

## Feature

## Development

## Economists: Who Cares, Who Dares? On Managing the Bangladesh Economy without Economists

by Qazi Kholiquzzaman Ahmad

stability, reduction of the government's economic role, the establishment of the primacy of the private sector and globalization of the economy, as prescribed by donors led by the World Bank and IMF. Incidentally, similar packages have been prescribed by the same donors to other poor countries around the world, regardless of widely differing socio-economic conditions among them.

The major instruments used include public expenditure management, deregulation, privatization, fiscal policy reforms, including import liberalization and administrative reforms. Since the private sector is the kingpin in this paradigm, it was required that various instruments be so packaged as to create an incentive framework for private investment to expand fast and perform efficiently to accelerate growth. As associated

per cent, which is somewhat lower than the average rates achieved during 1973-80 (4.9 per cent) or 1981-90 (4.8 per cent) and substantially lower than that achieved in 1989-90 (6.6 per cent). Also, the available evidence in relation to investment and other economic activities suggests that the performance in 1993-94 is unlikely to reach the projected 5 per cent. In seeking an explanation for this sluggish growth in recent years, one needs to consider the questions of growth of investment and productive efficiency (capacity utilization, productivity).

In both these respects, the performance has been poor. The rate of growth of investment has virtually remained stagnant, being 12.7 per cent of GDP in 1992-93 compared to 11.5 per cent in 1990-91, 12.9 per cent in 1988-89 and 12.8 per cent in 1988-90. Both public and private sector

unworthy of human dignity would be much larger. The poverty trap of low income — low savings — low investment — low productivity — low income is as entrenched as ever, if not more so now than before.

Economic disparity has in fact increased. The proportion of income accruing to the bottom 40 per cent declined from 18.3 per cent in 1973-74 to 17.5 per cent by 1988-89 while that accruing to the top 5 per cent increased from 16.4 per cent to 20.5 per cent. The share of the top 20 per cent increased from under 43 per cent to over 46 per cent during the period. More recent data are not available. But it is well known that concentration of wealth takes place as World Bank and IMF induced structural adjustment programmes are implemented and market economy promoted; and a concern has recently been expressed that

Indeed, trying to run the economy without economists is like staging the Hamlet without the Prince of Denmark. A fiasco isn't it? Note that in countries like the USA and UK there are councils of economic advisers advising the chief executives, apart from other crucial roles that economists are called upon to play. In Bangladesh, there hardly exists anything like a coherent economic policy making process, let alone an economic advisory council or direct involvement of professional economists in the macro economic management of the country.

steps, emphases have been placed on social sectors (education, health, women development) for promoting human development and on targeted 'safety net' programmes for hard core poverty alleviation.

In fact, the macro-economic reform efforts have led to several major successes. Overall budget deficit was reduced to around 5 per cent of GDP, and the current account deficit to about 2.6 per cent of GDP by 1993. Domestic savings rate increased to about 6.5% and national savings rate (domestic savings plus remittances) to about 10.5 per cent. The overall inflation rate was down to below 2 per cent and non-food inflation rate to around 5 per cent. The gross foreign exchange reserves increased steadily, reaching a level of about US \$2,585 million by January 1994, equivalent to 6 to 7 months imports.

But what is the impact of all these macro-economic management and privatization efforts and successes on economic growth and poverty alleviation which are the two critical purposes for which the reforms must be a means?

The estimated economic growth rate for 1992-93 is 4.5

investments have been sluggish, and there has been a very poor response in the case of foreign direct private investment. An estimate puts the figure for actual foreign direct investment in Bangladesh during 1988-93 at a meagre US \$70 million. Moreover, several foreign companies (e.g. Pfizer, Bayer, ICI, Philips, SK & F) have left the country by selling out their enterprises. Then, the productive efficiency is known to be low in Bangladesh in all productive sectors, including agriculture. Industries in both public and private sectors suffer from low productivity and underutilization of capacity.

About half the population lives below the poverty line, defined in terms of calorie intake only. The number of people involved is about 55 million. Millions more live marginally above, and under constant threat of falling below the line. If a human dignity line, defined in terms of a minimum level of fulfillment of food as well as other basic needs such as shelter, clothing, education, medicine and freedom of choice is considered instead of a simple food poverty line, the number of people living in conditions

wealth is getting heavily concentrated in the hands of only 36 business houses (see Daily Ittefaq of 30 April 1994, report based on a study of the World Bank).

The targeted safety net programmes, meant for the hard core poor, which include public works, food for work and vulnerable group development programmes and other programmes implemented by different government agencies and NGOs, have played useful roles. But these are mainly concerned with the survival of the target groups. Poverty alleviation and beyond poverty sustained human development are not and cannot be pursued through such programmes. With reference to these goals, the focus shifts to all those who are below the human dignity line and many more who are shakily above, together accounting for three-fourths or more of the total population of the country.

It is now claimed that the answer to the failure of the structural reforms to accelerate economic growth and alleviate poverty is more reforms. The government is committed to and vigorously pursuing the reform programme further. I

don't see the promised outcome materializing, as claimed. Realities on the ground have been 'standardized' globally simply by ignoring them, and standardized structural reform prescriptions have been applied.

These prescriptions are available off the shelf, supplied by the World Bank, IMF and other donors. One need not exercise one's brains and spend one's energies as one can simply accept those prescriptions and administer them as well as one can, as has been the case in Bangladesh. Surely, economists are not needed here as there is no urge to relate those prescriptions to economic realities nor to formulate policy adjustments depending on which ways things are moving keeping in view the ways it is desirable that they do. For that matter, no other types of national professional expertise are needed. Any experts required for implementing the donor induced and supported projects also come with the prescriptions and assistance, who recruit national assistants as required.

There is a joke about economists which runs something like this: economic policy making is too serious to be left to the economists. Laugh one is expected to in response to the joke, but note that the joke invokes the fact that economic policy making is a very serious business. Off the shelf economic prescriptions and speeches dogmatically propagating them that one often hears do not reflect the seriousness needed in addressing the prevailing realities in the country. It is properly guided, thorough economic analysis and economic judgements made at appropriately high levels by qualified people that could bring the necessary seriousness and realism to bear on the process.

Indeed, trying to run the economy without economists is like staging the Hamlet without the Prince of Denmark. A fiasco isn't it? Note that in countries like the USA and UK there are councils of economic advisers advising the chief executives, apart from other crucial roles that economists are called upon to play. In Bangladesh, there hardly exists anything like a coherent economic policy making process, let alone an economic advisory council or direct involvement of professional economists in the macro economic management of the country.

Finally, I must say that it has not been the purpose of this article to seek official roles for professional economists. Rather the intention has been to point out how remiss it is to try to run the economy without professional economists in key economic policy making and management roles.

The writer is Chairman, BUP.

## Botiaghata Demands Special Attention

by Iqbal Shailo

THEY chanted slogans that merged into the dying light of evening and vowed to foil all kinds of 'conspiracy' and 'intrigues' in turning the local paddy field into 'Gher' (shrimp farming zone) by local influentials and outsiders. In a meeting held last week at a local primary school ground of Amirpur Union of Botiaghata thana under the district of Khulna, speakers from the local and national levels urged the authority concerned to take immediate action against those who are trying to turn the local paddy land into gher through using saline water and the murder of

Botiaghata have been a source of profit making zone for the outsiders including the influential people of the Khulna city. The outsiders are planning how to divide the local people in making the area a land of Shrimp farming, villagers said to this correspondent. Villagers of the area are not in favour of turning the paddy field into a zone of saline water.

Attending the rally as special guest Ms Khushi Kabir, Chairperson of ADAB urged the people especially the villagers to resist such move and said that the government including local administration should take an

owner are the outsiders and do not belong to the community, they hardly felt for it — said Sheikh Jabulhaq, elder brother of Jaber Sheikh. Narrating the tragic event of that night, parents of Jaber Sheikh said that "we are being targeted by them due to bold step and protest made by my son Jaber."

"Earlier we could catch big fishes from ponds. We could even distributed some of them to our kith and kins. But as saline water seeped into the pond, the water become contaminated — a local school teacher said elaborating the environmental hazards by the shrimp culture. "We don't feel



People of Amirpur union thronged into a local primary school ground, to register their protest — photo: ADAB

Jaber Sheikh, a UP member who was killed while resisting the outsider.

The local people of Amirpur Union arranged a rally last week where an entourage consisted of political leaders, development activists and media people from local and national level took participation. The local people carried banners and chanted slogans including 'No salt water, no gher in paddy field, resist terrorists and musclemen'.

Local people of Amirpur Union resisted the outsiders on 31st August, 1994 who managed some local farmers to get their land for shrimp culture with a promise a giving them a volume of money after shrimp-farming is introduced in their paddy field. They allegedly attacked the houses of Bayazid Ali and Nurul Islam and started firing. Later one Abdul Hakim was caught red-handed by the villagers and subsequently he was handed over to the police.

"The gher owners mostly outsiders, are obstructing our traditional way of survival. The poor people can not catch fish in the canals near a gher," a local farmer said. "Koria Beel and other 144 villages in

immediate action in this regard. The gathering was addressed, among others, by Dr Hamida Hossain of Ari of Salish Kendra, Dhaka; Mr Nurul Islam Chhoton of workers' party; Mr Mirmoy Saha Kalu, General Secretary of Khulna District farmer family, Mr Jumar Ali Halder, Abdur Rashid Akumjee; Nurul Islam and other local leaders.

According to the local people that the matter has been drawn to the notice of Speaker Sheikh Razzak Ali for immediate action. Local MP Mr Harunur Rashid has been trying to negotiate the matter," they added.

Mr Rezaul Karim, District Commissioner of Khulna while contacted said that the administration was aware of on-going hassles in Botiaghata but there are no laws regarding shrimp farming in the coastal belt, however, there are rules and guidelines and these are being followed" — he added. Mr Huq admitted that most shrimp farmers did not have any license to cultivate shrimp and the administration has encountered such anomalies.

"Shrimp culture has brought a number of vulnerabilities among the poor in the Khulna Shrimp belt. Since the 'gher'

ourselves safe and secured as some of us have been abused by them" — said a group of local female while talking to the journalists.

The President of Khulna Chamber of Commerce and Industries (KCCI) Mr S M A Rashid, Mr Abdul Keshem, former Upazila Chairman Mr Omar Faruque and Abdul Hakim denied of their involvements in attacking the villagers and said that they went to Amirpur Union on 30th August for mitigating the conflicts among villagers showing respect to the call of the local people.

Replying to a question the Superintendent of Police, M Awlad Hossain said that the investigation has been going on and if need be more persons will be charge-sheeted. While asked behind the causes of dropping the name of ATM Rafique, an alleged leader of the attacks, Mr Hossain said that his name has been dropped from FIR, and it might be included if he is found guilty through investigations" — he added while taking with the team at his chamber.

The writer is a development journalist by profession working for Grassroots, and ADAB journal as Executive Editor.

## Sustainable Development: ASA Model

by Md Shafiqul Haque Choudhury

charge. 7. Minimum administrative expenses.

8. Making each ASA unit cost-covering in the least possible time (usually less than nine months).

9. Decentralized management and effective monitoring.

10. Enabling the members meet expenses of education, health, better food, etc. from enhanced income.

11. Ensuring participation of women in important affairs of the family and society.

12. Continuity of human development trainings to increase consciousness, develop leadership, improve project planning and effective monitoring and increase credit-management skills.

**Implementation Process**

The unit is the centre of all activities. One unit consists of a Unit Officer and four Community Organizers. Twenty landless poor (mostly women) form a group. Sixty groups or 1,200 members make one ASA unit. Members of each group in their compulsory weekly meeting perform savings collection, loan refund and conduct development education.

Nine to 15 unit offices

make a Region. The Regional Co-ordinator ensures all development activities of the region.

By starting one unit office in an area, it is possible within five to six months to attain the strength of 1,200 members and distribute loan among them, minimum Tk 2,000/- and maximum Tk 5,000/- and 15% service charge on the loan starts covering all expenses of the unit and cost of central overhead within nine months.

From the recovery of loan repayments further loans are sanctioned for other units. This gives a revolving effect, say using three times the initial capital. In the first year of ASA credit operation with an investment of Tk 36 lac a total of Tk 96 lac had been distributed among 4,800 members of the four units. Presently the total loan disbursed stands at Tk 130.65 crore on June 1994, among 244,804 members of 263 units.

When the members receive loans they make more profit by saving Tk 5/- each week leading to an annual savings of Tk 250/- Thus one member in six years saves more than Tk 5,000/- (including interest on

the savings). This total savings turns into a capital for business venture. This is a process towards attaining sustainability.

Due to quality of field level work and the members' serious involvement in income generation which brings profit and make them capable of meeting other needs of their families, the programme is beneficial to the group members.

### Source of Fund

Group members are regularly depositing Tk 5/- each week which ASA collects from all its project areas and lends again to a particular area. Group members are given interest @ Tk 5/- to 6/- per hundred annum.

ASA borrows money from the development finance institution named Palli Karma Sahayak Foundation, a government managed private company, at 3% interest, for poverty alleviation.

It is getting grant non-recoverable fund for poverty alleviation from some donors.

It is also approaching nationalized commercial banks, for obtaining credit at commercial rate of interest for poverty alleviation.

The writer is Chief Executive, ASA, Mohammadpur, Dhaka.

### Cost effective unit along with central overhead cost

Duration of time	Description	Unit's monthly expenses	Service charge earned per unit	Deficit	Surplus
1st 2 month	Expenses in interest on capital, salary, allowance and all management cost	42,000		42,000	
3rd month	Disbursement 0.7 million	21,000	4,565	58,435	
4th month	Disbursement 0.836 million	21,000	14,764	64,671	
5th month	Disbursement 0.836 million	21,000	30,952	54,719	
6th month		21,000	31,304	44,415	
7th month		21,000	39,130	26,285	
8th month		21,000	31,304	15,981	
9th month		21,000	39,130		2,149
Total	2.4 million	189,000	191,149		2,149

### Salient Features

- Formation of 20-member groups by the poor, especially women.
- Member's participation in development education process.
- Providing small credits to increase income of the individual members.
- Ensuring 100% loan repayment.
- Emphasis on member's own savings.
- Meeting the cost of credit from a low service

## When Aid Gets Down to Business

Daniel Girard writes from London

The ripples from an aid-and-weapons deal with Malaysia are continuing to embarrass the British government. To make matters worse, reports Gemini News Service, the British government is also still facing the fall-out from an arms contract with Saudi Arabia involving former Prime Minister Margaret Thatcher and her son Mark.

officials as being against official British guidelines. London formally separated the arms and aid deals but felt it was under what former Foreign Secretary Lord Howe described as a "moral obligation" to honour its commitment.

"It is the most obvious example of an overseas aid programme that is much more about securing a market for British products... than relieving, or better still eliminating, poverty and suffering," says Steve Jary of the union representing employees of Britain's Overseas Development Administration.

Non-governmental organisations and other critics have long pointed out that rich countries often link aid to poorer nations with arms sales, but in the case of Pergau documents were actually signed by a top government representative — Lord Younger — connecting the deals.

On November 9 the World Development Movement (WDM),

a pressure group for more and better British aid, will seek a judicial review in the High Court of Foreign Secretary Douglas Hurd's decision to use aid money to fund Pergau.

If successful, the group hopes to halt the transfer of funds from Britain's aid budget to the dam and reallocate the £234 million for Pergau to projects committed to stamping out poverty in developing countries.

The legal challenge is over the alleged abuse of aid criteria, not the arms link, but Ben Jackson of WDM also says that "aid has been wastefully misused to bankroll and arms deal."

The group emphasises that Pergau is not an isolated affair. WDM figures show that on a per capita basis British aid to 12 developing countries which are major buyers of the nation's arms increased by 18.9 per cent between 1979 and 1993. During the same period, Britain's total bilateral aid fell 18.7 per cent.

And while Pergau sheds light

on the aid-arms link, it is not just London that ties the two. United Nations Development Programme head James Speth notes that "a large part of the blame for this trading in death rests with the industrialised countries" which allocate aid worth about \$60 billion a year to developing nations but earn back \$125 billion from them in military purchases.

Britain is the world's sixth largest arms exporter, ringing up sales of \$969 million in 1993, according to the Stockholm International Peace Research Institute. The United States leads the way with arms exports worth \$10.5 billion.

The Pergau deal came under the government's controversial Aid and Trade Provision (ATP), a funding scheme linking major overseas aid projects with big British companies. In its report, the Foreign Affairs Committee reserved some of its harshest criticism for the pressure put on the government by the British contractors of the Pergau project.

There is little opposition to the theory that Pergau was all about business. Stung by Mahathir's "buy British last" campaign in the early 1980s, Thatcher was anxious to mend fences with Malaysia and cash in on its booming economy. Aid and arms sales were seen as a natural pairing.

Ironically, in late February, after British newspapers first broke the news of the link between Pergau and British arms and other products, Mahathir responded to corruption allegations by introducing another embargo on British companies bidding for Malaysian government contracts. It was dropped in early September.

Regardless of the outcome of the judicial review, it is clear that WDM and other anti-poverty advocates face a tough battle to try to get more aid money steered towards human development and away from business considerations.

Says Charles Aburge of the Malaysian-based non-government organisation, Third World Network: "Aid is about business and it always has been."

— Gemini News

## Aiding the arms buyers

Developing countries which spend:

