

## Big Deal for Small Enterprises?

Wednesday's workshop in the city on "Access to formal finance for small and micro enterprises and role of FBCCI and its member bodies as facilitator" produced some useful suggestions. In hindsight, our ears had grown insensitive to the hackneyed emphasis on the obvious importance of small industries as the golden key to economic breakthrough and employment generation. We have grown wary, too, of repeated sighs over small credit allocations to banks lying idle in the vaults because there are too few takers of them. As a refreshing departure, the workshop organised by the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI) in collaboration with the German Federation of Small Business and Technonet Asia, Singapore has shown us a shaft of light through the tunnel.

The federation of chambers has volunteered to take on a crucial part of the responsibility that remains unfulfilled in bringing potential entrepreneurs within the pale of institutional financing. It will name new entrepreneurs to the financing authorities. The banks' basic function to provide timely and adequate loans remains very much with them. Only that the entrepreneurs would be helped by the local chambers to gain access to formal finance. As expected, the FBCCI has proposed to brief them locally about the details of loan applications. They are even ready to participate in a coordination body for sanctioning and disbursement of loans. In other words, they are offering to provide for a mechanism to guide and actively help small and micro enterprises through the initial testing times. Evidently, the mechanism can neither be complete nor effective unless the relevant government ministries and the financing agencies lend their hands to it in required measure. We have been vociferously on the side of demanding that the entrepreneurs be motivated and trained without realising that the bankers and employees themselves in no small way stood in need of re-orientation.

Our view is that old habits and the rigid application of collateral can both be circumvented if the local chambers are allowed to recommend names to the financing institutions. Goodwill and expertise of the chamber should count. A sizable increase in the number of entrepreneurs would remain a far cry until the banks lower their lending rates and link the security aspect to the worth of the projects.

Associating the chamber with the lending operations may sound a bit novel to us — on the face of it. But this is how it should be. For, in the light of the financing sector's failure to enlarge the entrepreneurial class it is the prospect for complementary working between the public and private sectors that we value most. We are waiting to see a ministerial follow-up on the workshop's recommendations.

## Reviving the Railways

A vernacular national daily reported on Wednesday Bangladesh Railway's decision to make over all of its activity except moving people and goods from one place to another to private parties. Caring for the cleanliness and hygiene of the stations and their yards, platforms and waiting rooms and toilets on the moving carriage would soon be done by private parties.

On Thursday another national daily speculated, in a very authoritative manner, on the extinction of the Dhaka-Chittagong railway link is going to face unless timely measures were taken to save it. Since when our railways became so important as to merit such flurry of interest? After all over the last half of a century not a metre was added to our tracks, rather whatever we started with at the time of the exit of the British Raj contracted over the same period of time. Without anyone's shedding a single tear this tens of billions Taka worth asset has constantly been wasted into taking on an appearance of a useless burden. To the massive corruption and stupendous inefficiency that have been contributing to the disease has been added a clinching blow coming as a dictum from abroad: you are unfit to run it profitably, you must then ditch this sick thing.

The root problem over all of these post-47 years has been a lack of thinking positively, in policy terms, and going about executing the same in a businesslike manner. If there were any good and economic institute to the railway as sustainer of the nation's socio-economic entity, we could have danced our way to that ridding ourselves of ridiculous nostalgic fits over the Raj heirloom. Unfortunately there isn't so far any such. Vehicular movement costs at least 3.5 times of what railway currying does, weight for weight. And vehicles pollute about 9 times more than what trains do, far moving every unit of traffic. Railway doesn't eat up land half as much roads do, and it does not put up obstacles to water moving to the Bay as the anarchic roads do.

One long sad tale of our economic malaise involves a continuing tussle between roads and rails. Any insightful leadership would have married the two into a harmonious whole yielding the best socio-economic output enriching our nation. Over the decades fantastic road development, from 600 km of metalled way in 1970 to the present 13,000 km length, has been undertaken by governments while the railway starved of any gainful development.

As an illustration of this weird — suicidal from the point of national interest — performance nothing can beat the unsuspected and unbelievable threats hanging over the Dhaka-Chittagong rail-link, the economic life-line of the nation so to say. On the one hand the non-materialization of the Laksam-Daudkandi-Dhaka chord line cutting the railway distance (213 miles) between the two megalopolises by 63 miles to 150 miles, on the other the completion of the Daudkandi bridge over Gumti, would reduce the Dhaka-Chittagong Inter-city to a luxury very few would care to indulge in. A pattern has already been set to call the railway thing as perfectly useless for the unimpeachable time and go for closing down the link. It is not for nothing railways are expanding in Japan and China and India. Europe never lost its enthusiasm for this and its many variations. The US is gradually but surely coming out of its bout of infatuation with the automobile and the trains are staging a comeback. It is not for the benefit of the nation but for small investors in transport that tens of billions have already been spent and the railways subjected to an unremitting asphyxiating hold.

There is still time to revive the railway and let it help in our progress to a healthful and dynamic economy.

# Be Aware of the Concept — Competitiveness!

by Abdul Bayes

In simple terms, competitiveness in the production of goods and services goes to mean keeping the costs of production lower as compared to the same in other countries. Usually, competitiveness is measured in terms of productivity of inputs, say, of labour. Thus if 100 units of commodity X requires 50 manhours of labour in Bangladesh and 45 manhours in other country then, other things remaining the same, Bangladesh tend to lose the competitive edge as compared to its trading partner. In other words, to enhance the edge, Bangladesh needs to upgrade its labour productivity by lowering the manhours required to produce the commodity in question. This could be done, *inter alia*, via training of labour, adoption of cost reducing technologies, better working environment etc. However, the matter of competitiveness is not as easy and straight forward as it would seem to be. Hidden are, there a lot of complex factors and a failure to recognize them properly might dictate a wrong kind of competitiveness and specialization.

### Short-run or Static Competitiveness

We all know that competitiveness is a function of macro-economic variables such as the exchange rate, budget deficits, interest rates etc. The short-run or static competitiveness as it is called, might be dictated by those factors. But competitiveness might also emerge without the presence

of such macro-economic variables. For example, many economists would cite countries like Germany and Switzerland experiencing a steady growth in competitiveness (and also in standard of living) but facing currency appreciation. Japan and Korea lived with large budget deficits and Italy and Korea had large interest rates but even then these countries fared well in terms of competitiveness.

Competitiveness of a country's exports is generally assumed to be reflected in the growing share of exports to GNP. But rise in the export share may not always vindicate the role of competitiveness. There are instances where competitiveness and standard of living reside side by side with a constant or a falling share of exports to GNP. To clarify the point, let's take an example. Suppose a country's basket of exports comprises commodities of dynamic and highly productive industrial products as well as of stagnant, low productive industrial products. Now a rise in the former might reduce the share but could ensure better standard of living. At the other end of spectrum, the share of low productive and stagnant industrial products might increase but with a consequent deceleration in the standard of living. Thus it appears that what should concern us is not export per se but competitive exports.

But how to maintain competitiveness of exports? To many of us, and especially to

IMF experts, devaluation is one of the most important ways to enhance competitiveness. It does so, as we all are aware, by providing the exporters with more home currency than before in exchange for the foreign exchange earned. There are more than one reasons to believe that devaluation could not be a proper prescription to enhance the competitive edge. First, as can be visualized, such rise in competitiveness induced by currency depreciation appears artificial and is meant for the short-run gains. As it is not a product of productivity increase (i.e. via a rightward — shift of the supply curve), improvement is very difficult to sustain for a longer period of time. Second, many economists tend to argue that such an act of depreciating currency is a zero-sum game i.e. you gain but the trading partner loses. If your trading partner decides to retaliate, you should not be surprised to see that there occurs some erosion or stoppage in the expected incremental benefits from devaluation. Third, devaluation cuts across the board i.e. both high and low productive industrial products tend to derive same chunk of benefits out of devaluation. Thus depreciation, as argued by some economists, has a tendency to encourage low productivity sectors with perverse competitiveness.

### Long-run Competitiveness

Long-run competitiveness depends solely on productivity

rise and surprisingly, is independent of macro-economic variables in the final analysis. The major determinants of productivity are innovation and technical progress. The most pertinent questions are what factors contribute to such a dynamic process of innovation and technical progress? Michael Porter of the Harvard Business School and former Economic Advisor to Reagan Administration has some valuable messages on this issue.

According to Porter, long-term competitiveness comes through three phases. First, the initial different factor endowments leading to differential factor costs. Whatever poor a country might be with underdeveloped production structure, Ricardian theory of comparative costs provide with some hope of advantage. It dictates a kind of natural competitiveness which tends to be extremely fragile in nature, based on factor-cost differences.

Such factor-cost based competitiveness through upon low productive activities and in most cases delimit standard of living. For example, by using the abundant child labour, a country may reduce costs of production and attain comparative advantage and competitiveness. Or, by cutting trees down to earth a country may turn out to be log exporter by displaying better endowments of forestry. But globalization based on such advantage would only lead to perpetuation of a

fragile structure and "perverse" competitiveness. Second, there could be investment based competitiveness also. Here, development of human and non-human capital leads to reach the production possibility frontier from an interior point below the frontier. Since it is investment induced, the competitiveness so achieved tends to contribute to a higher standard of living but unfortunately, the sustainability question still looms large. Third, competitiveness resulting from innovation and technical progress enables a country to go for newer products, to hunt for wider markets and to bank on research. Here, the Schumpeterian innovators come with full force and zeal.

This third stage of competitiveness and higher standard of living is sustainable for a longer period of time and hence should constitute the top trade agenda for all those who intend to be hooked on to global market.

### The Role of State

There is not much that the state has to do with the first and second type of comparative advantage and competitiveness excepting the manipulation of some macro variables. As a result, some gains from trade also accrue to a country but the attainment of higher standard of living and the sustainability of such incremental gains still pose to be a forlorn hope. Bangladesh appears to be on the first and

second stages. The role of the state in reaching and riding on the third stage, however, needs no mention. The private sector can lead to first and second stage but as it happened in the case of other countries, the state's involvement in third stage could make the competitiveness and an architect of higher living standard sustainable over ages. In fact, the very limited intervention in a market economy by the state should hardly bypass this important duty.

There appears to be imminent dangers in globalisation if a country resides only in the first and second stage. The vicious circle of dependency might constrain the elevation of the economy to a higher growth path. The "engine of growth", in that case, might engender to the perpetuation of low income equilibrium trap.

### Conclusion

Too much preoccupation with first competitiveness is fraught with serious limitations. Every cost of production has a story... it may be a story of innovation, technical progress and modern labour force or one of sweated labour, primitive labour process and pollution. By putting a price sticker on all commodities, the market surpasses these stories and thus hides more than it reveals. It is like one of those dark nights in which all horses appear grey...

# Fabricated Propaganda Endangers Development Efforts

by Masud Hasan Khan

On the night of February 9, unidentified persons at the Batdighi village in Bogra district set fire to a primary school that was being run by one of the largest Non-Governmental Organisations (NGOs) of the country — the BRAC.

Earlier on the day, a religious congregation at the nearby Nimaidighi village of the district accused that the BRAC-run schools were preaching Christianity in the predominantly Muslim country.

A few days later, unknown persons uprooted tree saplings planted along a one-kilometer stretch of the Pathan-Mirzapur-Nishindara village road. The trees were planted under a BRAC programme.

In Hobiganj district, a 'waj mahfil' at Kotarkona area of Kulara thana on February 10 served a notice on a Grameen Bank's local branch to close down within 40 days.

Later in the night, a group of people looted furniture of the centre and threatened to set the Bank on fire.

A few days back, two workers of the same branch were assaulted by influential people

of the locality when they went to collect money. The people also closed the centre.

In Chittagong, posters and books have appeared all over the district with accusations that the NGOs were trying to turn Bangladesh into a Christian state.

Apart from BRAC or Grameen Bank establishments, similar attacks were also mounted on other NGOs in some selected areas of the country.

Workers of Proshika, Gana Shahajjo Sangstha, Nijera Kori and many other NGOs are facing the same kind of problems, the same nature of propaganda and the same kind of people determinedly opposed their programmes.

These attacks are the results of a well-concerted campaign launched recently against the NGOs by a section of rural community leaders and fundamentalist religious leaders. NGO community leaders suspect.

Development activities by the NGOs have been hampered due to the recent spate of violence, they say.

Never before, any educa-

tional institution has been set on fire in the country. Traditionally, village schools are used for many purposes, besides being the centres of education.

Knowledgeable sources said that a well-orchestrated and 'organised' assault on the NGOs was now in progress. These anti-NGO activities are usually preceded by the spreading of baseless rumours against the development initiatives and putting out of sermons urging the village people not to take part in the programmes.

Who are the people opposing these development efforts? According to an assessment of the BRAC, a section of Madrasa and state-run primary school teachers and fundamentalist religious leaders led by a former minister were behind the arson of the BRAC schools.

Besides, a section of dishonest village 'matabbars' (community leaders) and money-lenders are also responsible, NGO sources said.

BRAC (Bangladesh Rural Advancement Committee) runs 20,000 community-based non-

formal primary schools across the country.

The BRAC primary education programme seeks to bring all children, particularly the girls, to the school and prepare them for formal education.

In the recent months, 40 BRAC-managed schools have been put to torch with 200 others having been damaged or looted, according to a BRAC estimate.

Besides, an estimated 1,00,000 saplings planted under various development programmes have been uprooted in the greater Mymensingh, greater Sylhet and greater Chittagong districts.

Why are the schools being burned, saplings uprooted or the development workers assaulted?

With the spread of NGO-supported schools across the country, a small section of government primary school and madrasa teachers now feel threatened. With the opening of new branches of the rural banks, the village money lenders feel unhappy. NGO sources said.

Rasheda K Chowdhury, Executive Director of the Association for Development Agencies in Bangladesh (ADAB), suggested that a section of rural elite and religious leaders, who had been exploiting the poor for a long time, have become scared because of the programme carried out by the NGOs.

"Of course, the money lenders, jottars (big land owners) and the dishonest mullahs will

not be happy with us," she said. "The growth of NGOs is a threat to their age-old exploitation... because we educate people about their rights and help them change their lives," she added.

NGO workers pointed out that the government's recently announced 'Food for Education' programme has also antagonised the managers of madrasas and the orphanages, where a large number of children start their primary education.

They said that the present government's emphasis on primary education would draw children more to the secular education programme of the NGO-run schools than to the madrasas.

Besides, the madrasa teachers fear that the NGO-run schools would receive more cash and food allocation of the government, the NGO workers said.

The resistance by some quarters has begun to frustrate development activities in rural Bangladesh.

The little avenues that have so far been opened by the NGOs for a socio-economic change in the lives of the rural poor would be in jeopardy, NGO workers said, thwarting the overall development of the country.

Earlier, the propaganda was made only verbally, he pointed

out, now printed materials containing "all kinds of lies and baseless rumours" have been circulated in the rural areas, he added.

One of the leaflets, made available to The Daily Star, termed the Grameen Bank "the agent of the East India Company" and said that all the Grameen workers carried branding stamps on their back as proof of potential converts to Christianity.

NGO sources said that speakers at some of the waj mahfils were heard suggesting that the green leaves of the freshly planted saplings were very good for digestion when eaten with a bit of salt.

The tender stalks were hygienic for brushing teeth, they said quoting the speakers. NGO community leaders suggest that government should take note of the worsening situation and take prompt action when unlawful acts are committed.

"These kinds of problems crop up when positive changes in the society become inevitable," commented Yunus. "We have to confront them by our social movement."

To keep the government in picture, ADAB is planning to file a memorandum to the Prime Minister, sources said.

According to a count of the NGO Affairs Bureau, some 20,000 voluntary development organisations are working in the country. Out of which 695 are registered with the Bureau.

NGO officials say that an estimated 1.5 crore people benefit directly from various development programmes adopted by them.

## To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

### BRTC bus service in Dhaka Cantonment

Sir, At the moment there is no BRTC bus service operating between Dhaka Cantt and the rest of the city. A private coaster service is operating in the area. But this cannot cope up with the need of the people.

As a result, thousands of passengers, many of whom are office goers are suffering very badly. The government should look into the matter for the greater interest of the general public and not the coaster owners. Hence, introduction of BRTC service from Dhaka Cantt to Gulistan is an urgent necessity. May I, therefore, request the BRTC authorities to look into the matter sympathetically and start BRTC service in this area as soon as possible.

Saleh Ahmed Chowdhury  
Dhaka Cantonment.

### Requisitioning of vehicles

Sir, My friend was anxious, tense and worried. He was in office. Then he got a call from his wife. Someone was sick in the house and needed to be taken to the hospital immediately. She requested her husband to send the office jeep. My friend had done that about two hours ago. But he just received another frantic call from wife at home in Uttara. The vehicle had not arrived home nor anyone knew anything about what happened. It was just the day before the city council election. My friend was almost sure that the vehicle must have been 'hijacked' by some of the goons of the political parties. He really did not know what to do.

About three hours passed. There was a telephone call

from his driver: As he was going to Uttara his vehicle was stopped by some police people and he was told that his vehicle was requisitioned by govt for election duty. He tried to tell the police officer about the emergency at his master's home. But the policemen would not listen, nor he was allowed to use a telephone to inform either madam at house or his boss in office. At last he was taken to a police station where the Officer in Charge was kind enough to allow him to inform his boss.

My friend was perplexed. He did not know how he would manage his office with the only vehicle sequestered. God only knew for how many days. However, he was happy that it was the police who seized his jeep not anyone else!

For the last fifteen/twenty years I have been noticing this kind of impromptu requisitioning of private vehicles on the flimsiest pretext. While at Chittagong I had known occasions when vehicles were taken from roads on the ground that some minister would be visiting the city and the govt needed vehicles for his entourage.

Not only this, in most of the cases the owner of the vehicle would pass hours of agony about the fate of his vehicle. Everyone knows that such commandeering of vehicle is not only the prerogative of police, it is more frequently being done by criminals, bank robbers and other gangs also. Such being the situation I could not but sympathize with my friend that day. On the next day I read in some of our local dailies that hundreds of such vehicles were requisitioned in the same manner on the previous day.

The question naturally comes in mind that has the police department any right to

requisition an ordinary tax-paying, law-abiding citizen's vehicle in this manner? I question both the legality and the manner it is done. The police knew about the election and their need for vehicle long before. Why did they make arrangement for their vehicles in some normal manner? Hundreds of govt vehicles are there in Dhaka or in the adjacent districts. They could have been notified about the govt's requirement and given order to send their vehicles for such duty. Why should ordinary citizens be required to undergo such experience? Even if the police needed vehicles from private citizens they could have made a list of people and requested them in a proper manner for their help. Some people would certainly respond positively to such request if made politely. Why should the police follow the same method as is normally followed by the hijackers? Can't we expect some civilized system and some politeness from them?

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### Road accidents

Sir, Crossing a road in Dhaka is virtually like running into a death trap. One has to risk his life to cross a road amidst moving vehicles, cars and rickshaws plying in total disregard to the existing traffic rules.

If one does not take certain amount of risk he can not cross a road in places like Gulistan, Motijheel Commercial Area, Tophkhana Road, Nawabpur, Malibagh or Hatkhola and so forth.

So what is the solution? More over bridges and zebra crossings? Those also have been proven ineffective and of no use on many occasions.

Why don't we move with the time and make underground tunnels for pedestrians to cross the roads so that the people are benefitted from it willingly and also enable the traffic to move easily.

O H Kabir  
Dhaka.

## OPINION

### APDC-SAARC Conference

Apropos captioned conference's suggestions of a 29-point plan for accountability vide The Daily Star of Jan 21, 1994, these are more or less based on what the Director of APDC Dr. Hafake Gurung's keynote speech on the opening day had earlier highlighted.

Further elaboration on what Dr. Gurung categorically stated vide The Daily Star of 17/1/94 should be the watershed in the relations between the MPs — the mandated people's representatives and the administrators i.e. the civil servants of BCS Admin cadres who must ensure accountability by: regularly reviewing the processes and adhering to the standards and methods of enforcement of such accountability for optimum use of the available resources. Hence, the aforesaid 29 points are more or less within the range of whatever Dr. Gurung had earlier highlighted plus a sprinkling of such bombastic words e.g. interface, introvert, roundtable, regional levels.

Quite logically when the 29 points of the Prokrihi of 26 BCS cadres so successfully held the entire health sector hostage for 10 days, why should our administrative BCS cadre not prepare for a similar show-down. As a result we have had pre-emptive dissent and agitation for a realistic and rational pay structure for the BCS Admin cadres. Hence, the captioned conference has made things clear as day light as to the evil aims and wicked objectives of our highly reputed senior civil servants

What however deserves mention is the fact that, there have been repeated calls upon people's representatives i.e. MPs to regularly review the efficacy of accountability with the administrators which is a sin qua non for a democratic polity and practised by the developed countries of both the East and the West. But in the SAARC region including Bangladesh the leaders are found not even on talking terms which is the norm so that the sin qua non is tragically lacking. Ours is a so-called democracy based on mud slinging from the dais erected on roads, highways and fields raging over non-issues. We indulge in rhetorics of past glories involving every strata of the society upto the grass root levels wasting crores from Teknaf to Tetulia.

Unfortunately, we hear of jail reforms, administrative reforms, education reforms, university reforms, health reforms law & parliamentary reforms, police admin reforms etc... etc... but never about sweeping political reforms. Japan is frantically trying for sweeping political reforms despite having reached the pinnacle of power through economic progress. Their dignified, sober and aristocratic Diet (Parliament) saw the present government of Japan press for political reforms so as to ensure more progress. We still need political reforms but what we see instead is impotent ultimatum being blurted out through various media which are violated with impunity. On the other side

the Admin cadres have commenced their agitation and have also served their ultimatum to the government having earlier raised such questions as: accountability by both the administrators and the political leaders. I ask: to whom? Even a kid knows that, the administrators are accountable to the people — or the MPs who have received the peoples' mandate to be answerable to them. Yet, we have to put up with the repetition of the obvious. And what about such observations as accountability is an un-defined concept fraught with... diluted, diffused and in a fuzzy state as these were borrowed or imposed from alien societies. As if we should discard our administrative and financial system inherited over the last hundred years or so, totally i.e. throw the baby with the bath water.

Obviously under the prevailing circumstances and particularly seeing the Ministers remain absent or beyond approach we should call a spade a spade and urge our leaders to be more attentive and regular in their work-places for which they have been mandated by the people. Definitely holding conferences and raising preposterous questions will not reverse the deteriorating trends in accountability. What is needed is self analysis across the political spectrum followed by proper behaviour ensured on the part of the officialdom and good governance by the ruling party.

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