

Commentary

Structural Adjustment conditionalities : Imposed but needed

By Abu Ahmed

In the last week, senior bankers, high government officials and researchers gathered in the conference room of Bangladesh Institute of Bank Management (BIBM) to participate in a seminar on Structural Adjustment. The Finance Minister, who inaugurated the seminar, left the venue at the tea break followed by most of the bankers. Paper writers and a few other participants carried the seminar to the conclusion at 2 pm. The seminar's deliberations seemed to be important and useful to the audience as Bangladesh has already been subjected by World Bank and IMF to structural adjustment conditionalities almost in every economic field.

The of structural adjustment which was once used only to address the external balance of payment problem of the aid receiving country has now spread over to all micro sectoral levels. The need for all-embracing structural adjustment programme came in the wake of the failure of World Bank's project financing programme in the sixties and seventies.

The Bank's experience showed that financing of a project in isolation did not help a country to be on a right track for development as the other economic policies were not adjusted to support the one being pursued by it. IMF, which also hitherto confined its functions to short-term money lending to overcome temporary balance of payment problem of a country, came forward to coordinate its work with the Bank.

Since the beginning of this

decade the structural adjustment programmes set to cover areas like interest rate policy, credit ceiling and management, public expenditure and deficit, tax system, public enterprise, pricing of public sector commodities, trade policy and exchange rate. Both the institutions use the Structural Adjustment Facility (SAF) and Structural Adjustment Loan (SAL) as weapons to attain the stated goals. The programmes are detailed and the conditionalities spelled out in the Policy Framework Papers (PFPs) most parts of which are prepared by the experts from donor agencies.

The conditionalities contained in PFPs are now much harder than they were in the past. The weaker the aid receiving country, the more its options are limited with regard to acceptance of the conditionalities. The other donor agencies like Asian Development Bank (ADB) and US-AID are also coordinating their aid programmes with those of the IMF-World Bank. In other words, the poor aid receiving countries now have little choice of managing their economies in their own way.

However, the question is not whether the IMF-World Bank-led donor agencies are coming hard with conditions for aid disbursement. The important thing is why we need so much of aid from them despite so many conditionalities.

Empirical evidences show many of the poor aid hungry countries of the South, which often cry wolf in the face of conditions attached to aid, are trapped in a low-level economic condition due to their

own mishandling of the economies. They, in most cases, lived beyond their capacity, spent more than what they earned, built up a large public sector at the cost of subsidised fund, lived with a bloated and corrupt administration, extended welfare system to most of their people like charity, as well as adopted policies which made their people further idle.

In these countries low quality politics further compounded the problem; emotion and commotion led the way, no brake was put on to the unleashed social forces, and a psychic developed to grab the wealth before it is created.

We in Bangladesh represent a typical underdeveloped country with the characteristics stated above. No amount of foreign resources whether grant or aid seem to cure our problems. Why? Simply because we ourselves are not trying to alleviate our problems. Our revenue expenditures consume all that the government collects from taxes and other sources. This puts us on a track to look for aid on a continuous basis for financing our development programmes.

Who told us to enlarge the size of our administration so much to eat up the whole of the government's income? None. It is our own making. We have a trade union which is hardly amenable to logic; but the politicians also prop it up to go and raise all the unreasonable demands in the world. Our jute sector started losing perhaps a decade earlier, but we kept feeding it with bank's money at the direction of the governments. The mood here is that no business or organisa-

tion can be shut down, once started, even if it is not viable. We used the Development Financing Institutions (DFIs) like BSB, BSRS and ICB for funneling money to non-viable projects, and we face a huge pile of stuck loans.

Now, when the donor agencies stopped funding these institutions further we find bad with them. When did the Bangladesh Bank issue the BCD circular No. 34 outlining more stringent conditions for making advance and classifying of loans? It was only when some of the commercial banks were found breaking the basic principles of fund management leading to the insecurity of depositors' money. But many afterwards were heard complaining, specially in the banking circle, that the circular was made at the dictate of the IMF.

It seems we are confused as to how to set our house on a right track. Why? This seems unintelligible. There are lot of experts around who understand the issues, and also know how to handle them. But their existence is simply overshadowed by those raising slogans in the opposite directions.

Yes, it is true that the rich countries of the North do not go for structural adjustment. But they can go without them by dint of the sheer size and strength of their economies, and also by nursing the concept of 'safe haven' for other people's money. What is an irony is that we cannot go that way.

(The writer is an Associate Professor of Economics at Dhaka University)

Comics on auction

NEW YORK, Dec 20 : Cartoon fans battled it out to claim their favourite superheroes at an auction of comic book art Wednesday, reports AP.

The top price paid was 77,000 dollar by an unidentified collector for an oil painting of Vampirella, a nude woman with fangs shown standing with her foot on a skull.

Exchange Rates

(Valid for Dec 21)

SELLING AND BUYING RATES, offered by Commercial Banks, for Bank Cheques, (BCs) and Overseas Drafts (ODs)

One Unit of Foreign Currency (FC) for Taka

FCs	Selling	Buying
US Dollar	38.7126	38.2165
UK Pound Sterling	70.7755	70.7470
German Deutsche Mark	24.6451	24.3138
French Franc	7.2111	7.1147
Saudi Riyal	10.3518	10.2191
Dutch Guilder	21.8715	21.5790
Pakistan Rupee (AMU)	1.5525	1.5376
Singapore Dollar	23.5406	23.2390
US Dollar	10.5763	10.4408
Kuwait Dirar		Not available
Indian Rupee		
AMU	1.4889	1.4747
S. Kroner	6.7826	6.6736
*AMU/Asian Monetary Unit		

Wage Earners Fund/Export Performance Benefit (XPB) Fund

US Dollar	38.88	38.73
UK Pound	70.65	70.70
Saudi Riyal	10.34	10.39
UAE Dirham	10.57	10.62

The rates of Pound Sterling are decided basing on the cross-rates of New York market

Hides & Skin

(Wet/Salted)

December-19

(Taka per 100 pieces)

Cow	15,000.00	30,000.00
Light	50,000.00	57,000.00
Medium	58,000.00	65,000.00
Heavy	66,000.00	72,000.00
Very heavy	66,000.00	72,000.00
Rejected	22,000.00	25,000.00
Goat		
Light	8,500.00	9,800.00
Medium	6,500.00	7,500.00
Rejected	3,000.00	4,000.00
Sheep	8,500.00	8,800.00
Buffalo	5,400.00	6,000.00

Source: Sonali Bank

Gold & Silver

December-19

(Taka for 11.66 grams)

Gold	6,200.00
Tejpat	6,100.00
Silver	200.00

Source: Department of Agricultural Marketing

Price Index

Essentials

December-19

RICE	(Taka per kg)
Aman(Lino)	14.00-15.50
Fajam	13.00-14.00
Uthi	13.00-14.00
VEGETABLES	(Taka per kg)
Potato(New)	7.00-8.00
Brinjal	5.00-6.00
Karolla	14.00-16.00
Lalshut	2.00-3.00
Paps	4.00-5.00
Green Banana (Four Pieces)	5.00-6.00
OTHER FOODGRAIN	(Taka per kg)
Flour	12.00-13.00
Atta	10.00-11.00
FISH	(Taka per kg)
Rubi(hg)	130.00-140.00
Katla(hg)	94.00-100.00
Hilsa	
Pangas	115.00-120.00
Shrimp(hg)	90.00-100.00
Singi	45.00-50.00
Lalshut	60.00-70.00
EGG (Apen)	
Hen	10.00
Duck	9.00
Fim	11.00
PULSES	(Taka per kg)
Mash	28.00-30.00
Moogh	28.00-30.00
Chikla	23.00-24.00
Kharai	14.00-15.00
OIL	(Taka per Litre)
Mustard	52.00-54.00
Soyabean	36.00-37.00
Cocunut (Colombo)	75.00-80.00
Vegetable (Uth)	45.00-48.00
SPICES	(Taka Per kg)
Onion	17.00-18.00
Garlic	40.00-44.00
Chillies	80.00-85.00
Turmeric(Round)	50.00-52.00
Cori (Long)	54.00-56.00
Green chillies	20.00-22.00
Cinger	12.00-14.00
Cinnamon* (10gms)	3.00-3.50
Cassiamom* (large)	3.00-4.00
JHLS (50gms)	6.50-7.00
MILK (Two kg)	
Desi	268.00-269.00
Red-Cow	263.00-264.00
White	254.00-255.00
MISCELLANEOUS	(Taka)
Cheese	220.00-240.00
Salt	7.00-7.50
Sugar	27.00
Molasses	15.00-16.00

Source: Department of Agricultural Marketing

Dhaka Stock Prices

At the closing of trading on Dec 12 and 19, 1991

			December 12	December 19	High	Low
Company	EV/ML*	Taka	Taka	Taka	Taka	
BANKS (10)						
AL Baraka Bank	1000/1	1070.00	1070.00	1070.00	1070.00	725.00
AB Bank	100/5	177.00	177.00	177.00	185.00	135.00
City Bank	100/5	270.00	270.00	270.00	290.00	178.00
LFIC	100/5	180.00	180.00	202.00	140.00	
Islami Bank	1000/1	1300.00	1300.00	1400.00	1000.00	
National Bank	100/5	104.33	104.33	125.00	102.00	
Pubali Bank	100/5	100.00	100.00	110.00	85.00	
Rupali Bank	100/10	88.00	88.00	110.00	68.00	
U.C.B.L.	100/5	120.00	120.00	138.00	119.00	
Uttara Bank	100/5	190.00	190.00	230.00	160.00	

INVESTMENT (06)						
ICB	100/5	93.00	93.50	100.00	90.00	
1st ICB M.Fund	100/5	345.00	345.00	450.00	345.00	
2nd ICB Fund	100/5	153.00	153.00	200.00	150.00	
3rd ICB M. Fund	100/5	132.00	132.00	168.00	130.00	
4th ICB M. Fund	100/10	125.00	125.00	177.00	123.00	
5th ICB M. Fund	100/10	93.00	93.00	125.00	94.00	
6th ICB M. Fund	100/10	85.00	85.00	100.00	59.50	
Sales Price		116.00	116.00			
Re-purchase		111.00	111.00			

INSURANCE (04)						
BCIC	100/10	105.00	104.50	127.50	104.00	
Green Delta	100/10	113.00	113.00	122.00	104.50	
Peoples	100/10	120.00AL	120.00	133.00	108.00	
United	100/10	128.00	127.00	133.00	105.00	

ENGINEERING (19)						
Afab Automobiles/100/5	185.00	182.00XD	220.00	194.00		
Atlas Bangladesh/1050	40.00	40.00XD	49.97	36.00		
Aziz Pipes	100/5	246.00	246.00	300.00	218.00	
Bangladesh Autocars/100/5	70.00	70.00	123.00	86.00		
Bangladesh Lamps/100/5	235.00	235.00	290.00	230.00		
B. Thai Aluminium/100/10	87.00	85.00	110.00	75.00		
Bengal Carbide	100/5	230.00	230.00	250.00	230.00	
Bengal Steel	10/50	18.00	18.00			
Eastern Cables	100/5	89.00	87.00	109.00	75.00	
Howler PVC	100/10	100.00	99.00	122.00	97.00	
Karim Pipe	100/5	130.00	130.00	139.00	110.00	
Metalex Corp.	100/5	120.00	120.00	153.00	75.00	
Monno Staffers	10/05	200.00	200.00	200.00	200.00	
Monno Jute	100/5	240.00	240.00	240.00	210.00	
National Tubes	100/10	122.00	122.00	148.46	103	
Panther Steel	10/50	6.00	6.00	6.00		
Quamem Drycells	10/50	8.25	7.51	9.30	7.50	
Rerwick Jute/100/5	99.83	90.00	100.00	48.00		
Singer Bangladesh/100/5	700.00	700.00	1125.00	700.00		

FOOD & ALLIED (21)						
AB Biscuit	100/5	180.00	180.00	200.00	180.00	
Alpha Tobacco	10/50	48.00	48.00	48.00	48.00	
Aman Sea Food	100/5	36.00	36.00	40.00	36.00	
Apex Food	100/5	450.00	450.00	450.00	270.00	
Aroma Tea	100/5	70.00	70.00	85.00	45.00	
Bargus	100/5	155.00	155.00			
Bengal Food	100/5	113.00	112.00	255.00	112.00	
B.L.T.C.	100/5	500.00	500.00	500.00	400	
B.T.C.	10/50	38.00	38.00	83.00	35.00	
Citg. Vegetable	100/0	140.00	97.50	117.00	92.00	
Dhaka Vegetable	100/5	145.00	142.25	175.00	127.00	
E.L. Cerealia	100/5	1000.00	1000.00	500.00	1000.00	
Frogleg Export	4.50	4.50	4.50	6.75		
Gemini Sea Food	100.00	100.00	100.00	100.00	100.00	
Modern Industries/100/5	180.00	180.00	180.00	135.00		
N.T.C	100/5	280.04	180.04	282.00	220.00	
Rabeya Flour	10/100	NT	NT			
Rupan Oil	10/100	6.30	6.30	7.50	5.75	
Tulip Dairy	100/10	95.00	95.00	105.00	90.00	
Yousuf Flour	10/50	NT	NT			
Zeal Barga Sugar	10/50	11.50	12.46	15.59	7.50	

FUEL & POWER (03)						
Padma Oil Co.	10/50	40.00	40.00	45.00	40.00	
Eastern Lubricant/10/50	NT	14.00	14.00	81.50	46.50	
Oxygen	10/50	47.00	47.88			

JUTE (12)						
Ahad Jute	100/10	NT	NT			
Anowara Jute	10/50	NT	NT			
Delta Jute	10/50	8.50	8.50			
Gawsta Jute	100/50	NT	NT			
Islam Jute	100/5	75.00	75.00	75.00	53.00	
Jute Spinner	100/5	95.00	95.00	100.00	93.00	
Mutual Jute	100/5	100.00	100.00	100.00	50.00	
Northern Jute	10/50	NT	NT			
Sh						