

## 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 QUBRIA**. The interview was conducted by **Rashed Mahmud Titumir**.

ternal shocks. This adjustment programme has enabled the Government to attain macro-economic 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

mented 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,

dation for future economic development.

DS: There has been a claim, especially by the academics that the growth of a 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.

On the other hand, some

Bank-initiated programmes have failed to meet objectives?

VDL: Let me respond by making the following points: 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.

DS: Do you think the Finance

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.

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 circle 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 Saifur 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 stabilizing 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



M G Qubria

Government should give priority to human resource development, which implies not only giving more resources to health and education but also addressing major problems at the organisation levels and in the delivery of such services.

MGQ: I like to add that a strategy for human resource development, must be all-embracing. This effort is needed. The development picture shows several bright spots which promise a better future but simultaneously dark areas where the weight of inherited concepts and behaviour hold down the economy.

## The Urban Poor



Marching towards metropolitan slums. photo: AKM Mubashir

In 1989, a team of researchers from the Bangladesh Institute of Development Studies (BIDS) conducted a study of the Agrapour squatter settlements — one of the largest slums 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 the 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

THE Asian Development Bank's (ADB) Bangladesh resident office, in collaboration with the Academy for Planning and Development of Ministry of Planning, held a conference on the Economy of Bangladesh in Dhaka on 15-16 September. The seminar, inaugurated by the Finance Minister, attended by Industries Minister and Minister of Local Government, Rural Development and Cooperatives, created much interest. The Daily Star spoke to the Resident Representative of the ADB Geert Van Der Linden and M G Qubria, Senior Economist of the Bank. The candid exchange covered a wide range of issues on the economy including the Finance Minister's allegation on the failure of the Bank's initiated programmes to meet the



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-

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...

MG Qubria (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-

## Politics Played Critical Role in Deforestation

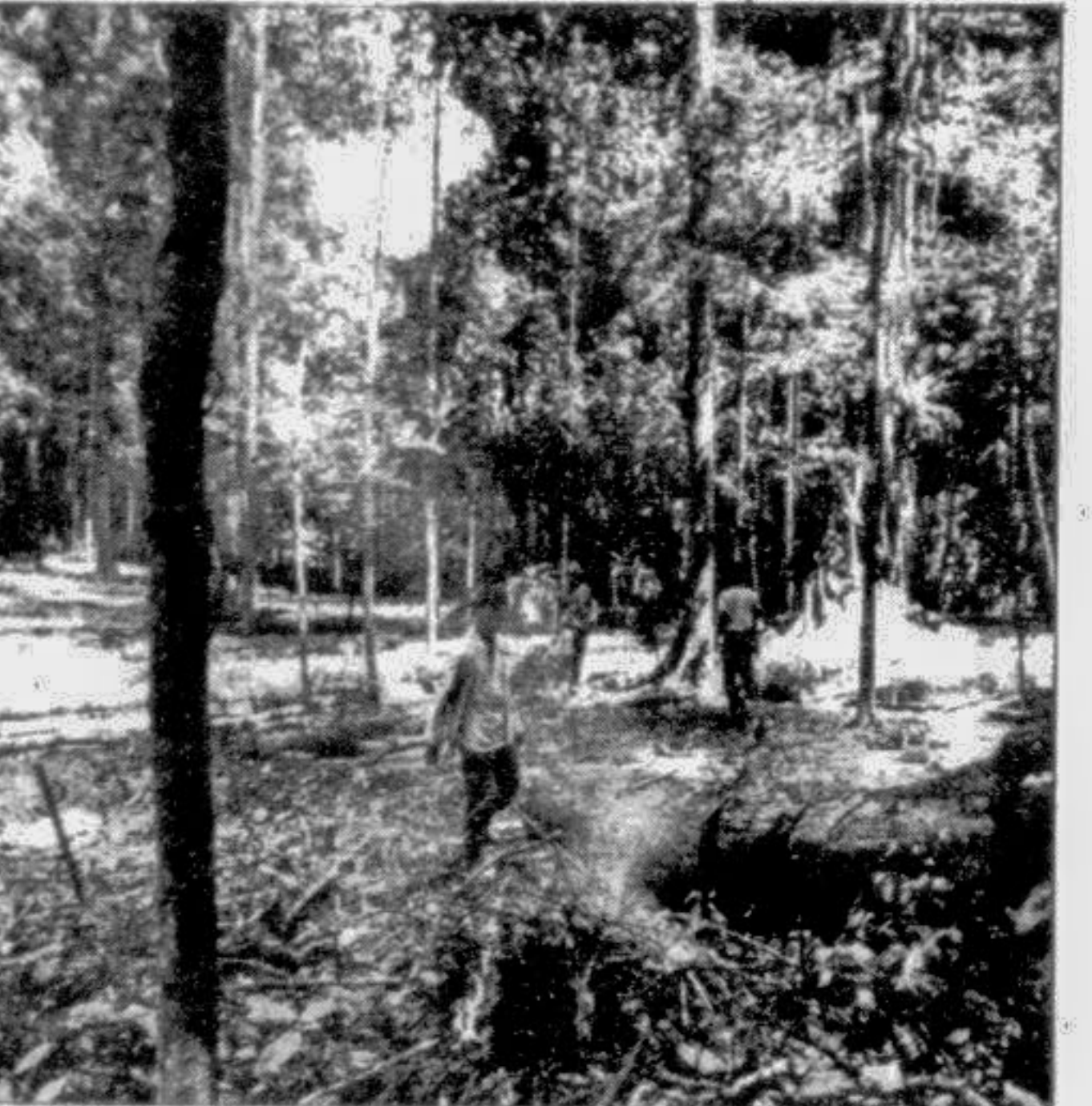
by Inam Ahmed back from Nepal

The sad epic of Nepal's timberlands started with the Rana family that ruled the country from 1850 to 1951.

The Ranas had no accountability and so they plundered the forests, slashed off the trees and sold them to India to get some quick money," said Dr Narayan Kaji Shrestha, a

of Ranas were, in fact, using the forests as their own private property. In a bid to stop this, the Congress imposed 'Nationalisation of Private Forest Act'.

But it backfired and people who had private woodlots started cutting down the trees in the fear that those would be taken over by the government.



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 Panchayat system was introduced in Nepal. The Panchayat 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 Panchayat leaders again looked back at the forest as a source of cash flow. The Panchayat forestry programme started at that point under which the local Panchayat body representing the elites controlled the forests. People had to pay the Panchayat for using the forest. When the Panchayat 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 Panchayat 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 Panchayat would not want the people to take over the charge."

The forest department wanted to keep the plantation programme to itself and refused to hand over land to the Panchayat for community forestry.

"On top of these, the government's policy to resist Indian influence on the Tarai area of Nepal had a devastating effect on the woodland," Ukesh Bhujy said.

The Tarai is the plains in the south of Nepal famous for rich timberland. As it has an open border with India, Indian influence on the people and culture of the Tarai people is obvious. "People spoke Hindi read Hindi books and even Indian rupees were in circulation there," Ukesh pointed out.

Even a section of the people started a movement called 'Tarai Congress Movement' in the 50s to separate it from Nepal.

The Nepalese government, to counter these moves, started making a 'Border Clearance Zone' in the Tarai by resettling people from outside the area.

"Thousands of hectares of woodlands were wiped clear in the process," Ukesh said, "today, there is only a sprinkle of forests left in Tarai."

But Nepalese people did not remain indifferent to the process of deforestation. They started concerns over the fast vanishing timberland. Different NGOs started spearheading awareness raising programmes.

In 1986, the government organised a huge conference on forestry in which the Forestry Master Plan was conceived. The master plan clearly said about empowering the people in forest management. But sadly enough, the plan was not implemented.

However, things have changed a bit in the positive direction after the establishment of democracy in Nepal. Last year, the forestry bill was passed by the parliament which says that any group of people wanting to manage their area of forest will be able to do so. But, miles are still to go as legislations for the bill has yet not been prepared.

The change in law, when enacted, would give the people back their rights to the forest land. It is not the village Chairman or the Panchayat leader who would control the forest, but the commonmen of the soil would have that power. It is now an established fact that it is not the forest department officials but the people themselves who are the best saviour of forest.

And so, the environmentalists hope that indiscriminate logging of the woodlots would stop with the empowering of the commonmen — the best conservers of the forests.

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

## Arms Spending Falls, But is Anyone Better Off?

by Michael Urlocker

THE big threat — a nuclear confrontation between the United States and Russia — is now considered to have passed into extinction, another dinosaur of the Cold War. One might ask therefore whether, with less money spent on the armies of the world, the lives of the poorest have improved.

The short answer is yes — sort of. Developing countries, as a whole, have cut military spending by \$11 billion over the three-year period to 1990, mainly in the gulf region and in South Asia.

The real answer is more complex. There are some notable exceptions, especially in sub-Saharan Africa. Somalia, for example, shows just how wrong things can go. The military budget there now exceeds combined spending on health and education five times over — a drastic turn since 1977 when the two were roughly matched. Tanzania, Cuba and Iraq have moved in the same direction, pursuing military expansion ahead of development.

These cases, reported by the United Nations Development Programme (UNDP) in its annual Human Development Report, show just how hard it is to summarise the state of affairs in developing countries.

"As military threats have lessened, other dangers have surfaced, such as the ethnic and religious conflicts in Bosnia, India, Iraq, Liberia, Somalia and Sri Lanka," says the report. In fact, the UNDP warns, we are entering a dangerous period where conflicts between states may not be the chief disruption.

Consider the histories of Los Angeles, Ayodhya and Solingen, where we witness escalating tensions between groups of people, white vs black; Hindu vs Muslim; refugee vs resident.

The 230-page report, including 89 pages of tables, is ostensibly a ranking of countries according to the Human Development Index (HDI), a UNDP indicator derived from statistics on life expectancy, education and income. The HDI can be considered analogous to an Intelligence Quotient.

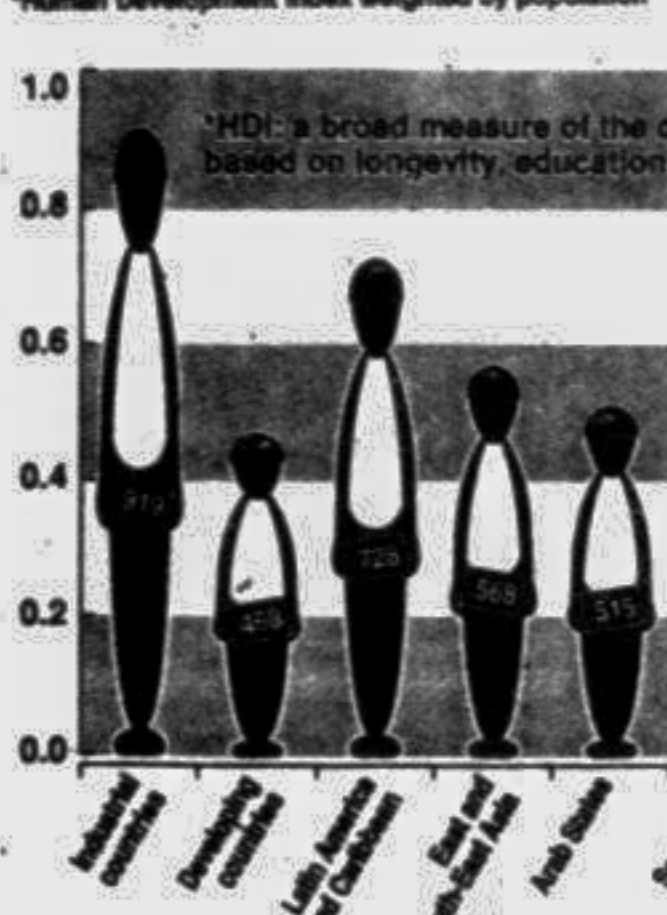
Just as there is no theoretical limit to IQ — and indeed no precise definition of what an IQ measures — the HDI is a statistical notion that relates the overall well-being of the people in a country. This year's HDI report, based on 1990 data, shows scores ranging from 0.983 at the top end for Japan to 0.045 for Guinea.

The HDI tables are interesting — witness the fall to second rank for Canada, whose Prime Minister implored loyal citizens to stop talking down the coun-

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



Top 5 developed countries	
HDI	Rank
Japan	0.983
Canada	0.982
Norway	0.978
Switzerland	0.978
Sweden	0.977

Top 5 developing countries	
HDI	Rank
Barbados	0.928
Hong Kong	0.913
Cyprus	0.900
Uruguay	0.881
Trinidad & Tobago	0.877

Source: UNDP, 1993

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.

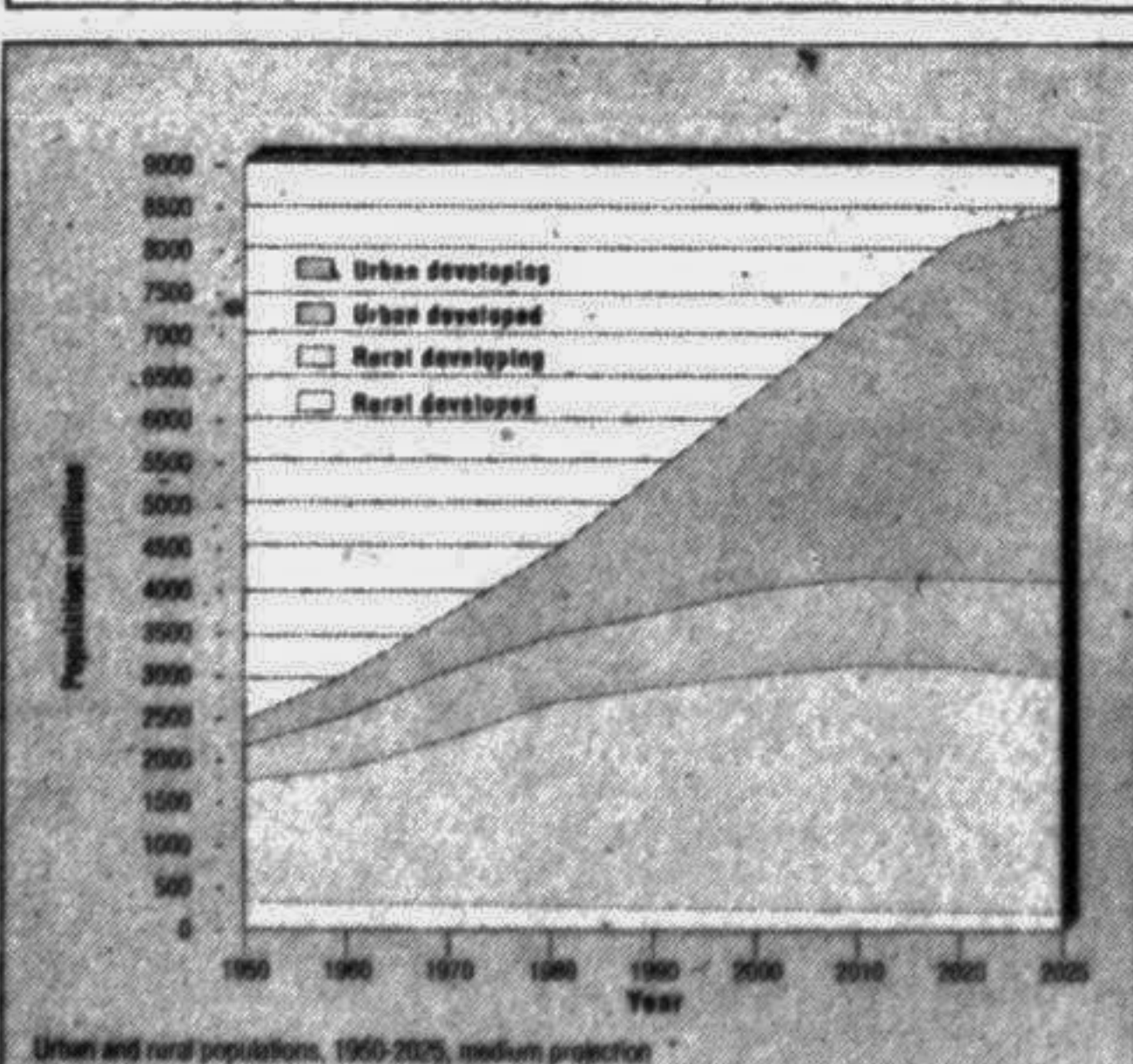
For example, the HDI for black males in the United States, at about 0.855, equivalent to Bulgaria, falls far below the US score for white females, 0.995. Many already know that black men in the US are more likely to receive a poor education, to have low incomes and die young, but the UNDP examination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

The writer is a Canadian financial journalist on internship with Gemini News Service.

## The urbanization of the world 1950-2025



Source: United Nations Population Division



How human beings abuse nature!