

Agrarian Reform: Compensation to Landowners

NGOs and Development

In Bangladesh the NGOs have run well and they have run wild. To the extent that they have set up useful and innovative projects in such areas as education, health, skill generation, technology transfer, rural employment, etc. they have performed well. But in proliferating in large numbers, and setting themselves up as alternatives for all aspects of development activities, the NGOs have really run wild. This has happened partly due to the failure of the government to meet the development needs of the people and partly due to a clever exploitation of a vacuum by some unscrupulous elements. There are so many NGOs working here that it is difficult to procure the correct figure as to the exact number of NGOs there are in the country. As many of them are set up with external funding there is a lingering suspicion that motives of many of the NGOs are less than altruistic. The press reports of many of them operating not within the highest standards of financial transparency or ethical norms have tarnished the high reputation gained through the work of some of the exceptional ones.

It can be said on balance that more often than not the experience with NGOs in Bangladesh has been positive. However the time is now appropriate to take a fresh look into the large number of NGOs that are working here and to take steps so that the country can benefit more from their activities and the organisations themselves can operate within a more supportive environment.

It is obvious that the approach of the democratic government towards the role and function of the NGOs will be radically different from that of the previous autocratic government. The previous regime wanted to shrug responsibility and transfer to the shoulders of the NGOs what the government should have been doing themselves. This coupled with the sagging credibility of the autocratic regime resulted in instances where the donors publicly expressed their preference for channeling their assistance through the NGOs in place of the government. This has contributed to the eroding of the prestige and credibility of the government machinery and conversely gave the NGOs a bigger than life image. All this will have to now change. The NGOs will now have to work not as an alternative to the government but as an adjunct to it — albeit with requisite freedom and autonomy.

To get more of the involvement of the NGOs in our development work the government will have to draw up clear policies as to how and where they see the role of the NGOs to be most beneficial. In this connection distinction will have to be made between the NGOs which are involved in developmental work and those which work as lobby groups for certain special interest groups, such as children, women, rural people. Distinction will also have to be made between those which operate with foreign funds and those which do not. Co-operation between the government and the NGOs will have to be greatly improved. We should also identify areas where the NGOs can work more creatively and effectively and areas where the government will be more effective. Such a demarcation will result in the more effective use of resources.

NGOs are effective within the limits of their abilities. We do them injustice when we expect them to deliver more than they can. It is in a healthy co-operation between the governmental bodies and the NGOs, each of them doing what they are best suited for, that we can bring about a more effective use of our NGO bodies.

Godspeed to Indonesia

Today is the fortysixth anniversary of the founding of the Indonesian Republic. We congratulate the people and the government of that great island nation on this important occasion redolent as it is of glorious sacrifices and heroism that were needed to free it from colonial fetters. In this, Bangladesh shares the Indonesian experience of long political struggle capped by armed conflict and also of coming victorious out of the strife.

We have been very pleasantly pre-empted in our sincere greetings to Jakarta — by a Jakartan festival of poetry revealing the great day on its eve, participated by ministers and other government leaders and business tycoons. And this brings us to similarities between our two peoples beyond our love of poetry. We have such similarities specially in religion and cultures that very hopefully can congeal into affinities and amities of lasting endurance.

Indonesia, however, is a high-performing polity. While we limp and founder, Jakarta has been setting up models of social development reflected specially in its hitting a 91 per cent literacy rate. Add to it its rich cultural heritage and the deep sense of attachment felt for it by the people at large — and it will convince anyone that Indonesia's stride ahead is being made on firm and sure ground. We have no doubt that with its very rich and yet so far largely untapped potential in forest and oil wealth, Indonesia will soon be able to match its social achievement with material development. It has already been contributing significantly to the politics of regional cohesion and harmony geared to making all in the region share in a common march to peace and prosperity. Jakarta's invaluable exertions in the ASEAN is a testament to that.

On the occasion of this auspicious day we would pray for our cordial relationship to further flower into more meaningful intercourses between our two peoples and would wish godspeed to the Indonesian people's march towards becoming a true showpiece of oriental achievement in culture and society building.

THE basic objectives of agrarian reform are twofold: (i) to enable the share-croppers, owner-tenants and the marginal farmers to become long-term lease-holders of consolidated one-to-two hectare farms, engaged in intensive year-round agriculture; and, (ii) to encourage the non-cultivating land-owners to part with their cultivable land through inducements that satisfy their "urban aspirations". Thus without disturbing the social harmony, the basic restructuring of the rural economy could be undertaken so that necessary though not sufficient conditions are created for high-growth agriculture.

The adequacy of compensation of landowners would be determined by the transfer or acquisition of income generating non-agricultural assets that equal, if not exceed, the income currently obtained from the land owned. The agricultural income would be replaced by non-agricultural income. Particularly in case of absentee landowners who are no longer permanent residents in the village, it may be appropriate to transfer the shares of ownership of a viable public enterprise being privatized equal to the compensation payable for the land, but the shares he should own in the privatized enterprise must generate at least the income he presently obtains from the land.

For the non-cultivating landowner who resides in the village and obtains most or all his income from agricultural sources, the adequacy of compensation that could satisfy his "urban aspirations" should consist of transfer of investment cash for setting up a manufacturing or service enterprise designed to generate at least the current income re-

ceived from land. In addition, the land compensation package should also include technical assistance, particularly training and skill development, so that the new enterprises can be efficiently managed for sustainable financial viability, needless to mention that such investment cash should also equal the compensation payable for the land.

The shares of privatized enterprises transferred as land compensation can be sold in the stock market so that the cash in turn could be invested in a new enterprise. According to the Land Occupancy Survey of 1987, the landowning group owning more than two hectares of land each accounted for around 48 per cent of the net cultivable land of Bangladesh. One of the basic objectives of the agrarian reform programme would be to convert as much as one million such rural households into modern entrepreneur households by transforming the land they presently own into capital investment. The rapid evolution of the non-cultivating landowners as the modern entrepreneur may be termed as the fulfillment of the "urban aspirations" of the rural elite.

Value of Land
But the question still remains: How the value of land, the corresponding level of adequate compensation and the incentive package for the land owners that induce them to part with the land and become modern entrepreneur should be determined?
What is the value of land? The value-added by the crops grown and the livestock reared on the crop residues constitute the rational basis for determining the value of land. My preliminary estimates indicate that on the average and at constant 1980-81 prices, the

value added per hectare of land increased from Taka 3,498.09 in 1978-79 to Taka 3,780.11 in 1982-83, indicating a trend rate of increase of 2 per cent per annum. At this rate, the value added should have increased to Taka 4,091.46 by the year 1986-87. The Net Present Value or NPV of land may therefore be fixed by the stream of value added for an agreed number of, say 25, years discounted by 12 per cent which, let us assume, is the rate of discount adopted for Bangladesh.

The concept of discount needs to be explained. It is in a sense like a bird in the hand

equal to the NPV of land would not provide sufficient inducements to landowners to part with the land. The present market price of transplanted aman land in many parts of Comilla-Noakhali area, with people receiving a great deal of remittance money from the Middle-East, has increased to Taka 250,000 per hectare. It could be more. Land is security; it adds to social prestige. At the same time, the countryside is lacking in non-land investment opportunities.

A significant objective of the agrarian reform scheme is promotion of entrepreneurship. Ideally the non-cultivat-

on the CIE of Taka 95,106 received per hectare would imply a net income of Taka 9,851.00 after repayment for the loan component of CIE. If such returns on CIE could be increased to 20 per cent, then the annual income for each hectare of land surrendered would increase to Taka 14,606.51. For a middle-class village family giving up 10 big has of paddy land (4 hectare), an earning level varying between 15 and 20 per cent of the CIE received would imply an average monthly income of Taka 4,076. Clearly, the package looks attractive. Yet their something left.

The basic aim of the training programme is to reinforce the urban bias through education and training. An effective approach might be to train at least one young adult from each of the CIE recipient household who will eventually constitute the core of the future entrepreneur class of the country.

Many of the CIE recipients would like to migrate to the urban areas where their economic interests would be located. This should be facilitated by providing them with housing on attractive long-term mortgage. Access to such housing would particularly increase the attraction for ownership of shares of privatized public sector undertakings as CIE. Also suitable buildings to locate the new enterprises on rental or pay as you earn basis together with all utilities would be an important incentive. In this connection, Chinese shop-house where the enterprise is located in the ground floor with upstairs family living quarters could be very appropriate. Machinery rental, specialized marketing companies, engineering design and management advisory services as well as fiscal concessions should all constitute part of the incentive package.

The agrarian reform programme is therefore not aimed at agricultural development alone. It is a total programme for intensifying growth and development throughout the least developed economy of Bangladesh. It is designed not only to bring about owner-operated modern commercial agriculture, but also sponsor the progressive transition of the essentially mercantilist capitalist class to a true national bourgeoisie with innovative entrepreneurship as its hallmark.

From LDC to NIC by Shahed Latif

is better than two in the bush.' If 12 per cent is the rate of interest on fixed deposits then Taka 100 after one year is equal to Taka 89.29 of today because Taka 89.29 kept at the bank as a fixed deposit earning 12 per cent interest would become Taka 100 after one year. Similarly Taka 79.72 today is equal to Taka 100 after two years. The net present value of Taka 100 would decline in each successive year. Since the land compensation should be payable in one instalment at the beginning equal to the value of outputs to be produced over 25 years in the future, the need for discounting the value by the rate of interest is necessary.

On the basis of the estimated value added per hectare at 1980-81 prices as indicated earlier, the stream of such value-added for 25 years growing at 2 per cent per year and the 12 per cent discount factor, the Net Present Value or NPV of land works out at Taka 38,043 per hectare. Obviously, compensation to landowners

ing rural households who won more than two hectares of land would become the million strong new entrepreneurs of the newly industrializing Bangladesh operating hundreds of thousands of medium to small scale modern manufacturing and service enterprises or share in the ownership of large private companies created out of the assets of the presently government owned corporations and organizations.

Therefore let the NPV of land, that is Taka 38,043 per hectare constitute 40 per cent equity component of the investment compensation for the land; while the balance 60 per cent is advanced as a long-term investment loan repayable in 15 years at 6.5 per cent concessional rate of interest. The equity and the loan component together would amount to Taka 95,106 per hectare which I would term as the Compensatory Investment Entitlement or CIE against the land to be surrendered.
An earning of 15 per cent

Incentive Package

I have thus far determined the value of the land being the Net Present Value or NPV of land as well as the corresponding level of adequate cash compensation termed as the CIE. But this is not complete. The incentive package for the landowners that induce them to willingly part with the land and become modern entrepreneurs has to be elaborated further. This is because the success of the agrarian reform proposal would depend on the effectiveness of the incentive package rather than the actual CIE.

There are several components of the incentive package: First, fairly extensive new types of education and training activities are required. Young people selected from large land owning families should be encouraged to study modern business and industrial management, engineering and technologies relevant to the proposed manufacturing and service enterprises as well as labour-intensive manufacturing for export. These should be short term crash courses in Bengali to enable the student to learn much more on the job.

Sri Lanka and India Keep a Wary Eye on Each Other

Gamini Navaratne writes from Colombo

The tiny island state of Sri Lanka currently spends 15 per cent of its budget on defence, most of which is used fighting Tamil separatists. The threat of the turmoil spreading north has been a constant worry to India. The new government in Delhi will, especially after Rajiv Gandhi's murder, in which separatists have been implicated, be seeking to mend fences with Colombo.

Sri Lankan Tamils



The modern situation for both countries has been complicated by the existence of a separatist movement in north Sri Lanka, led by the Liberation Tigers of Tamil Eelam (LTTE) fighting militarily for a separate homeland for the Tamils. Much blood has flowed since the ethnic conflict burst in full fury 1983 when the killing of 13 Sinhalese soldiers by the LTTE in a landmine blast in the northern capital of Jaffna led to reprisals against Tamils living in the midst of Sinhalese in the south of the island.

The fighting continues, with reprisals on both sides. The main victims have always been innocent Tamil, Sinhalese and Muslim civilians, "caught in the cross-fire," as usually described in official hand-outs.

In one of the latest

equitable sharing of the national cake. The Sinhalese (74 per cent of the 17 million population) has got the most of what is available; the Tamils (12.5 per cent) and the Muslims (8 per cent) have been getting less and less of it.

What is left of the incessant fighting is a smaller cake. It is being eaten away by defence spending which amounts to

nearly 15 per cent of the national budget. Unemployment is now running at nearly 25 per cent of the employable, and inflation is into two-digits.

If the ethnic conflict can be resolved, then half Sri Lanka's problems will be over and there will be less need for foreign aid.

India could play a big role in taming the LTTE which at one

time was known to have been armed and financed by India's intelligence agency, the Research and Analysis Wing (RAW), as a means of curbing Sri Lanka's west-ward leanings and increase New Delhi's leverage.

The killing of former Indian Prime Minister Rajiv Gandhi in Madras in May allegedly by a LTTE suicide squad is likely to harden its attitude to the rebels led by Velupillai Prabhakaran. The chances are that the new government will insist that the LTTE agree to a political settlement, as called for by Sri Lankan President Premadasa.

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OPINION

Austerity Measures: Need of the Hour

We are indeed very happy to find in a Bengali daily's issue of 28th July an announcement in the name of our government on the ten points austerity measures to be followed when the Prime Minister travels within the country. Our heartfelt congratulations for a good beginning. It augurs well.

These measures are mainly socio-economic and cultural in nature. However, the most striking feature is that during such visits no educational institution should suffer any loss of its work-schedule. This is extraordinary and most welcome and we once again felicitate the Prime Minister for it. Because in the past, in spite of many protests against the use of our students to line up routes, it continued unabated during all the regimes from Ayub Khan to Ershad.

These measures are intended to make such visits work oriented and hence should be devoid of waste of efforts. It is hoped that these and other suitable measures, in due course of time will be extended horizontally to other activities of the government and also may trickle down to other functionaries. We attach great importance to the beginning. In future, we expect to find that austerity measures are aimed primarily at saving national wealth. We choose to call it the tightening of the belt so that we may be able to cut our coat according to our cloth.

manage our state affairs efficiently with our own resources as far as possible. But we seem to feel happy, rather proud, of our performances in getting bigger amounts through begging. We all know to what miserable extent we depend on foreign donations/loans, occasionally even on not quite acceptable terms, for not only our developmental projects but also for our day-to-day running of the administration. Still unfortunately 85% of our people live below subsistence level. Therefore, the crying national need of the hour is to save every 'paisa' by adopting strict austerity measures in every aspect of our national life. Because the real answer lies in the mobilisation of our own resources which may be augmented with foreign assistance.

But we fail to find visible signs to restructure and streamline our top heavy administration to a reasonably workable size, commensurate with our actual requirements that can be sustained by our own resources. There are some organizations with overlapping functions which were not all created out of necessity. For instance, deployment of persons only to wastefully guard the office door and dust the furniture, a legacy of the colonial rule, should be reviewed. Gone are those days, and we should take lessons from the developed countries on the dignity of labour.

Offices, mills and factories are overpopulated with inappropriate and unqualified persons; we do not work hard enough during normal office hours and leave routine matters for omniscient overtime; there is extravagant use of office periods in unprepared and unproductive, too frequent conferences; there are far too many very high ranking officials simply disproportionate to the actual requirements; we conduct ourselves in competition with the developed countries! Instead of running telecom systems efficiently, we indulge in installing two/three telephone lines in some offices

and residences; we are far too liberal in allowing free residential telephones while it should be restricted to only few top officials and those who are involved in supervision of round the clock services and security purposes. Too much publicity in the name of 'public relations' by the use of BTV facilities to cover colourful and grand conferences without any direct messages; free transports round the clock; luxuries in housing and perks including airconditioners; duplication of offices and residences for the high dignitaries etc. are very costly for the country.

While Bangabhaban provides every facility as office-cum-residence for the President of the country, yet it is reported that only for additional electrical fixtures and fittings of the old Sangsad Bhaban our poor country had to spend over Taka 13 crore, to convert it as his secretariat! Another colossal waste of public fund has been reported in the press that for the partial maintenance of Shugandha, and other guest houses over Taka two crore is spent annually. Such things should not be allowed to continue. If we look round with open mind and eyes, we may find more such instances. These are some where austerity measures should arrest the devilish tendencies so far followed in the country.

One of the many ways out for a poor country like Bangladesh should be found in translating into practice decisions based on honesty of purpose, assignment of professional priorities with foresight and in efficient administration. Then we can hope to build up a corruption free society for the posterity. We believe that each and every move aimed at bringing about more efficiency in the administration through optimum utilisation of available resources will directly contribute to the improvement of quality of life of our people.

M.A. Baquie
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To the Editor...

"ATPs to fly again"

Sir, This letter concerns none other than my very life. The story under the above caption appearing in your issue of August 6 has sent shivers down my spine. Providence and posting have taken me to Rajshahi recently making me commute between Dhaka-Rajshahi-Dhaka. The near catastrophic drama of December 30 last still haunts me in nightmare. I was booked for Dhaka and was looking out for the approaching aircraft. Before I could believe my eyes the aircraft emerged, wavering as it was approaching the tarmac. At the far end of the runway it came to a grinding halt with visible jolt; emergency chutes popped out, screaming passengers sliding and running

for their lives. All took place right under my nose. Later, I was told that minutes before the touchdown at Rajshahi airport one of the ATP's engines caught fire — hence the emergency landing. Had it been on longer haul to, say Jessore or Chittagong airport, what would happen is anybody's guess. I had the occasion to fly in the Dakota, Superconstellation and F-27 in earlier days, and F-28 and Boeings at later days. But never before an aircraft was heard to earn such an unenviable reputation of suffering from too many faults and hazardous operational malfunctions as ATP right from the start. The notoriety aggravated with the airing of scandal of hefty graft that allegedly went into the deal of this kind of

aircraft not commissioned by any airlines in this part of the world. British Aerospace Co., the manufacturer of ATP aircraft might have to say a lot of virtues of their products and may also try to find fault elsewhere, but the fact remains that the test of the pudding, they say, is in its eating. Records have it that the maiden flight to Jessore was bedevilled by serious technical problem, and ever since few flights have been care-free. Without being a sooth-sayer, I am afraid, the decision to press grounded ATPs back into Biman's domestic route may prove too costly.

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