

Shift in ADB's Lending Policy

A major shift in the Asian Development Bank's (ADB) lending policy seems likely in the aftermath of its annual meeting held in Nice, France, earlier this month. ADB's last annual meeting was dominated by considerations of augmenting its capital to enable the organization to meet the aid requirements of its developing member countries. At the Nice meeting, ADB was assured of doubling its capital to \$48 billion. However, only on condition that the aid-recipient countries' commitment to good governance would guide ADB's lending policies more and more.

Good governance is indeed a desirable goal. There is no dispute about that. Yet, there lurks a fear among the developing countries in the region that in the name of good governance, the donor community would try to impose on them human rights and environmental standards. Inability to conform fully to such standards would shut off aid. The third world reads in these moves a design for cutting off aid and denying access to trade.

The general debate at the ADB annual meeting provides a broad outline of future lending policies. It seems that adherence by the countries receiving aid to good governance precepts would entail respect for human rights and democratic rule. Also included are notions such as fair, efficient and transparent public management, accountability towards the population, controlling corruption and curtailing excessive military spending. Care for the environment also will form a major criteria for lending.

Conceptually, it is difficult to find fault with these noble ideas, particularly the extent to which the new policies help deal effectively with social problems — for example, poverty, education, health care, human shelter and pollution of environment. The problem would arise from the way these guidelines are transformed into a set of conditionalities, to be attached to lending programmes. Unless a good measure of flexibility is allowed in applying the criteria, taking into account the specific needs of a country and the socio-economic conditions obtaining in its current stage of development, it could well be denied access to aid.

At the ADB annual meeting, some of the spokesmen for the donor community did say that the doctrine of good governance was not intended to be an imposition on countries badly in need of external aid. Rather, it was meant to foster a policy dialogue with aid recipients aimed at attaining sustainable development, they said. The donor community also argued that deepening budget deficits linked with recession in the West have made it harder to secure development aid appropriations from the legislatures and taxpayers. There might be something to it. Nonetheless, strict adherence to the good governance concepts of the West could effectively shut off aid to many third world countries in their present stage of development.

In more concrete terms, ADB would now devote half of its lending from its ordinary capital resources to financing social-sector activities as distinct from infrastructure projects, such as roads and bridges. It is presumed that the new lending policy will not apply specifically to its window for soft loans as well, namely, the Asian Development Fund (ADF) which benefits the poorer countries like Bangladesh most. However, replenishment of the ADF would come up in about a couple of years time. Poorer nations should brace themselves from now for facing stricter conditionalities in their future borrowings from the ADF.

Project Implementation Hiccups

Finance Minister M Saifur Rahman has pinpointed drawback in project implementation: abandonment of a development project half-way through. Presiding over an ECNEC meeting Wednesday he advised the executing agencies against leaving partially done projects which amounted to a sheer waste of public money. The part completed may not fit into a revised frame rendering it ultimately useless for all practical purposes. He cited the instance of some road construction projects that went awry thus.

Apart from cost escalations associated with the carry-over projects an asymmetry is induced in the general implementation pattern with the result that the whole ADP exercise gets badly messed up. The flow of project aid from external sources is snapped up and every local currency counterpart funding may be difficult. All in all, consistency in development efforts is lost with an exacting burden of back-logs incapacitating us.

All this is not new to us at all but what is a great pity is that the legacy continues to this day despite the advantages of a democratic government. Project selection is expected now to be based on merit in each case rather than on partisan considerations. There are reasons to believe that the government sees the need for such a principled selection of projects. Furthermore, with the aid crunch, the multilateral agencies are also putting each project through a much toughened test of their own, so that the projects have to keep above board anyway. That is as far as the integrity behind the selection goes.

Still one is intrigued by the snail's pace in the implementation of approved projects; more precisely when unutilised money has to be returned towards the end of a financial year. A close look at the 'unutilised' allocation has sometimes revealed that actually disbursement was not made. Even so, the line ministries and the implementing agencies cannot feel absolved of their responsibility to coordinate for better results at their end. It is possible to obviate the many steps by adequately empowering the project directors — financially as well as execution-wise.

If the structural anomalies in the implementation machinery are not removed, the ADP and the increasing allocational size of it — year after year — will in the end prove to be rather notional. With a short-fall in ADP utilisation dogging our footsteps since the 1992-93 financial year, the Planning Commission has made bold to suggest an allocation of Tk 10,600 crore for the fiscal 1994-95. This is 9 per cent higher than that of last year which has been a particularly underperforming year. Let there be more than a mere poetic justification of raising the figure to get better work — like aiming the sky to reach the tree-top at least. We cannot afford ADP underutilisation for three years in a row — that much is for sure.

It is now being widely held that the growth and development experience of Korea has more relevance for Bangladesh than perhaps for any other country in the world.

The reasons are not far to seek: Bangladesh and Korea have both faced extreme turbulence associated with rule by occupation and both are resource-poor, populous countries. To start with, both the countries were inward looking with extensive application of tariff and non-tariff barriers and with other interventions in output and input markets. Coincidentally, Korea and Bangladesh have faced deterioration in the macro-economic fundamentals during the 1970s and the early 1980s in the form of acceleration of inflation, a sharp real appreciation in the exchange rate, a large increase in the current account deficit and a reduction in the growth rate of output. The Republic of Korea, since the beginning of the 1980s, has been successful both at stabilizing the economy and then pursuing gradual structural adjustment with minimum inflationary and recessionary consequences. Nearly in the same period of time Bangladesh tied itself to SAF and ESAF with a view to stabilizing and undertaking reforms.

By and large, starting from almost the same rock-bottom, Korea graduated to a level of enviable growth and development while Bangladesh still continues to groan under a low growth-high poverty syndrome. The following comparative figures should shed some light on the issue. Per capita income: US\$210 vs. US\$5400 (1990); growth rate of the economy: 4% vs. 10% during 1981-90; share of investment to GDP: 13% vs. 30%; savings as proportion of GDP 4% vs. 32% etc.

The Burning Questions

Korea's laudable performance on socio-economic fronts has placed many questions on the agenda for discussions in Bangladesh. The pertinent questions are: despite a higher natural resource base, higher population pressure, the wreckage caused by the war and the fact of being once written off by the outside world as a country of no prospect, how could Korea reach such a height and within such a short span of time? Were there cultural, institutional and social factors more important than mere economic factors? How could the adjustment programme revive the economy so quickly? How could Korea effect the trade-off between growth and equity throughout its long journey towards economic growth? How far the sequencing of reforms appears as an important element in the reforms package?

South Korea's Route to Development

by Abdul Bayes

Korea obtained independence after more than three decades of Japanese rule. The repressive rule was accompanied by strong economic growth between 1910 and 1940, manufacturing growing at an average rate of over 10% per annum. To bolster the military thrust on China, Japan invested heavily in Korea as a supply base. Agricultural growth at 2% a year during that time could, possibly, be adduced to slow population growth and large migration. After the Japanese left, however, the number of manufacturing establishments fell by half and total output by 85% since most firms belonged to Japanese and laws inhibited access of Korean businessmen. The physical plants left behind by the Japanese, including the crucial ones such as power and chemicals, were located in the

northern part of the country that was cut off from the South when the peninsula was partitioned along 38th parallel. By and large, then, Korea faced economic turmoil with the exit of the Japanese.

Of course, during the Japanese occupation period some steps were taken which ultimately paid for long term development. First, many Korean firms originated under Japanese and there was a substantial transfer of managerial technology. Second, despite apathy and discrimination to Korea's language, about one-fourth of population had received some formal schooling by 1945. Third, the Japanese invested heavily in the development of physical infrastructure; and fourth, the agricultural sector, despite the discrimination, received substantial advantages from massive and highly developed extension services.

The Import Substitution Phase

The Korean war, to make things worse, lasted from 1950 to 1953. The rebuilding took place amidst political instability and perpetual underdevelopment. High inflation, low income levels, complex marketing system with a very small domestic market, distortions of various kinds were as grave as could be in evidence in newly independent states. The major thrust of economic policies were on a strategy of Import Substitution (IS) with protective walls of high tariffs and stringent quota restrictions.

The strategy paid some dividends: the average annual growth rate of GNP, during 1954-62, stood at about 4% (per capita at 0.7%). Investment averaged 13-14%. Commodity exports were only 1% of GNP. However, the IS strategy soon reached its natural limit due to very small market size.

The IS phase, although presented modest growth, witnessed remarkable progress in two other most important fields. Probably that could partially explain the whys of a differential growth paths between Bangladesh and Korea even though IS strategy was followed. Firstly, the importance of education received a great deal of attention from the then policy-makers. Education is considered as a virtue under Confucianism and the state philosophy calibrating that.

From 1945-1960, a span of 15 years, saw elementary enrolment in Korea rise by 265%, and the enrolment to higher education by 12%. Number of college students grew from 8000 in 1945 to 100,000 in 1960. By 1960s, the literacy rate reached about 80%. Second, the land reform at that time reduced the number of tenants from 42% to 5%. It had adverse impact on productivity growth but the policy makers valued political and social benefits that outweighed the productivity loss. It thus appears that even with a relatively more closed economy and a slower growth, Korea invested heavily on human resources development and, side by side, kept agriculture unhurt through that process.

The Export-led Phase

The export-led drive actually got off to a sound start during 1963-71 period. Mindful of Korean small domestic market and limited resources, the policy makers switched on to an outward looking strategy

within a period of a decade or so. Foreign technology and aid were welcome warmly without any suspicion, whatsoever. Both external and internal resources were mobilized to do something for the educated, energetic and efficient citizenry that would only have come from the expansion and development of export oriented (EO) sectors. The government appeared as an active friend, philosopher and guide for the growth and development of the export sector. The 100% devaluation of won in 1964, the export friendly institutional arrangements and the other policy parameters all were set to help exports and discourage IS. Bodies relating to exports were headed by no less than the President or a Deputy Prime Minister. Not only incentives ran galore but the orchestration and monitoring of those were done by one of the most efficient and honest bureaucracies of the world. Thus, within a period of one decade, Korea experienced an export growth rate of about 30% per annum when, in fact, the South Asian countries closed the doors.

After that surge in exports and having a strong foothold in the international market, the policy makers turned back to IS with teeth, especially, on engineering and chemicals.

But when it was being observed that such protection and interventions challenged the basic calculus of macro-economic management, these were either allowed to wither or were withdrawn without consideration of whether industries laid off or not. The basic philosophy was that unless it proved to be generating internal growth rate through some protection, no interven-

tion was to be allowed to protect industries.

Two important elements warrant mention. First, the policy changes were felt necessary by the leadership, a consensus was formed and these were implemented with full commitments. Self-propelling as they were, these were more in tune with domestic socio-economic imperatives and there was little evidence of hesitancy to go with reforms and adjustments. The reforms were quick and the yields very high. Second, throughout the whole period, political stability was sustained which enhanced the credibility of the country to the outside world.

Learning by Reading

What lessons can Bangladesh learn from this? First of all, getting the fundamentals right is the key to success and hence should be attained at any cost. Second, price distortions might exist but not at an excessive rate. The interventions in Bangladesh have been limitless and have not been consistent with macro-economic discipline while just the opposite happened in Korea. Third, small and resource-poor countries have to look for an expanded market in the world and attempt to get a slice out of that. For that to happen necessary institutional arrangements have to be made at a speedy pace. Fourth, the policy changes should be self-propelling and not forced upon by others implying that a natural commitment to reforms is very essential — on the part of the leadership. And fourth, human resources development with emphasis on primary and secondary education should constitute the linchpin of an export-led growth. It should be borne in mind that in a society where the productive forces are underdeveloped the debate over IS vs EO becomes almost redundant.

No Clear Future for Democracy in Southeast Asia

Dr Syed Farid Alatas writes from Singapore

The role of the military in political succession... serves to counter any democratic tendencies that may be felt in some countries

THE upheavals of the second half of the 1980s and leading into the '90s in Eastern Europe and the former Soviet Union gave rise to the now familiar terms of *glasnost* (openness) and *perestroika* (restructuring). More importantly, these events had the world thinking that a wave of democracy was sweeping our planet.

A notable example of the transition to democracy is the case of South Africa where efforts are currently underway not only to dismantle completely apartheid but to create a non-racial democratic system as well. Closer to home is the granting of more civil liberties in South Korea by the country's first civilian head of state since 1961, Kim Young Sam, who last year granted amnesty to more than 40,000 dissidents or prisoners. In the Southeast Asian region, the Philippines made the transition to democracy upon ousting the late Ferdinand Marcos. There has been much talk of democratization in Indonesia and Thailand, two states in which the military have prominent roles in the political process.

Closely related to the issue of the transition to democracy is that of leadership succession. The way in which political leaders succeed each other in office is vital to the existence of a functioning democracy. In highly authoritarian regimes political leaders seem to be unremovable from office except through violent means. What distinguishes democratic

from authoritarian leaders are the norms that determine how the former come to power. As far as the future of democracy in Southeast Asia is concerned two points must be mentioned. First, many cases of political succession come about as a result of force or violence. Second, such violence typically involves military participation and take-overs. Let us consider each of these two points.

The means of political succession in Brunei, Malaysia and Singapore are well-defined and clear-cut. In Brunei, there has so far been only one instance of succession — the present Sultan succeeding his father to the throne. In Malaysia and Singapore, constitutional provisions for elections have consistently determined the manner of succession. Filipinos experienced fifteen years of authoritarian rule under Mr. Marcos before they revolted in February of 1986 and re-established a functioning democracy there. In the first presidential elections of the post-Marcos era held in 1992 Corason Aquino was succeeded by Fidel Ramos. But the orderly succession of leaders via elections is not the norm in other countries of the region.

In Thailand, succession often came about as a result of coups. The country became a constitutional monarchy in 1932 and the state came to be dominated by senior military officers. As World War II drew to a close, civilian leaders gained control of the state only to be the target of a military

coup in 1947. Thailand experienced a brief period of democracy when a coup in 1973 toppled the military leaders. Following numerous assassinations, strikes and demonstrations the military regained power by staging a coup in 1976. After the general elections of March 1992, the masses protested the installation of General Suchinda Kraprayoon. This led to the bloody confrontation between demonstrators and the military which led to some deaths. Further mass demonstrations by members of an outraged public finally led to the toppling of the Suchinda-led military regime in May 1993.

Leadership succession in Indonesia took place only once. President Sukarno, the man who proclaimed Indonesia's independence in 1945, was overthrown in 1965. Power passed into the hands of the army commander of the time, General Suharto. Since then the People's Consultative Assembly (MPR), with a strong army representation, has continuously endorsed Mr Suharto as President, the most recent occasion being in March 1993.

Although Myanmar (Burma) obtained independence in 1948 it was not until 1962

that the armed forces took over the state machinery by means of a coup d'etat. In 1974, the military handed over power to civilian leaders who were nevertheless former high ranking officers in the military. These leaders consolidated power through a one-party socialist system. In September 1988, amidst an economic crisis and mass malcontent, the military stepped in and resumed state power.

In the cases of Thailand, Indonesia and Myanmar political succession must be seen in the context of the domination of government by the military. In these states civilians share political power with military bureaucrats. Political power and decision-making are in the hands of the bureaucracy that includes the military, the police and the civil administration. The role played by political parties and other interest groups is minimal. Bureaucrats participate extensively in economic activities and enter into various forms of partnership with the private sector. The military, as well as individual military personnel, have shares in both state-run and private concerns and are, therefore, major players in the accumulation of capital. Military bureaucrats are also very prominent

in administration. In Indonesia, for example, many governmental departments, provinces and districts are headed by military men.

The role of the military in political succession, as well as their subsequent control over the machinery of government, serves to counter any democratic tendencies that may be felt in some countries. The prominence of the military in government may impose limits on democratization especially if the military mentality dominates government as well. The military mind is dogmatic. It emphasizes conformity, discipline, and the blind acceptance of authority. The discussion of issues by the public, the consideration of policy alternatives and reflection are hallmarks of democratic societies but are at odds with organizations run along military lines.

Democratization in Southeast Asia, therefore, will be limited to the extent that the military mentality is dominant in our lives. And we can be confident that it will continue to be dominant in the region for some time to come. Political succession has often brought military regimes to power in countries oriented to capitalism and private enterprise such as Thailand and Indonesia as well as the socialist developing nations of the region like Viet Nam and Myanmar. Even Thailand, which is currently in its democratic phase after the ousting of General Suchinda in 1992, must

remain vigilant against the threat of the return of the military to power at the expense of democracy.

In Myanmar, the National Convening Convention is discussing a new charter that will convert Myanmar into a democratic state. But this new charter is said to give the *tatmadaw* (military) a prominent role in politics. It would be interesting to observe how the military in the country is going to assume a leadership role in politics in the context of a multi-party democratic system.

Thus, there is no clear future for democracy in Southeast Asia. But this is not necessarily a bad thing. Democracy amidst underdevelopment, and unrest is meaning less. In some democracies, the people are not able to vote for a better life and in some authoritarian states people have extremely high standards of living. Democratization should be accompanied by economic growth, and equitable distribution of income, and better social services. If democracy itself is the end and the well-being of the people secondary, there will always be an excuse for the military to have a hand in political succession and democracy will continue to be intermittent in the region.

— *Dephneus Asia*
The author is a *Dephneus Asia* guest columnist, is a faculty member of the Department of Sociology, National University of Singapore.

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.

Stranded Pakistanis

Sir, For the last couple of months we have been keenly watching the pros and cons of development of repatriation of Chakma and Rohingya refugees. We appreciate very much that a series of meetings were held with Governments of India and Myanmar. In recent past H E Ramesh Bhandari, Governor of Tripura, visited Dhaka and whatever was transpired and agreed between the governments of Bangladesh and India is appreciable. On the same line a letter was published in The Daily Star on 8th April 1994 (Stranded Pakistanis appeal to Prime Minister).

We in principle fully support, appreciate and endorse the views expressed by the writer so far the question of repatriation of stranded Pakistanis is concerned. We feel there has been distortions either deliberately or by default, as to the peaceful struggle of stranded Pakistanis under the banner and platform of S P G R C. We never had been sitting only awaiting hand-outs of 3 kgs of G R wheat, the so-called monthly relief ration. We split our blood on the Indo-Bangla frontiers while staging a

peaceful, constitutional and historic Long March in 1979 to reach our ideological homeland — Pakistan. Myself and my colleagues staged demonstrations and went on fasting on the roads and highways all over Bangladesh but our selfless sacrifices have been deliberately ignored.

And today it seems the administration in the Housing and Settlement Office with the connivance of bureaucracy have launched a campaign to evict our half-fed and half-clad brethren from their present shelter and abodes, camps and shops. Motivated and fabricated cases are being lodged against poor, innocent and suffering stranded Pakistanis not only in Chittagong but also in Dhaka and elsewhere in the country. Active connivance of Power Development Board (PDB) and WASA are also frequently detected. Reports pouring in from different camps tell tragic tale of phenomenal proportions. Is it a conspiracy to push us to walls? We, therefore, most earnestly appeal to the Hon'ble Prime Minister of Bangladesh Begum Khaleda Zia, the Leader of the Opposition and the Members of Bangladesh Parliament irrespective of

their party or political affiliations to come forward to resolve this long-lingering humanitarian issue of repatriation of stranded Pakistanis as had been reiterated by Pakistan Foreign Minister Sardar Aseef Ahmed Ali during the 13th session of SAARC Council of Foreign Ministers' Meeting held in Dhaka and subsequent meeting with us on 5th December 1993 in presence of HE the Pakistan High Commissioner in Bangladesh wherein he had categorically stated that Government of Prime Minister Mohatma Benazir Bhutto would honour all agreements and commitments of out-going government, including that of the repatriation of stranded Pakistanis, which had been widely covered in the national dailies.

Inshallah this time we have vowed to struggle finally for total and general repatriation in accordance with the census of 1992 on alphabetical order. We shall of course welcome the formation of Parliamentary Committee headed by a Cabinet Minister and the MPs belonging to opposition bench with representatives of Pakistan Govt and our organization SPGRC, similar to the tripartite format which resulted in the breakthrough of the stalemate of Chakma repatriation. Though frustrated we have strictly been maintaining our manifesto for non-violent movement and shall continue to do so till such time we are bodily lifted and thrown into the Bay of Bengal. We do hope

the Government of Bangladesh will kindly apply the same zeal, courage and spirit to resolve our issue of repatriation as have been applied in Chakma and Rohingya issues.

May Almighty Allah, the Merciful, guide the honourable leaders and political stalwarts of both Pakistan and Bangladesh as well as ourselves to the righteous path in the supreme interest of both the brotherly countries and the Muslim Ummah as a whole.

M Nasim Khan
Chief Patron, SPGRC, Bangladesh

Miss Bengali 1994

Sir, Some labour class Indian sub continental aristocrats in Manchester, Glasgow, Dundee, East London, Midlands running fast food centres, restaurants etc. conceived the idea of 'Miss Bengali 1994' and through advertisements want our family girls' photographs and vital statistics for a contest. Well people are used to 'living together'. Who warned against the outcome of perversion in Sept '93 (London Guardian 17-9-93). Management molested female workers in Singapore, Thailand, Japan, ROK, Taiwan, Indonesia and Philippines. Divorces avoid matrimony. Purity and bliss are in Adriatic, Canada, UK, USA, Mexico opened ministry to investigate illegitimate children, sexual harassment, intrusive experience, unwed parents. Our moral virtues, social integrity, religious dogma, family

values should not lure the modesty of our young ladies for Stirling Pounds and BA flights. We should consider what we think justice requires and decide accordingly, but should never give reasons as judgement may be right but the reasons may be certainly wrong.

A US-Bangladeshi citizen
Gulshan, Dhaka.

The UN and Bosnia

Sir, Are the UN forces in Bosnia weaker than the group of Serb women who blocked the convoy in Gorazde as shown on TV on 22.4.94. For last four years what we have been witnessing are conferences and big talks on the one hand and killing of unarmed Bosnian Muslims on the other hand. The shameless one-sided arms embargo is the greatest injustice done by the West to the Bosnian Muslims.

It seems that the UN forces need another force for their own protection. The West is pretending that it will fight for Bosnia's cause. But enough is enough. West should allow the Muslims to fight and sort out their own peace; just lift the unjust and one-sided arms embargo. In the alternative, like embodiment of Russian troops in UN Force, deploy Iranian, Pakistani, Indonesian or last but not the least some Saudi and Kuwaiti troops. At least they will not be cowed down by a group of women or any amount of Serb firepower. The second alternative may be that the UN force should be

totally withdrawn from Bosnia and they should handover the arms, ammunition they have so far seized from the Serbs and those UN tanks and weapons they are unnecessarily carrying, to the unarmed Bosnian Muslims.

The UN and NATO should do something or take their hands off from Bosnia so that there be an end to this inhuman drama we are watching on TV.

M Saleem Ullah
77, Motijheel C/A
Dhaka

'Return of a passport'

Sir, I have gone through the letter of Mr M Haque of Dharmondi under the title 'Return of a passport', which was published in your daily on April 24. In fact, it was a quick and precise response to your editorial 'Return of a passport'. Like Mr Haque I too was very much shocked when I saw that biased editorial in my favourite daily. The question, why were you not so vocal about some other internationally reputed ladies as you are about Ms Nasreen which has been asked by Mr Haque has also arisen in my mind. So I do hope you will candidly clarify your position and that will help to remove discontent from my mind as well as from many other readers' mind.

Esha Mahbub
Shamoli, Dhaka

The impression is not correct. We are fully committed to all causes of freedom and democracy. — Editor