main factors adversely affecting the industry are inadequate infrastructure (e.g. poor quality of roads, railways and ports, and erratic supply of electricity and gas), inefficient and corrupt facilities (e.g. port and customs procedures), insufficient business support (e.g. high bank interest and charges), low level of labour standards and compliance (e.g. low wages and inadequate compensation, unsafe working hours, low level of productivity and skills, non-implementation of labour laws), and ineffective policy support.

In Cambodia, the industry's key actors expressed concern about issues including the deterioration of labour relations, ambiguity in the Labour Law, the lack of coordination and growing competition amongst unions, illegal strikes, low productivity of workers or high costs (specifically transportation and electricity). Participants also expressed that workers are not always fully informed about their rights and responsibilities and need more information on the

changing economic environment in the post-MFA context.

In Sri Lanka, participants raised their worries on labour-management relations, difficulties with recruiting/retaining workers, inflexible working hours (making it difficult for continuous production), long lead times (needed for quicker procurement of fabrics), low productivity and poor country infrastructure. Another interest of participants is to study whether "labour compliance" could be a source of competitive advantage for the industry, a consideration partly based on observations on Cambodia and the success of the ILO's Better Factories Cambodia program.

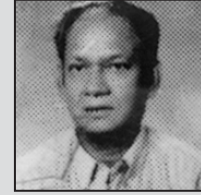
In both Bangladesh and Cambodia, participants have decided to continue the tripartite meetings after the end of the USAID-sponsored program and to maintain it as a platform for regular, open dialogue among the three parties. Both countries also agreed to publish a series of articles to promote understanding on the tripartite working meetings and the forging of partnership among labour unions, garment factories and the public sector. In Sri Lanka, participants selected three activities to be implemented by The Asia Foundation: the improvement of the capacity of small and medium factories to produce accurate quotes and samples for overseas buyers, a worker/employer survey

on changing from a five-and-a-halfday to a five-day work week, and a research study on health and safety for women in boarding houses.

For the last phase of this eight-month program, the representatives from the workers, the garment factories and the government that participated in the tripartite meetings, met for a two-day conference on the 24th-25th of July 2006 in Bangkok. This closed-door workshop, entitled "The End of the MFA in Asia: Eighteen Months Later," provided an opportunity for the tripartite participants from the three countries to exchange experiences and best practices. It also offered them an opportunity to exchange views, across countries and with international experts, on the state of the garment industry since the Multi-Fiber Arrangement (MFA), the quota regime governing the apparel industry, ended on January 1, 2005. The meeting focused on the experiences and opportunities for reform in the smaller garment-exporting countries of Bangladesh, Cambodia and Sri Lanka. The goal of this cross-country workshop is to foster a productive and open dialogue between the groups that need to work together to forge a coherent domestic response to the evolving global environment.

The contents are the responsibility of the tripartite meetings and do not necessarily reflect the views of USAID or the United States Government.

An unprovoked war



ARSHAD-UZ ZAMAN

ISRAEL has launched a totally unprovoked war against Lebanon. With the full support of the most powerful country on earth, the United States, the result is a foregone conclusion.

After nearly two decades of occupation and virtual destruction of the country, Israel withdrew from South Lebanon in 2000. The hard working Lebanese went immediately to work and successfully rebuild their beautiful country. The architect of this work was Rafik Hariri, who during the occupation of his country by Israel had built up a fund. The Lebanese are excellent businessmen and are successful not only in Lebanon but much farther afield like in Africa.

For many years Lebanon, because of its geographic location, has been a theatre of war in which she had no interest or participation. Tiny Lebanon does not believe in military preparedness of any kind. For years its powerful ally Syria stationed troops in Lebanon. It was an eyesore for Israel. She has often had clashes with Syrian forces in Lebanon. Palestinians have for many years used Lebanese territory to defend themselves against Israeli attacks and carry out forays within Israel. In 1982

THE HORIZON THIS WEEK

The world chanceries have been busy trying to find a solution. Demonstrations in world capitals have been denouncing Israeli aggression. The UN Secretary General cries hoarse for a cease fire. The Middle East has become a sordid tale. Israel because of her vastly superior fire power and the unconditional support of the USA (it has been reported that the US is supplying more precise bombs) continues her campaign of death and destruction until Uncle Sam decides that the dangerous child had enough blood spilling for the time being and calls a halt. The world has nothing better to do but to wait for that day.

Palestinian under constant attack from the Israelis had to shift their headquarters to Tunis, the capital of Tunisia.

It is at this time that the powerful organisation Hezbollah started operating from South Lebanon, which was under Israeli occupation. Clashes between the two were frequent. After the withdrawal of Israel from South Lebanon, as a part of the deal Syrian troops left Lebanon after decades of stay. Lebanon breathed more easily and life started returning to normal in this beautiful country, also considered play ground of wealthy Arab Sheikhs and Emirs.

In recent times Israeli settlements were dismantled in crowded Gaza under the leadership of former Israeli Premier Ariel Sharon. Sharon, with the full support of the US pulled out of Gaza and had plans of dismantling Jewish settlements in the West Bank, when he was incapacitated due to a stroke. His job has been taken up by his successor Ehud Olmert.

The Palestine-Israel equation has become complicated due to free and fair elections in Palestine, which saw the victory of Hamas against Fatah of

Mahmoud Abbas, who has succeeded Yasir Arafat. Under the leadership of Arafat Fatah has put Palestine on the map. of the world. The emergence of Hamas has totally unsettled the Israelis. They have refused to deal with Hamas and taking a cue from them President Bush has stayed away from Hamas and more surprising the European Union (EU) as well. For many years Hamas has been a thorn on the side of Israel and successfully faced Israeli onslaught in the field.

In the latest turn of events one Israeli soldier was abducted in Gaza by Hamas fighters and two others in South Lebanon, apparently by Hezbollah. Using this as pretext Israel has launched a virtual war on Lebanon, which according to Israel is limited in scope and she has no intention to reoccupy Lebanon. She only wants to destroy Hezbollah, who according to them are still near South Lebanon. The massive attack by air and land gives a lie to such claim. Poor Lebanon lies in ruins.

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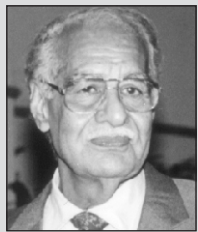
Israeli aggression. The main players on the stage are the US, France, Britain and Germany. Whereas the Europeans attempt to bring about a cease fire, the US was merrily supporting Israeli onslaught against defenseless Lebanese, giving the Israeli war machine time to create further havoc. Meanwhile UN Secretary General cries hoarse for a cease fire. Thousands of foreign nationals including Bangladeshis are attempting to flee the war ravaged zone.

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The world has nothing better to do but to wait for that day. Meanwhile what about the murmurings sotto voce on impeachment of George W. Bush.

Arshad-Uz-Zaman is a former Ambassador.

Changing goalposts



KULDIP NAYYAR writes from New Delhi

IN principle I am against the bomb. When India exploded it, I paraded on the streets of Delhi, along with 5,000 people, to register protest. On Pakistan following suit, I met the then Prime Minister Nawaz Sharif at Islamabad to express my horror. He defended himself by pointing out that he would not have exploded the bomb if Prime Minister Atal Behari Vajpayee had not done so.

Probably so, India's own stand has changed in the last four decades or so. Mahatma Gandhi was firmly opposed to the bomb. So was Jawaharlal Nehru. In his fortnightly letter to state chief ministers, Nehru said that he was against all nuclear arms tests, over-ground or underground. In a preface to a book by D.S. Kohari, a scientist, Nehru criticised nuclear weapons and the havoc they could cause. Still, the Congress government went ahead to produce the bomb while the BJP-led coalition exploded it. What has revived the debate on its use or control after several years is the Indo-US nuclear agreement which is taking the shape of a law. I wish we had been leading a movement on nuclear disarmament the world over. But we have got stuck in a bilateral agreement with America. The treaty is looking more and more unequal as it unfolds itself.

There are no two opinions that India's needs for energy are immense and immediate. Whether Nehru would have gone through Washington as Prime Minister Manmohan Singh has done is difficult to imagine because India has represented the non-aligned world. Nehru was, however, clear that "whatever policy we may adopt and whatever laws we may frame, the basic fact is scientific and industrial progress," not nuclear weapons.

That Manmohan Singh chose Washington to help New Delhi overcome its energy problems is

BETWEEN THE LINES

New Delhi has yet to contradict the CPI(M)'s allegation that CIA has penetrated our intelligence system. Rabindra Singh, the missing RAW man whom America helped cross Nepal, is now living in Virginia. New Delhi made no fuss about it. One US third secretary had intimate relations with certain RAW and IB officials and had returned to America safely. Our problem is the presence of Washington Patriots in our midst as we had Peking Patriots during the 1962 war against China.

not wrong. What is wrong is to allow America to shape and reshape the agreement to suit its own policies and perceptions. President Bush's undertaking was to give India exactly the "same rights and privileges" as five recognised nuclear powers have. Secretary of State Condoleezza Rice has reminded us that India will never be a member of the nuclear club. We knew this from the beginning and did not mind the undefined status so long as the same "rights and privileges" were given to us. Whatever changes the US Congress and the Senate have in the original bill go beyond the agreement. New Delhi has kept its people in the dark because of drumbeaters and vested interests in the country. My suspicion is that the US administration expected its legislative bodies to recommend what they had in view and what New Delhi was reluctant to concede. The closed-door briefings to Senators and Congressmen were for that purpose. But it has left New Delhi in the lurch, at a stage where it cannot gulp down all that America wants it to do and at the same time it cannot leave whatever it is getting because it needs energy badly.

It is apparent that Washington has changed the goalposts, although President Bush denies the allegation. I shall go by what our top scientists say. They are worried and irritated because what is emerging will come in the way of India's independent action. One eminent scientist has gone to the extent of saying that India would have been better off by signing the Non-Proliferation Treaty. Former foreign minister Yashwant Sinha has pointed out how a deal for nuclear energy has turned into an exercise on non-proliferation. Manmohan Singh's "concern about certain aspects," the phrase he used at the G-8 sum-

mit in St Petersburg before talking to Bush, indicates that America led us up the garden path. It is good that we discovered this before our parliament adopted any legislation. We should ask America to implement the joint statement made by Manmohan Singh and Bush last July in letter and spirit. That the US Congress and the Senate have passed different bills, contrary to the undertakings given, is America's problem, not ours. India was promised that none of our facility would be placed under international safeguards scrutiny until all trade and technology restrictions on Delhi were lifted. Now "full civil cooperation" is not on the plate because the US Senate has ruled out the export of different nuclear technologies except under tightly controlled circumstances.

America had agreed to India's discretion to separate civilian nuclear facilities. Now New Delhi has to provide the International Atomic Energy Agency (IAEA) a "complete" declaration of civilian nuclear facilities and materials. The agreement with the IAEA will not be India-specific but one that conforms to its "standards and principles."

Now that parliament is discussing the deal it should be examining it word by word, rejecting what has been added after the joint statement. The Manmohan Singh government should realise that a lot of fears have been aroused because of observations made by the US administration and its two houses. The Prime Minister should take the country into confidence to allay people's apprehensions. Transparency is also the best way to meet the criticism that there are certain underhand dealings. He should also be attending to the new development that Pakistan is building a powerful new reactor

for producing plutonium.

India should not be in arms race and should be concentrating on getting energy fast. It is willing to cooperate with America for "restructuring of the international system" but not on conditions which are out of the joint statement. Manmohan Singh has reportedly complained to Bush about additions and he has promised to do something. My hunch is that Bush too wants most of the restrictions which the Congress, the Senate and the State Department have placed. I hope I am wrong.

Whatever the outcome, the nuclear deal will have an impact on India-US relations. The deal is the first major step that America is taking for proving that India is its "strategic partner" in this part of the world. Yet the manner in which the agreement is being annulled indicates that the US administration remains the same grasping, unrelenting power and knows no bounds to serve its interests.

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Our problem is the presence of Washington Patriots in our midst as we had Peking Patriots during the 1962 war against China. They are spreading the impression that the nuclear deal was the best thing that had happened to India. I hope the government realises that they represent the interest of America and not that of India.

Kuldip Nayyar is an eminent Indian columnist.

How efficient is our public expenditure management?

There are, of course, some weaknesses in Bangladesh's public expenditures programme. Low effectiveness of capital spending, inadequate attention to operations and maintenance, inappropriate employment and pay policies, and the existence of fairly large subsidiaries etc. are the most important factors that affect sound economic management. However, despite all these weaknesses, public expenditure management in Bangladesh is broadly consistent with government's economic and social development policy objectives. The success in the social sector can be attributed to three factors: (i) the priority given by governments, (ii) strong support from various stakeholders in pursuing human development objectives, and (iii) an improved policy framework that enabled considerable innovation.

MD. MATIUR RAHMAN AND DR. HARIPADA BHATTACHARJEE

BETWEEN 1972 and 2003, Bangladesh raised its dollar per capita income fourfold, reduced poverty by more than a third, increased life expectancy by more than 40 percent and enhanced gross primary enrolment by over 80 percent (World Bank 2005). This remarkable progress is a testimony to the resilience and determination of a dynamic young nation and gives hope that with continued determined effort it can look forward to further gains with development.

Notwithstanding past progress, Bangladesh is still amongst the poorest countries in the world with only \$400 per capita income. It will take over 40 years of growth at this pace simple to reach the current per capita income level in Malaysia. The World Bank estimated that Bangladesh could aspire to become a middle-income nation over the next 15-20 years if its per capita growth rate rose to around 5.5 per cent. To achieve this, Bangladesh needs, among other things, a sound public expenditure management.

Generally, economic management in Bangladesh has been sound over the last decade. The country achieved decent rates of growth, a steady reduction in poverty incidence, relatively low inflation, and fairly stable domestic debt, interest, and exchange rates. Public expenditure allocation by broad categories such as interest payments, education, health, agriculture, transport, public order and safety, and others shows that the country is much better than India, Pakistan and Sri Lanka. Each of these countries spends over 6 percent of GDP on interest payments. Our defence spending is also much low 1.3 percent of GDP. India, Pakistan and Sri Lanka spend

2.4, 4.5 and 4.9 percent, respectively, of their GDP on defence (World Bank, 2005). Besides, the role of Bangladesh's defence forces in international peace keeping is a source of significant foreign exchange earning.

One notable feature in public expenditure spending of the government has been the shift of spending from agriculture and industry to the social sectors. Total expenditures on education, health, the social safety net and disaster management are currently about one-third of total budgetary expenditures. Outcomes in the social sectors have been even better than in the physical infrastructure areas.

Bangladesh's budgetary expenditures have not been hampered by high share of interest payment. Bangladesh has avoided excessive reliance on domestic and foreign borrowing, unlike its neighbours. Debt servicing has increased significantly, reflecting the increasing cost of domestic borrowing through nationalised commercial banks and foreign suppliers' credit. GoB spends the equivalent of less than one percent of GDP on the safety net programmes. However, the ratio of expenditures on safety net programmes as percentage of GDP and public expenditures has been declining. While expenditure on social sectors have remained fairly constant since the mid-1990s -- in the range of 3.5-4 per cent annually -- safety net expenditures now make up less than 20 percent of all social sector expenditures, down from 30 percent in the late 1990s, indicating crowding out of social assistance.

Safety net programmes roughly cover below 10 percent of poor individuals and are administered by a large number of agencies. Benefit incidence analysis of the safety net programmes reveal that these are essentially pro-

poor. For example, Food for Work programme provided about 75,000,000 hours of works in rural areas, Vulnerable Group development programme assisted about 480,000 households by providing food for the poor, National Nutrition programme helped significant reduction in poverty, improved school enrolment, particularly for girls (World Bank 2006).

Another study by the World Bank (2005) shows that the overall system of public expenditures on education and health are pro-poor. For example, primary education (40% of all current educational spending) is strongly pro-poor. The share of the poor of all public health expenditures has been increasing and currently it is estimated at 45 percent. The essential service package (ESP) allocations to "child health" are the most equitable and strongly pro-poor.

There are, of course, some weaknesses in Bangladesh's public expenditures programme. Low effectiveness of capital spending, inadequate attention to operations and maintenance, inappropriate employment and pay policies, and the existence of fairly large subsidiaries etc. are the most important factors that affect sound economic management.

The weak expenditure management combined with other institutional weaknesses has compromised the quality of public services. The most glaring examples of poor public service delivery are the deteriorating law and order situation; the high perception of corruption and citizens' dissatisfaction with services; and an inefficient bureaucracy that still maintains tight control over critical business processes. Moreover, Annual Development Programme (ADP) includes many projects that are questionable. Such projects regularly find their way into the ADP mainly

because of the weaknesses in the system of project management. For example, ADP expenditures under Roads and Highways Department include about 800 sub-projects with annual ADP allocations of about 2 to 3 percent of their project costs, implying that it would take 30 to 50 years to complete these projects (World Bank 2005).

Another area of weak public expenditure management is the large hidden subsidies and growing contingent liabilities, which are not reflected in the budget. Direct subsidiary currently amounts to less than 0.5 percent of GDP and is given to school textbooks, fertiliser distribution and several non-traditional export items. Indirect subsidiary is estimated to 2.6 to GDP and is given to gas and electricity prices. Large contingent liabilities have been accumulated on account of state owned enterprises.

However, despite all these weaknesses, public expenditure management in Bangladesh is broadly consistent with government's economic and social development policy objectives. The success in the social sector can be attributed to three factors: (i) the priority given by governments, (ii) strong support from various stakeholders in pursuing human development objectives, and (iii) an improved policy framework that enabled considerable innovation. Recently government has taken efforts to prepare a medium-term expenditure framework. International experience suggests this can be a powerful tool to improve the effectiveness of public spending provided it is well implemented.

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