

ADB ON THE ECONOMY OF BANGLADESH

Still a Long Way to Go

A recently concluded seminar, co-sponsored by the ADB, Dhaka resident office and the Academy for Planning and Development on the Economy of Bangladesh, has generated much interest, particularly among policy makers and academics. The Daily Star interviewed **GEERT VAN DER LINDEN**, Resident Representative of the Bank in Bangladesh and the Bank's Senior Economist, **M G QUIBRIA**. The interview was conducted by **Rashed Mahmud Titumir**.

ternal shocks. This adjustment programme has enabled the Government to attain macroeconomic stability.

These major reforms are now in progress and are strongly supported by the Bank. We are optimistic that if Bangladesh continues to intensify and

ment in the light of the guidelines.

It is still confined to the book, although the Government is putting in its best effort.

VDL: The crux of the matter is, what has been characterised as the low savings, low investment and low growth trap,

ation for future economic development.

DS: There has been a claim, especially by the academics that hasty privatisation has in fact been counterproductive in terms of the growth of the healthy private sector. Do you agree with their arguments?

MGQ: What you have asked needs serious consideration. I can not specify it for Bangladesh, but I can respond in general.

The debate has come a long way, but has yet to be settled. One methodological approach has argued for more rapid sequencing and speedy pacing of the reform package.

DS: Do you think the Finance

First, Bangladesh has been very successful in establishing a sound macro economic framework. This is to the great credit of the Finance Minister. Second, reforms in individual sectors are much harder to achieve and it was always expected that this would take longer and would require a sustained effort. Third, in a democratic set up, it is essential to gain broad political support for the reform program to ensure transparency and accountability. This of course takes time.

widen the reform effort, it will be able to achieve its economic goal of desired economic growth, reduced poverty and sustained economic development.

DS: How long will it take to reach the desired growth level?

VDL: The reform is a continuous process and still has a long way to go. No one can expect overnight results.

But we are highly pleased about the way the agriculture sector is taking shape. Input liberalisation programme has improved agricultural efficiency and productivity a great deal.

DS: But the same is not happening in the case of manufacturing sector...

MGQ: You see, you have to draw a line between pronouncement and implementation. What the new industrial policy has pronounced has in some areas not yet been translated into reality and imple-

which impedes any significant reduction of poverty.

However, we believe that the economy of Bangladesh is on the right track. The basic conditions, needed for the country to achieve a higher rate of growth, are now in place in Bangladesh. Unfortunately, in the process of adjustment, positive effects usually take a longer period of time to materialise, whereas negative effects may be felt immediately.

MGQ: I like to add one point. Earlier, in Bangladesh, we have observed divergence among the major political parties regarding the economic policy of the country. But it is interesting to note that nowadays, the situation is different. The convergence of the economic policies of the main political parties has laid the political ground for the reforms. This is very essential in carrying out a reform package and will create a strong found-

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have shown that where reforms were undertaken gently and in time, they have produced rapid and sustainable growth. To make it substantive, they have cited the example of East and South East Asia.

Still, there exists a broad consensus in academic circles on the need for structural adjustment, although disagreements may exist on the choice, pacing and sequencing of its instruments.

DS: Now let's turn to the seminar. How does the ADB react to the allegation made by the Finance Minister M Safir Rahman in its seminar that the

Minister is looking for scapegoats to cover his failure in directing the economy to achieve the desired result?

VDL: Not at all. As I said earlier, he has been very successful in stabilising the economy and does not need any scapegoats.

DS: What are the bottlenecks, in the ADB's view, that Bangladesh is facing now?

VDL: Bangladesh has made economic progress in a number of areas. However, major development challenges still lie ahead.

The progress in implementing reform has been uneven

across sectors, e.g. agriculture has made significant progress, while in other sectors, such as the financial and social sectors, the unfinished agenda is still large.

As discussed earlier, the country needs to raise savings and investment significantly so that it can achieve the higher economic growth rates necessary to reduce persistent poverty.

The country needs to further diversify its exports, both to sustain the export growth rate and stimulate higher efficiency at home.

Another important challenge after successful transition to democracy is to achieve decentralisation of power in economic, political and administrative decision making.

Last but not least the



Marching towards metropolitan slums. photo: A K M Mohsin

In 1989, a team of researchers from the Bangladesh Institute of Development Studies (BIDS) conducted a study of the Agaon slum in Dhaka. They found that most of the slum dwellers were young people and children who had migrated from rural areas in search of work.

About 77% of the men were employed, with nearly full employment for men between 20 and 35 years of age. The most common occupation was rickshaw puller, especially for the most recent arrivals in the city. About 25% of the women were employed, mostly as domestic servants or garment workers.

The average daily income per household was estimated at 78 taka but about 28% of households earned more than this. About 10% earned more than 250 taka per day, which is far above the poverty line income set by the study. Incomes tended to rise as longer people stayed in Dhaka, so recent immigrants usually earned less than longtime residents.

Source: Situation Analysis of Children and Women in Bangladesh, 1993, UNICEF



Geert van der Linden
country's need and the pace and sequencing of the Structural Adjustment Policies.

The following are excerpts from the exclusive interview, taken in two sessions at the ADB office in Dhaka.

The Daily Star (DS): How do the ADB view the economy of Bangladesh in the light of the recently concluded seminar?

Geert van der Linden (VDL): In the last few years, the Government of Bangladesh has adopted wide-ranging reforms to speed up economic growth, improve economic efficiency and reduce vulnerability to ex-

Politics Played Critical Role in Deforestation

by Inam Ahmed back from Nepal

NEPAL, the Himalayan kingdom, witnessed severe floods and landslides in this monsoon. Villages were just buried under tonnes of mud and claimed 2000 lives and left more affected.

After the devastation, experts and environmentalists said that much of the deaths and destructions could have been avoided if the country's forests had not been depleted to its present day's level. They also noted that the government policies over the past years were the major reasons behind the catastrophe which resulted from deforestation. "Politics often played a crucial role in the deforestation process of Nepal," said Aditya Man Shrestha, an environment journalist. "The Nepalese rulers in the past awarded their supporters with prized forest lands only to be cleared of the timbers for cash money, and even shaped their international policies in a way that caused vanishing of wide tracts of timberlands."

And in the process, the people of the land were deprived of their rights to forests, people's participation was ignored in the government's policy framing. These all together rendered to the present day forestry scenario in Nepal," said Ukesh Bhujel, an environment programme specialist of the World Wildlife Fund (WWF) programme in Nepal.

The present day forestry scene is, however, rather an alarming one. From 60 per cent of forest land in 1950, the greenery has been squeezed down to only about 20 per cent, according to an ESCAP estimate. The deforestation rate is now two per cent.

It means the area of natural forests is being reduced by about 26,000 hectares a year. It is now feared that if the present day deforestation process marches on, Nepal would become completely denuded of its woodlots within few years of the next century.



The ultimate destruction of the life-saver

forestry expert who had once campaigned for community forestry.

The rulers also empowered their supporters to "look after the trees." In the name of looking after, these elites used the forests as their own property.

In the process, the general people were deprived of their rights. Even, someone wanting to collect firewoods had to take permission from these political cronies of Ranas," Dr Narayan said.

In the 1957 election, Nepalese Congress came to power and found that the supporters

We do not have any statistics of how much forest land was denuded because of this nationalisation policy. But it must have been between eight and ten per cent of the total forest land," said Dr Narayan.

During 1959 to 1960, the elected government was banned and the Panchayet system was introduced in Nepal. The Panchayet leaders had all the powers and they needed money for development works in their localities as well as for winning elections when democratic forces were strong against them.

So, the Panchayet leaders again looked back at the forest as a source of cash flow. The Panchayet forestry programme started at that point under which the local Panchayet body representing the elites controlled the forests. People had to pay the Panchayet for using the forest. When the Panchayet forestry system failed to yield any tangible improvement in the country's timberlands, the World Bank came up with the idea of community forestry. But contentions appeared as the Panchayet and the forest department refused to empower people through the community programme.

There is a huge amount of money involved in plantation of trees and the amount of 'rip off' is also huge," Dr Narayan Syed. "It's no wonder that the forest department or the Panchayet would not want the people to take over the charge."

This feature was prepared by the writer under a Panos Institute fellowship in Nepal.



How human beings abuse nature!

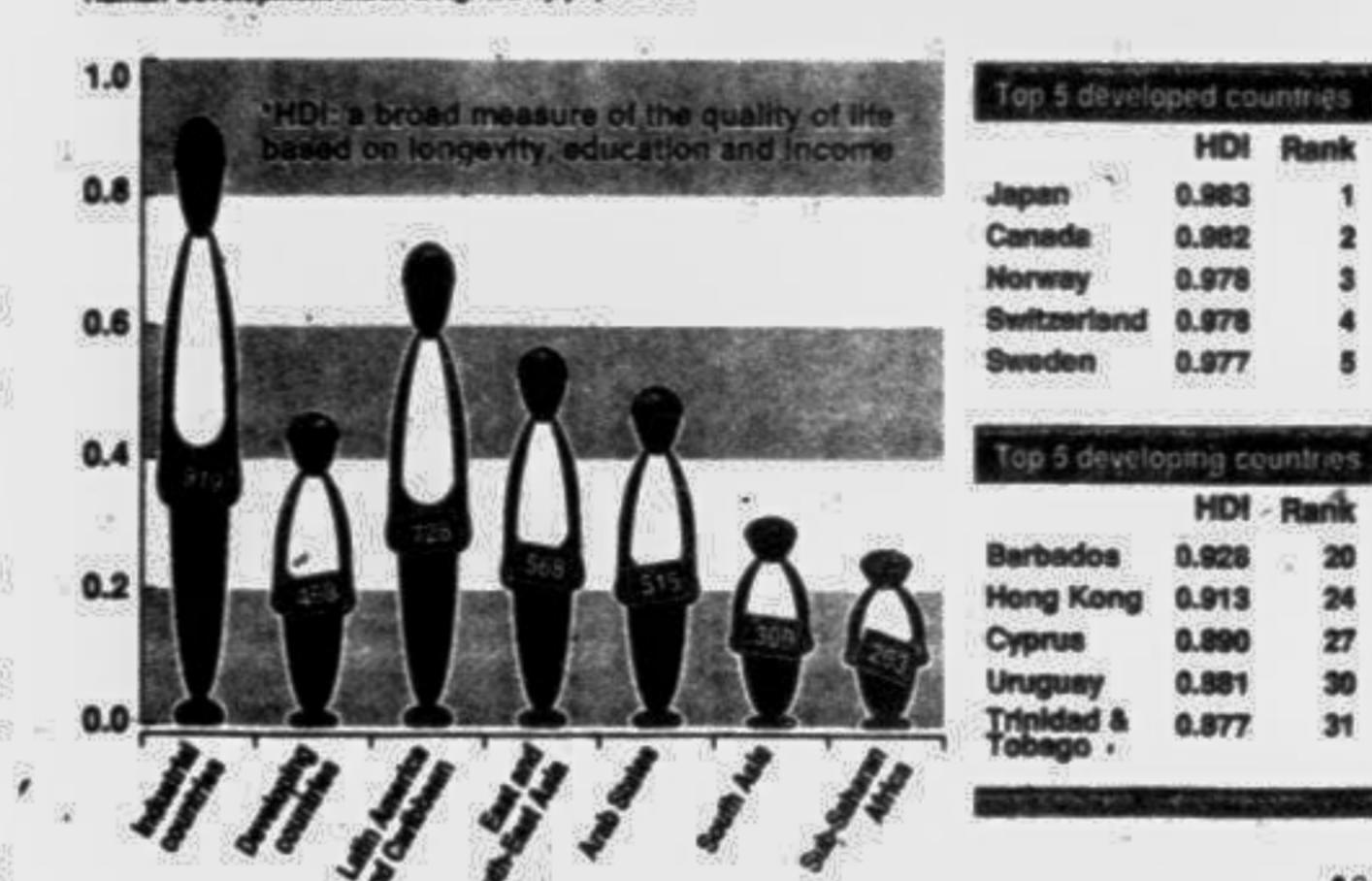
Arms Spending Falls, But is Anyone Better Off?

by Michael Urlocker

Military spending has fallen worldwide by \$240 billion since 1987, led chiefly by the collapse of the USSR. Presumably that money is now being allocated to more worthy goals. Yet many developing countries, including Cuba, Iraq and Somalia, continue to spend heavily on arms. Those are among the highlights of a new report on trends in human development by the United Nations. *Gemini News Service* reports on the challenge to make development more humane.

How they measure up

*Human Development Index weighted by population



try after last year's report was published, or the divergence of countries such as South Korea and Jamaica which in 1980 had similar HDI scores.

But the study serves in broader purpose, establishing a platform for the UNDP to challenge conventional notions on development. Under the direction of Mahbub ul Haq, Pakistan's former minister of finance, the UNDP economic team uses HDI tables as the backdrop for a prescription to the world's ills, from shoddy privatisations to foreign-controlled, centralised aid projects.

How can human development be pursued if the world is ruled according to economic indicators, such as Gross National Product? After all, to the GNP a tank manufactured at a cost of several million dollars is far more valuable than any literacy programme.

Ellen Johnson Sirleaf, director of the UNDP regional bureau for Africa, sums up the need for a new people-oriented approach to development. Although she falls short of matching the intense criticism some have levied at the World Bank and International Monetary Fund, she condemns the imposition of foreign values on developing countries.

She says: "No country has a monopoly on expertise. No country should be subject to

at odds with development. This year's report, the fourth, emphasises themes which the agency believes are the crux of world problems. So the HDI is sliced and diced to reveal inequities within countries.

For example, the HDI for black males in the United States, at about 0.855, equivalent to Bulgaria, falls far below the US score for white females, 0.995. Many already know that black men in the US are more likely to receive a poor education, to have low incomes and die young, but the UNDP examination sharply points out that blacks in the US can be considered a country within a country.

In a similar vein the report shows that no country treats its women as well as its men. In all cases, fewer job opportunities and lower wages for women reduces their HDI score, which the writers call a "disappointing result after so many years of debate on gender equality, so many struggles by women and so many changes in national laws."

Likewise, UNDP reveals that being a rich country does not guarantee that development takes priority. Although the agency uses some pretty unusual maths to make its point — subtracting a country's HDI rank from its GNP rank — it concludes that some countries with reasonably healthy GNP, like Algeria, Gabon, Saudi Arabia and South Africa, could do more to improve the lives of their people.

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The urbanization of the world 1950-2025

