

Capital Market Development: ICB-Gram Bangla Unit Scheme

by Maj. Gen. M A Matin (ret'd)

WORLD Development Report-1990 expresses satisfaction that the developing world has made phenomenal economic progress during the past three decades. Incomes and consumption are rising, and consumption per capita between 1965 and 1985 showed a record-rise by almost 70 per cent. Life expectancy, child mortality, and educational attainment have all improved markedly. Perspectives of income and consumption, and social indicators establish that the developing countries are advancing much faster than today's developed countries did at a comparable stage.

And in spite of all these achievements/attainments, more than one billion people in the developing world are still in abject poverty, struggling to survive on less than US \$370.00 a year. Life expectancy in Sub-Saharan Africa is just 50, and in Japan it is almost 80 years. Mortality among children under 5 in South Asia exceeds 170 deaths per thousand, and in Sweden it is less than 10. More than 110 million children in the developing world lack access to primary education, and in the industrial countries anything less than universal enrollment would rightly be regarded as unacceptable.

These stark contrasts give clear proof of the continuing toll of human deprivation. The most pressing issue for the world today is: HOW TO REDUCE POVERTY? In this closing decade of twentieth century, let the north and the south, the rich and the poor, the developed and the developing countries alike take a solemn vow in the name of humanity to eradicate poverty, hunger and disease from the surface of our beautiful world.

Bangladesh is one of the poorest countries in the world. More than 85 per cent of her people live in villages, and most of them are poor. They are poor because they lack assets as well as income. In rural community wealth and status come from the land, and disadvantaged households are typically land-poor or landless. Poverty in Bangladesh is highly correlated with landlessness. POPULATION PRESSURE is the FACTOR adding to the burden of poverty. Depletion and over exploitation of resources, deterioration of the environment, landlessness, hunger, disease and all exude from the ever rising pressure of population. In a recent seminar cum workshop on "biological nitrogen fixation associated with rice", the Minister for Agriculture said that in 1972 the food production in the country was 9 million tons, and in 1991 it rose up to 18 million tons, but self-sufficiency in food was yet to be achieved. Vast population with a density of over 1556 per square mile (highest in the world), he added, was the root cause of hunger.

The demographic characteristics of the poor indicate household with the lowest income per person tend to be large, with many children or other economically dependent members. Bangladesh was 2.7 p.c. in 1965-80, and 2.8 per cent in 1980-85, and with this trend the size of population would be 145 million by 2000 and 219 million in 2025. The infant mortality rate (per thousand live births) was 144 in 1965 and 118 in 1988. A very dismal picture emerges from the demographic studies of the country. In a recent briefing-session with the Bangladesh Overseas Correspondent's Association, the Minister for Health said that Tk. 2,777 crores had been earmarked for development of health sector. Bangladesh now spends about 4.6 per cent of the national budget for population control and 2.7 per cent for health. Increased government spending is not always the answer to improving the well-being of poor people. Better allocation of expenditures within the sector and more efficient use of funds are often more important.

The twofold strategy for reducing poverty has already shown promise. With the restoration of democracy in the country, the poor have a say in political and economic decision-making, and the Government is also pursuing the two-fold strategy. No task should command a higher priority for the Government than that of reducing poverty in the country. Public spending that is well-designed and accurately targeted can play effective role to combat poverty. The fundamental issue in economic development is of course the eradication of poverty.

Growth indicates the overall economic development, but it does not automatically improve the living condition of the

poor. Most of poor in developing countries depend on income from labour — from work on their own land, from wages, or from other self-employment activities. To create economic opportunities for the poor, the development strategy must entail: (1) broad based rural development (avoidance of excessive taxation on agriculture, providing strong support for rural infrastructure, technical innovations accessible to small farmers), and (2) rapid industrialisation (capital market development, privatization and internationalisation of securities market, and market friendly approach), (3) improvements in health, education and other social services. Poverty and population growth reinforce each other in a number of ways. Low wages (especially for women), inadequate or no education, and high infant mortality — all linked to poverty — contribute to high fertility rates and thus to rapid population growth. Population growth neutralises all development efforts, progress, achievements in the country. And for our survival this problem deserves all attention for effective control what ever the cost, and FAMILY PLANNING of course is the only way.

Issues relating human problems are inextricably interrelated. The barriers to make 'family planning' acceptable in rural Bangladesh have been identified; and they are: (1) economic insecurity, (2) child mortality, (3) poor health and

nutritional status of children, and (4) girls considered as economic burden. Investment Corporation of Bangladesh (ICB) in 1989 developed a concept to provide that much needed economic security, through capital market activities, to make 'family planning' an acceptable social norm in rural Bangladesh. GRAM-BANGLA UNIT SCHEME was that much coveted concept, an innovated financial instrument. Gram Bangla Unit Fund was planned to be an open-end fund, and through allocation/investment of 500 Gram Bangla Units (GBU) per selected destitute family the scheme envisaged to provide: (1) a low cost house, (2) much needed fund for income generation under self-employment activities, and (3) 500 units dividends in cash or additional units (after necessary adjustment of Tk. 50,000.00 issued as loan for allotment of 500 units) after a stipulated period of 10-15 years depending on adjustment of loan. And in return voluntary adoption of permanent family planning measures both by husband and wife (having two children) was expected. Certain terms and conditions were worked out by ICB for selection of families for this scheme. Poverty to prosperity, dependency to self-reliance were what this scheme planned to achieve, and no security was required and no payment was to be made. ICB through this scheme would take care of this package offer. Once a complete economic se-

curity for the family could be ensured all the barriers would shrink and gradually disappear. For better tomorrow acceptability of family planning measures would increase.

Low Cost Housing: Security and health are directly linked with housing, and standard of housing of course deserves the following minimum considerations — (1) cheap and cost effective, (2) strong enough to bear the brunt of the country's weather conditions, (3) comfort and convenience for cooking, living, sleeping, washing, bathing etc., (4) proper ventilation, (5) proper latrine facility, (6) tubewell, (7) simplicity in construction and easy in maintenance, (8) Storage facility for grains etc., facility for keeping cattle, chicken etc., (9) maximum use of local materials, but no use of timber and bricks (as timber is used to burn bricks, and thus causes — deforestation).

Under Bangladesh Tea Rehabilitation Project low cost housing was undertaken in 1989 on experimental basis for the tea garden workers. Project Development Unit (Bangladesh Tea Board) and Duncan Macneill & Co. Ltd (Srimangal) with the help and advice of HBRI (Dhaka), Building Research Establishment (Department of Environment), UK produced /constructed 8 samples: (1) Mertinga House (modified) 391 sq. ft. Tk 156.00 per sq. ft. brick walls with CGI sheet roofing on timber truss; (2) Hollow Block Walls and L-

Panel Roof-391 sq. ft. Tk 138.00 per sq. ft. 8 thick hollow concrete block walls with ferrocement L-Panel Roof and reinforced concrete window/door frames; (3) Hollow Block Walls and FC Channel Roof-375 sq. ft. Tk 154.30 per sq. ft., 8" thick hollow concrete block walls with flat ferrocement channel roof and metal window/door frames, shutters and grilled verandah; (4) Hollow Block walls and Folded Plate Roof-391 sq. ft. Tk 119.00 per sq. ft., 8" thick hollow concrete block walls with ferrocement folded-plate roof and metal door/window frames and shutters, grilled verandah; (5) Hollow Block walls and fibre Tile Roof-391 sq. ft. Tk 124.00 per sq. ft., 6" thick hollow concrete block walls with fibre tile roof supported on timber structure, r.c. chowkats with timber shutters; (6) Cement Stabilised soil Block Walls and In-Situ Ferro Cement Arch Roof-372 sq. ft. Tk 107.50 per sq. ft., walls made of as-dug soil blocks stabilised with 4 per cent cement, parabolic arch roof made of ferro cement cast in-situ;

Analysing the above details, it can safely be concluded that house with cement stabilised soil block walls and in-situ ferro cement arch roof is the cheapest pucca design using very little cement. For making cement stabilised soil blocks, BREPAK machine (developed by Building Research Establishment, UK) is to be imported timber and bricks



Canal digging in progress in the villages of Bangladesh.

have not been used. Such a block making machine could encourage income generating activity.

The main purpose of this credit and of course of this scheme is to establish a steady stream of income. World Development Report-1990 and United Nation's International Comparison Programme give the following picture of Bangladesh on income distribution and OOP per capita: GDP per capita (US-100) 1985 — 5.00 percentage share of household income (by percentile group of households) 1981-82: lower 20%-9.3 second quintile-13.1, third quintile-16.8, fourth quintile-21.8, highest 20%-39.0, highest 10%-24.9. The total external debt (outstanding as in 1988) — 10.219 million dollars.

GRAM BANGLA UNIT SCHEME, I am positive, can effectively check the population growth of the country, and can lift millions out of

poverty, 4.6 per cent of the national budget is earmarked/spent for population control every year. For Gram Bangla Unit Scheme, this could be the possible source of fund (Credit on long term basis). The total benefits that could be reaped from this scheme: (1) effective control of population growth, (2) solution of rural housing problem, (3) establish steady stream of income, (4) solution of unemployment problem, (5) increase domestic savings, (6) improve law and order situation in the rural areas, (7) increase productivity, (8) increase market activities, (9) capital market development and broad-based ownership of enterprises, (10) improvement of health and security and many more.

There is considerable potential for progress toward reducing poverty, but there is also the threat of stagnation. High population growth, heavy

external debt, low savings and low investment, inefficient use of available resources, low performance in social sectors, distorted domestic policies and last but not least administrative incapacity would deepen our economic plight. Development is the most important challenge facing the nation. The task is daunting, but by no means hopeless. Striking gains can be achieved by pursuing result oriented strategies. Capital market development only can rescue the nation from the existing economic plight. GRAM BANGLA UNIT SCHEME, through capital market activities, can certainly help to attain the much needed goals, and therefore deserves a 'try' (may be in a limited way to begin with). In the time it takes to read this last paragraph, roughly 94 children will be born in developing countries — 5 in Bangladesh. This trend of population growth must be checked.

Rio 13 Want Free Trade in South America

The end of the Cold War has signalled greater regional cooperation in many parts of the world. A summit of the Rio Group, which comprises 13 Latin American and Caribbean countries, has discussed the political situation in Cuba and Haiti and urged greater economic cooperation. Gemini News Service reports that economic rather than political issues dominated the summit. A possible free trade zone to encompass most of Latin America was discussed, by Peter Nares.

THE Rio Group, incorporating 13 Latin American and Caribbean nations, has urged Cuban President Fidel Castro to introduce reforms as part of a programme to "democratise" the Caribbean island.

At a summit in the Colombian city of Cartagena, the Group also expressed their support for the economic sanctions imposed by the Organisation of American States (OAS) against Haiti, following the coup there last September when president Jean Bertrand Aristide was overthrown by Haitian army chief Gen. Raoul Cedras. The conference called for the restoration of constitutional rule in Haiti.

Cuba and Haiti were the main political topics at the summit of the Rio Group, which comprises Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Ecuador, Jamaica, Mexico, Paraguay, Peru, Uruguay and Venezuela.

The Cuba question initially divided opinion, though all the leaders agreed that Castro must introduce multi-party democracy. Argentina, Paraguay, Uruguay and Costa Rica reportedly called for "an energetic declaration" urging Castro to respect human rights. Venezuela, Mexico and Colombia argued for a more diplomatic approach.

President Carlos Perez of Venezuela urged Washington and Havana to reestablish a dialogue in view of the grave economic problems confronting Cuba. He and other delegates agreed that the Cubans should be allowed to decide their own future, without outside intervention.

Delegates stressed that, with the fall of communist regimes in Europe and of dictatorships in Latin America, Cuba and Haiti are today political anachronisms.

In particular, the Haitian problem, it was felt, had to be urgently resolved — and not merely because thousands of people are fleeing the island as a result of the crippling of the economy by OAS sanctions.

Perez cautioned that unless legitimate rule is restored to Haiti, the coup could be the prelude to similar action in other countries. For instance, Surinam, could fall prey to a dictatorship.

The conference said OAS sanctions should continue until the exiled Aristide, the constitutionally elected head of state, can take back the reins of government.

They urged the European Community and other organisations to back the OAS sanc-

tions and warned they will not recognise the results of the proposed elections being organised by the current government. Costa Rican President Rafael Calder warned that Latin American nations may break diplomatic relations with Haiti unless Aristide is reinstated.

Economic issues, rather than politics, dominated much of the summit. The possibility of a free trade zone encompassing most of Latin America by the turn of the century was discussed. Delegates were hazy on details.

Clearly, the idea arose in response to United States President George Bush's recent proposal, equally ill-defined, to create a free trade zone eventually stretching from Alaska to Argentina. Summit delegates said they would like to see concrete US action in this context.

For the foreseeable future, a western hemisphere free trade zone is likely to be restricted to Canada, the US, and Mexico — the three countries actively moving towards this goal.

Latin American nations such as Colombia would like to follow Mexico and join the tri-

national zone. But they appreciate that such a move would be opposed by North American protectionists, who fear they will be unable to compete against Hispanic nations, with their far lower labour costs.

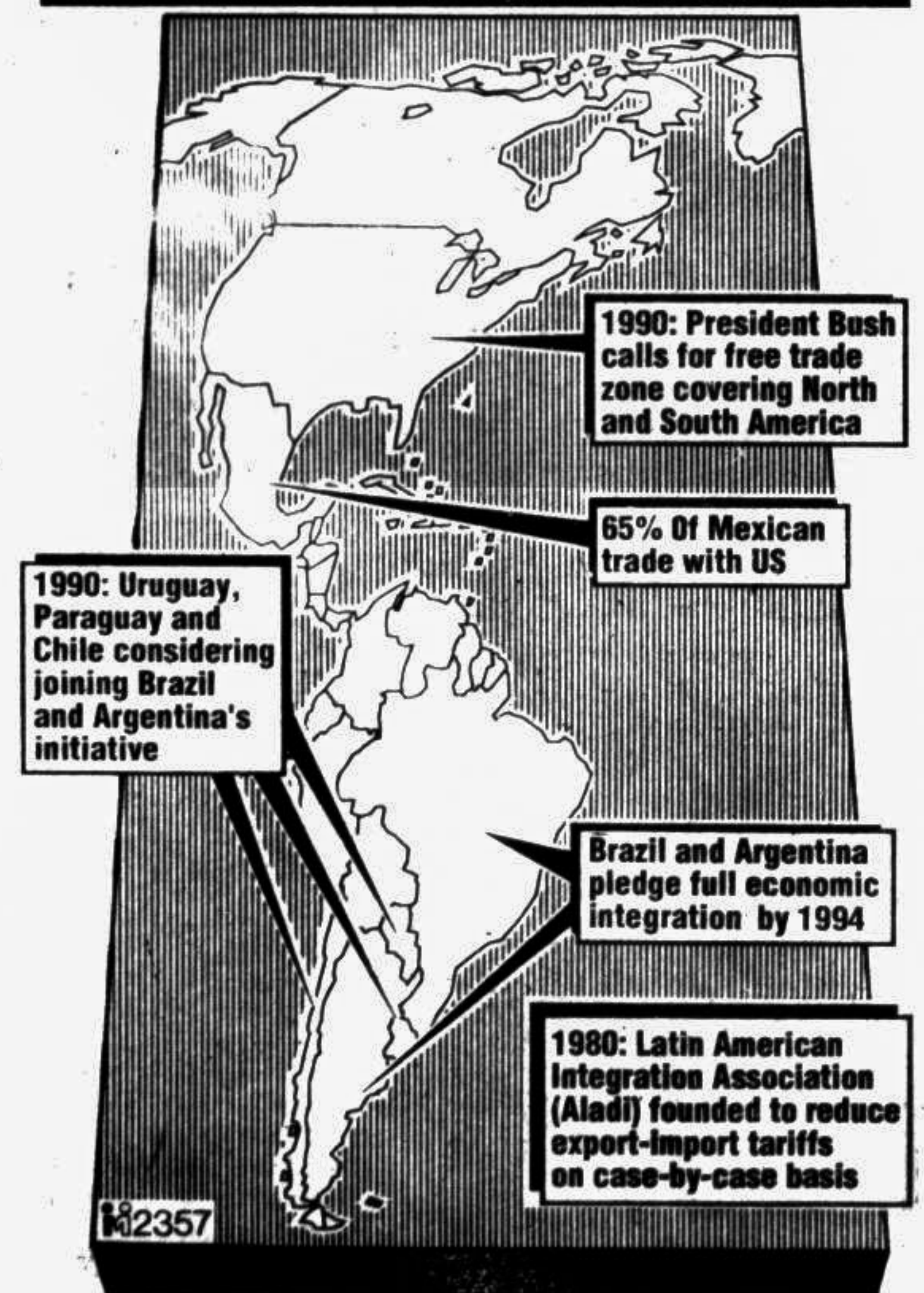
With a western hemisphere common market still only a remote prospect, the South Americans are more realistically seeking integration among themselves rather than with the economic giants to their north.

Colombia is moving rapidly towards a common market with its Andean Pact partners: Venezuela, Ecuador, Peru and Bolivia. The five hope soon to create a free-trade zone, with common external tariffs to precede a full customs union.

In addition, Colombia plans to reach a free trade accord with Mexico next year. The agreement may be later extended to Venezuela.

Further south, Argentina, Brazil, Paraguay and Uruguay are fortifying their recently created common market, Mercosur. In Cartagena, these issues were reviewed, as were other subjects of mutual interest such as environment, narcotics, and possibility of a new

The Americas: a common market?



IT is time some enterprising record company executive re-issued Bob Dylan's classic The Times. They Are a Changin'. This time they are changing for the rich world's club, the Organisation for Economic Co-operation and Development (OECD). Its 30th birthday by giving membership to several developing and Eastern European countries.

Mexico wants to join as a full member as quickly as possible and South Korea is giving it some thought. Both are already involved in specialist areas of OECD, with Mexico and member of the intergovernmental steel committee and South Korea a member of the committee on shipbuilding.

Other developing countries might want to be full members while not trying for full membership.

Hungary, Poland and Czechoslovakia signed up this summer for a "Partners in Transition" programme for wider economic cooperation with OECD members and the three are expected to get in first. OECD Secretary-General Jean-Claude Paye has called on current members "to clarify their attitude to enlargement" without delay.

Paye said the OECD credo of "pluralist democracy and the market economy" is spreading. But he cautioned members to "avoid endangering the feature that makes the organisation so valuable, the scope for effective discussion of common interest." Common interest in this case means economic advancement.

Yet even if the rich world's club grows to take in some middle income developing countries, that may do nothing to deal with poverty and underdevelopment for millions of people.

The gap between the wealthy countries and a number of poor nations is still widening, Paye said. He called for "more assistance from the wealthy countries, through financing, technical assistance

international coffee agreement. The last coffee accord collapsed after producers and importers failed to agree on a new export system to regulate the world market. As a result, with free market conditions now prevailing, coffee prices have slumped.

In the hope of revitalising the market, delegates from Colombia and Brazil — the world's largest coffee producers — met bilaterally in Cartagena and agreed to adopt a common approach in future talks in London, where a new international coffee agreement is soon to be discussed.

Colombia and Brazil are jointly examining ways to cut exports of coffee.

Delegates said they hoped the free trade zones they are now setting up regionally will in time lead to a much larger, sub-continental common market, possibly on lines envisaged by Bush. — GEMINI NEWS

More Want to Join the Rich World Club

by Geoff Tansey

Many developing and eastern European countries have applied for membership of the Organisation for Economic Co-operation and Development. They are hoping membership will help them reform their ailing economies. Already, Hungary, Poland and Czechoslovakia have signed a programme for wider economic cooperation with the OECD. Gemini News Service reports on the problems and prospects of enlargement for the rich world's club.

and opening up their markets."

So what do you get out of OECD membership? Status and a sense of having arrived seems to be the answer. "In effect, you join the ranks of leading industrial countries", says an official, "you get a seat at the table when discussing the world economy and main trends taking place".

If you are in this rich world club, then you are in the know and one of those moving the world economy along, he suggests.

There are some practical benefits — an annual review of your economy by the Paris-based secretariat and the right to request, via the various technical committees, fairly broad economic studies, for example in areas like education or agriculture.

Although OECD was established 30 years ago, initially with 20 members, it had its origins in the Organisation for European Economic Cooperation formed in 1948 to handle US aid under the Marshall Plan and to rebuild the war-shattered West European economies.

When the OECD was set up in 1961 it aimed to achieve the highest sustainable economic growth and employment and rising standards of living in member countries. Today its members account for the bulk of world trade, with the initial 20 members increased to 24 by the addition of Japan (1964), Finland (1969), and Australia (1971), and New Zealand (1973).

Officials say there is no resistance to taking in new members, provided they are economically qualified. New blood would do the organisation good, they say, although it would stretch the capacity of the existing premises in Paris. OECD spends about 120 billion francs annually running its secretariat and related organisations like the Development Centre.

While there are no criteria for membership as such, offi-

cials point out, there are obligations — for example, to liberalise financial markets.

The best way to join is to prepare the ground by lobbying through diplomatic channels so that everything is pre-cooked.

There is no official economic review process.

When the poorest OECD member, Turkey, applied to join the European Community it underwent rigorous examination and was refused. Turkey has a lower per capita income and lower ranking on the United Nations Development Programme (UNDP) human development index than either Mexico or South Korea.

Last year total aid from the OECD countries went up to \$54.1 billion against \$46.7 billion in 1980, a four per cent increase in real terms, according to figures released by the OECD Development Assistance Committee (DAC) which monitors members' aid disbursements.

However, these figures are disputed among member governments, with Japan claiming they are distorted by US insistence on including debt forgiveness for military loans to Egypt in its figures, so ensuring it gets top placing for aid amounts.

While members of DAC argue about aid, researchers at the small OECD development research arm, the Development Centre, are warning that the world could be moving onto a two track economy with the poorer countries left out, according to Colin Bradford, head of the research programme.

They fear that the world economy is coming to be defined in a way that simply leaves out the poorest countries and question the validity of the old OECD idea of linkages which would pull all along the path of economic development.

The Centre runs five research programmes looking at

the effects of economic developments on the poorer countries.

The biggest focuses on the effects on developing country agriculture of international economic trends.

"The aim", says project leader Dr Ian Goldin, "is to better understand the effects of structural adjustment on agriculture, long-run growth, the urban/rural balance, small and large farmers and how better to structure policies to achieve food security."

One concern is a growing price instability with trade liberalisation and how poor countries will manage the risk they face.

Previous work suggests that China will become a major grain importer and that trade liberalisation in OECD, depending on how it occurs, may lead to up to 20 per cent higher prices for cereals.

This means importing countries would be faced with a price increase in the short run. Overall, though, the long-term trend is to lower cereal prices since the 1950s, he points out.

While most OECD committees are concerned with broad economic policy issues for their member governments, Centre research focuses on the effects of present trends on developing countries.

The challenge, then, is how to ensure the members of rich world's club — however many there are — take more notice of the needs of the rest of humanity. — GEMINI NEWS

Exchange rate: \$1 = 5.49 Francs

