

Development

CONVERSATION

Bangladesh Has Done Well in The Disbursement of Aid, But It Can Certainly Perform Better in Other Areas

— Enam A. Chaudhury, former ERD Secretary

The Daily Star (DS): As the longest serving ERD Secretary, how many different phases have you witnessed in the relations between donor nations and agencies and the government of Bangladesh?

Enam A. Chaudhury (EC): I think we passed through three distinct phases. It was almost close to the types of political governments we have had in these few years. But internationally, I think one could say that there have been two very distinct phases. The first one was during the 80s when the situation in the international aid climate was most favourable. It reached a climax at that time with the efforts we undertook in the 70s for enlarging the inflow of aid to the developing countries with the help of the Group of 77 and the 0.7 per cent of the GDP target set by the United Nations for developed nations to provide international assistance. Now, these efforts started bearing fruit. Say, for example, cancellation of loans for the Least Developed Countries and even increasing the ODA from 0.7 to one per cent and earmarking a certain percentage of the GDP for humanitarian and development activities. The quantum of food aid to reserve and the question of food security, if you recall, also came up during the first phase. I think this was the result of the efforts that the developing countries have been taking in the 60s and 70s, when the climax was reached.

Then, suddenly there was a change of mind, in a sense, as other issues started coming up. Questions whether a developing country is really benefiting from the assistance provided or not, the question of human rights, the types of government and the question of targeted aid, all these things came up. At the same time, some sort of roll call was being taken. Different principle donor countries wanted to find out whether the recipient countries were politically on their side or not. This became again a very important criterion and the dimension of the roll call was significant. I mean to say, the donor countries made a checklist to see how many times a particular recipient country voted for them in the United Nations, even such things came up.

DS: Was this phase one or two?

EC: Actually, this was phase two as phase one was very liberal. One would not dare ask such questions at that time, as the response would be 'why do you ask me such questions'. During that period, the first phase, I think the developing countries felt very strong. In the second phase, the strength of the developing countries dwindled to some extent and the other questions were becoming a little bit more important.

The third phase actually started during the post-Cold War period. The political and strategic compulsions suddenly disappeared. So, the reasons or considerations for which the developed or industrialised countries used to extend aid to us, it seemed that these primary considerations are not so much visible now.

The point raised is that now it has to be either humanitarian or really authentic development assistance or assistance that would be the result or a by-product of the economic and trade considerations of the donor country. So, these are the three primary reasons for providing financial assistance which have come up in the last few years. Most certainly, the third consideration has not helped us much, because in any such deal, the donor would like to reserve the right of getting the maximum out of the deal. So, here the recipient country would not be in a bargaining position and the donor gets much more out of a deal of this nature. Assistance based on purely development considerations is not always very much there. But, I think it is difficult to establish the trend as this experiment, to really find out to what extent the donor countries are really bothered about extending assistance to a country for the sake of development cooperation, is still going on. And the other consideration, the humanitarian one, always continues to exist. But the cost of getting humanitarian aid is very great. As a matter of fact, unless you have a cyclone or a flood, you don't get it. So, the cost is very high and, frankly speaking, getting it doesn't really matter.

In this third phase of the global aid environment that I have personally witnessed, I feel the international aid climate has really become very tough. I should like to mention another point, the question of double standard sometimes

followed by some donor countries. When I say double standard, I mean that in recent period such questions as human rights, rule of law and things of that nature have become very important considerations. Even questions of sex, child labour is coming up. But, the point is that when one does not have anything to eat, it's a question of subsistence then, I think, even a baby would cry out for help and he would like to do anything to find some food. People who indulge in such labour, frankly speaking it's not for the love of it but because they have no other alternative. But what we see is that in some other countries even when there are flagrant violations of human rights and organised aggression on rule of law, the standards that are followed by many of the mighty powers are not the same. I am referring to the small little things that happen in the Chittagong Hill Tracts and the repeated quarries that we have to answer and the explanations that we have to provide. But then the incidents in the Hill Tracts are peanuts compared to whatever is happening in Bosnia Herzegovina, Kashmir, Punjab and other parts of the world. It is unbelievable, say for example, in Bosnia where we are not having the same judgmental standards applied elsewhere. Now, this indicates the absence of such principles as faith, reason and justice. Also, the absence of the principles of equity, sense of understanding and, shall I say, an absence of overall cooperation with others on the basis of the same standards, for the advancement of the quality of life all around the world.

DS: How would the changing aid scenario that you have just talked about, affect Bangladesh's efforts to garner foreign assistance in the future?

EC: Well, I think getting further development cooperation or assistance or concessional loans would become increasingly difficult in the years to come. Here, as I said earlier, the strategic and political compulsions would not be there, so things would be based on the other two criteria. The process of obtaining aid would become difficult and the outcome also would not be encouraging all the time. So, we have to improve our performance. This is important because we will have to get the maximum out of any aid that we get, both quality and outcome wise. Secondly, I think, on the basis of our performance we can rise up and say that we have been able to utilise the aid properly and adequately and so our claim to more aid becomes much stronger. I think these are the two ways in which we can maintain the present level of assistance and continue getting development cooperation.

When it comes to disbursement of aid, we have not fallen behind international standards. However, we should still try hard to improve our performance, if not for anything else, but for increasing our growth rate.

DS: As you raised the performance issue, this brings up the question that some people are asking about the problems Bangladesh is facing in three areas: disbursement of aid—far too much is stuck in the pipeline; secondly, what US Ambassador Milam recently pointed out that our policies are not conducive to investments and thirdly, the business community doesn't seem to have much confidence in what lies ahead resulting in the private sector remaining shy. Is the disbursement too slow and could we do better? Is the criticism that our policies are not conducive to investment, in line? Why do you think the private sector is shy?

EC: Of course, we have room for improvement in the disbursement side. But, I think in order to make a comparative judgement, we have to compare with standards which have been laid down internationally. To make an informed assessment of the magnitude of the problem, it is perhaps necessary to measure Bangladesh's performance against certain prescribed and accepted criteria. The criteria used by the World Bank (WB) and others to assess disbursement performance are as follows: food aid—use of 100 per cent of the opening pipeline plus 75 per cent of the new commitments for the year; commodity aid—use of 75 per cent of the opening pipeline plus 25 per cent of the new commitments and for project aid—using 20 per cent of the opening pipeline during the year. Now, these are, of course, rules of the thumb, but they make sense. For example, the

When it comes to the question of aid to Bangladesh and other related issues, such as its implementation, the so-called conditionalities and future prospects, few experts can speak with as much authority and knowledge as Enam A. Chaudhury, the former ERD Secretary who left Dhaka last week to take up his new appointment as a Vice President of the Islamic Development Bank (IDB) in Jeddah. For the past five years, serving under two different administrations, Chaudhury has been a key figure in generating external assistance for Bangladesh and in maintaining a continuous dialogue with donors. A competent civil servant, with wide-ranging experience in national and international fields, he has left his mark in what is undoubtedly a sensitive — and indeed a controversial — area of the country's economic activity.

Before leaving for Jeddah, Chaudhury found time from his busy schedule to answer a series of questions from *The Daily Star*, put to him by S Y Bakht, a Reporter of the paper. Detailed extracts from the conversation appear here:

average project life is about five years, so the disbursement for any particular year is expected to be around 20 per cent of the total project cost, and the project cost constitutes the pipeline. Suppose, today I sign the Jamuna bridge contract for a 500 million US dollar project. Now, I have to spend 20 per cent of the pipeline and that constitutes the WB prescribed amount of disbursement.

DS: Have we been meeting that target in recent years?

EC: Actually, we have crossed that target. We have not heard much complaints about the food and commodity aid disbursements, so we need not discuss that. With regard to project aid disbursements, year-wise, in 1988 it was 94.6 per cent as against 100 per cent which is in full conformity; in 1989, it was 96.1 per cent, 127 per cent in 1990, 101 per cent in 1991 and 102 per cent in 1992. So, you see in all those years, we have not really lagged behind the international standards. If we see the WB report on this, 33 per cent of the Bank's total commitment worldwide remained undisbursed. I mean, it's not only the case of Bangladesh, I think we are quite close to the international standards and on occasions we have crossed the target. However, as I said earlier, there is room for improvement and we have to try hard to improve our performance, if not for anything else, for increasing the growth rate. For a five per cent growth rate, disbursement has to increase significantly. In that case a greater commitment and a larger pipeline would be necessary. So, we have to improve our performance and if the pipeline does not increase, we have to use the available pipeline more efficiently. This is in our interest that we should do that. But to say that the disbursement performance has been very bad, I think it is very hard for us to buy that.

Secondly, the performance does not always depend on the recipient country as there are a number of other external constraints. Every donor country has its own individual



know, what happens is we normally drop a very large portion of the ADP and it is not always related to aid disbursement projections. So, when liberal, the ADP is actually reduced, the original allocation and actual achievement is below the original ADP and that is when the questions about the implementation capacity arises and it becomes an oft-quoted question. The point again is this, as I mentioned earlier, that to achieve a five per cent growth rate, disbursement has to rise significantly above the current levels. But, a lot has to be done on both the part of the recipients and the donors. I mentioned earlier about prescribed limits imposed on different donors by their own treasury, which can restrict disbursements. Furthermore, prescribed rules and regulations of the donors also sometimes come into conflict with those of the recipient country. Take for example the question of appointing consultants within fixed assistance. Recently, the Shipping Ministry wanted to appoint a consultant for an assisted project, the donor country provided only one name. But the ministry asked for the names of at least three consultants, out of which one can be selected. As it was a tied aid and as per the agreement we had to select a consultant from that particular country. But the donor country refused to provide any other names. So, there followed an exchange of letters and the debate and negotiations continue. Small things like this and there are also others. Specially under tied grants we have to obtain the products from the donor country under prescribed conditions. What happens is, say, quotations are invited and only two parties respond and you find that the quoted price is much higher than the international price. Now, under our laws and regulations we have to have a minimum of three quotations. What do we do? The donor country insists on making a selection out of the two, which we know is at a higher price and we are paying for it. But, the donor country may insist on selecting one of the two saying that the prices may be even higher under new quotations. We argue that it would pose problems for us in that there may also be charges of corruption against the person authorising it. So, there is delay. One doesn't want to take a decision. There are also other reasons, I am just giving you a few examples which makes it very clear that the responsibility for efficient disbursement not always lies with the recipient, it could be on the side of the donor country as well. It differs from case to case.

On the question of the policies not being conducive to investments, I think in making these policies the government consulted a number of interest groups and lot of discussions were held. To the best of my understanding and belief, these policies did take into considerations the specific difficulties that were raised. Now, anyone can point out that this particular point in a policy is wrong and should be changed. I think it may not be appropriate to say in very general terms that policies are not conducive and so things are not moving.

either. Secondly, take the question of withdrawal of subsidy from the agricultural sector. Now, as you know, there are different views on this. People even sometimes dispute whether it is desirable to withdraw the subsidies at all from the sector. But it is a very strict condition on the part of donors. It puts us in a very difficult situation. The government has withdrawn the subsidy, because the conditions stipulate it and at the same time some people thought that perhaps withdrawal of subsidy would bring about an element of effort on the part of the cultivators and that they will do whatever is possible to increase the production. But then, you see, here the farmers are under pressure. Moreover, the agricultural loans had to be stopped at the behest of the donors, after the government had waived the agricultural loans of upto Taka 5000. Now, here again the donors are very strict on the conditions, they do not even want to appreciate that the waiving of the loan had taken place in the backdrop of very difficult situations like floods, cyclones, natural calamities and what not. The poor cultivators were really hard hit, they had no capacity of paying back. I think it was a very unrealistic way of looking at things.

Now, look at the energy sector. The donors insist that unless you decrease the system loss to less than 30 per cent or so, assistance to the energy sector will not be resumed. What we see as a result is that unless we have adequate energy available, we cannot come out of this. This could relate to your earlier question about the private sector being shy. Because, one of the first things the private investor would look for is an assured supply of power. Now, why is it like this? Of course, it is true that and the government also agrees that such element of system loss cannot be there and has to be reduced. But, by stopping new investments in the sector what is happening is power is being made more scarce. And scarcity leads to corruption. This is something

DS: But is there a problem in the implementation of these policies? Why is the private sector apparently feeling shy to come forward?

EC: Well, there could be problems in implementation of the policies, I don't deny that. If the policies do not generate the desired results there must be difficulties somewhere. These have to be identified and there is absolutely no doubt about that.

However, on why things are not moving, in the macro level there may be some difficulties which should be identified and removed. But even if you talk in terms of figures, this year the imports rose, there have been more exports, inflation has been kept under control and the food output has also been good. So, it is very difficult to say, I mean statistically, that we have not been faring well. I think it is only a question of comparative judgement. The expectations in the minds of people is perhaps very high now, people would like to see the economy jumping, that we are going ahead by leaps and bounds. And so, if they compare the achievements with their expectations and do not feel completely satisfied, there is an element of frustration. I think that is the main reason as the figures speak differently. Even the disbursement of foreign aid has been the maximum in the history of Bangladesh during the first quarter of the current fiscal year. The aid disbursement for FY 93 is estimated at 1918.5 million US dollars, with 250 million dollars in food aid, 500 million dollars in commodity aid and 1168 million dollars in project aid.

The overall disbursements during the first quarter stands at 618 million dollars and the project aid amount is 377 million dollars, which is 33 per cent of the yearly estimate. So, you see the overall disbursement along with the project aid disbursements in previous years and not only that but also to the internationally set standards described earlier.

DS: Do the conditionalities sometimes imposed by donors create difficulties? Are they too stiff and, as alleged by some, fail to adequately take into account the internal dimensions?

EC: Yes, they do. For example, there are such conditions like bringing about legal reforms for implementation of ISAC-2 or some other agreement of this nature. Now, we agree that certain legal reforms have to be made. But undertaking certain legal reforms within a prescribed time limit may not always be possible and it may not be desirable

ment, very recently, has done very well in macro-economic management and has been able to muster a very great amount of local resources. And we are being able to provide the required internal resources for any assisted development projects. Having said that our resources are limited and I think we will most certainly have to depend on foreign assistance. So, I don't think we would be keen on asking for a lower level of assistance. But this does not in anyway indicate that we don't want to be self-reliant and achieve independence in the management of our resources. Maybe, if we have more resources, we would be more choosy in accepting foreign aid. It would be good for us, qualitatively it would be much better than, perhaps, what we are getting at the moment.

DS: What kind of changes do you foresee in gathering external resources in the backdrop of the changing global aid climate?

EC: I think, there are two things we will have to be very careful about. Firstly, as I said before, we cannot be assured of anything now. We cannot be sure that people would be very keen on giving us assistance. The compelling reasons for providing assistance are no longer there and no country worth its name sticks so much to principles when her vital interests or for that matter trade or political interests are at stake. And we have also seen that donor countries sometimes employ double standards. For Bangladesh, the major aspect would be to improve our performance; not that we are doing badly but there is always room for improvement. Because this would make our claim much more authentic and strong and we can speak with a sense of confidence. In order to do that and also to run the government in a better fashion, it would be very important to ensure that the right people are at the right places. And that they continue there for a good length of time. This is a problem which even the donors point out that project management suffers because of quick changes. Secondly, we must have very qualified people. For that you would require a trained core of people who would be able to get responsibility at an early age. But, because of the changes in the civil service structure after independence, we are not seeing the emergence of civil servants who may be able to take the heavy responsibilities in the time to come. This is something which people are not only becoming apprehensive about, but I think it is almost becoming a reality. And if that is the case, then we will have problems, say, for example in bilateral relations where we have to meet at par with representatives from other countries.

There are different views on the question of withdrawal of subsidy from the agricultural sector. However, this is a strict condition on the part of donors. We are put in a very difficult situation. Again, donors are being unrealistic in the assessment of the energy sector. So, conditions they prescribe are unacceptable.

which you have to deal jointly, collectively and from all sides. It is true that one has to be very strict with the energy sector. We are not going to invest in the sector unless the people really mend their ways and bring down the existing rate of system loss. But there is a limit and there is a time to punish and a time to reward. That has to be understood. At this point, we are not punishing the culprits anymore. In fact, they are actually benefiting from the scarcity that has been created. Now we are really punishing the people who are trying to invest, the entrepreneurs and industrialists, and the load-shedding is also affecting the common man. So, here we think that the donors are being very unrealistic in the assessment of the situation and the conditions they are prescribing are not only unrealistic but are also unacceptable.

One important thing is that the officials should maintain their objectivity, neutrality and effectiveness. You see, it is very easy for any political government to make officials work for themselves for partisan motives, but then if one is a little foresighted, one would see that one would lose out in the long run. Objectivity and neutrality are important not only in the field level but also at the policy-making level.

DS: When did you join the civil service? Would you please recap some of your experience in your long and distinguished career?

EC: I joined the Civil Service of Pakistan in 1960. We used to have our training at the Civil Service Academy at Lahore. It was an expensive training programme, but after having spent more than three decades in the civil service, I think it was time very well spent. And, I think, the investment of the government also brought in good dividends. Personally, I have had the opportunity to work in some challenging positions. My first posting was as Sub-Divisional Officer at Srajanj, then I had posting in the Cooperative Department, Agricultural Development Corporation and in the districts of Chittagong,

Jessore and Khulna. I also worked in the Commerce and Industry Department at the Directorate of Supply and Inspection. I was also the junior-most person to be awarded a civil honour.

Tamgha-i Pakistan, for relief and development work in the districts I was posted in. After independence, I was the first Joint Secretary, actually I was the lone one for a few days, to be appointed for both the ministries of commerce and industry. Then, as Joint Secretary of the Commerce Ministry, I had the privilege of negotiating with a score of countries and concluded a number of trade agreements. I also led the delegation at the UNCTAD-3 session in Chile in 1972, where Bangladesh became a member of an international organisation for the first time, long before she became a member of the United Nations. Later, I was also with the Export Promotion Bureau and also did a stint as the Economic Minister at the High Commission in London. That posting gave me an exposure to diplomatic life and I came in contact with an industrialised country. I was also elected President of the Association of Economic Representatives in London for two years. I also spent five years as an UN official at ESCAP in Bangkok. That also gave an opportunity to learn about international cooperation, specially with a regional flavour. After returning to government service again, I was Secretary at the ministries of Planning, Shipping and lastly, since 1988, at the Economic Relations Division (ERD) of the Finance Ministry. While at the Shipping Ministry, I was elected president of the International Maritime Organisation (IMO) for a term of two years. That was the highest position, I must most humbly add, that any Bangladeshi had achieved in any international organisation. That was a unique privilege that I had and I cherish those days with the IMO.

There were many interesting incidents which happened during my long civil service career. I would just like to mention just one such interesting episode: as the first government functionary to be sent to China in early 1975, to conclude a trade agreement. After negotiations in Canton, we signed a memorandum of understanding, through which, China, for the first time extended de facto recognition to Bangladesh. That was a very delicate experience and I think one of the most fruitful experiences that I have had in my career.

DS: How do you look at your new appointment as the Vice President of the Islamic Development Bank (IDB)?

EC: I look forward to it with a lot of hope and confidence. Confidence, because I think my past experience has given me a solid basis of being in a position to deal with the type of situations that I may have to face. Hope, because I think that IDB, which is the premier financial organisation of more than 45 nations, would give me an opportunity of working effectively for the cause of the member countries. The realisation of the importance of IDB on the part of the member countries is also there, which is reflected in two recent developments. They have increased the authorised and subscribed capital of the bank and secondly, the bank has also opened a window for the Least Developed Countries. Bangladesh has played a major role in affecting these changes. I have also found out that members of the bank are quite willing to assist each other not only through the bank but also using the forum to establish mutual economic cooperation. And now since the global economic environment is changing with the formation of trading blocks all around, the importance of this bank will increase.

DS: How much assistance does Bangladesh receive from IDB and is there any possibility to increase allocations in the future?

EC: It is not much compared to the WB or the Asian Development Bank, but over the years we have obtained over 700 million dollars for various infrastructural and other projects. It is much easier to negotiate on loans from IDB and the conditionalities are not stringent. There is ample scope for Bangladesh to increase allocation from the Bank, specially through the newly set up LDC window.

DS: Thank you Mr. Chaudhury. Wish you all the best in your new assignment.