

Build a Culture of Meritocracy



powers to the different levels because, without secure revenue, they will not really be responsible. They have to be given responsibility, they have to be allowed to be responsible, not to be controlled from the top.

Ninth, forge a new relationship with the NGOs. We're beginning to get there but I would like to see a radical change in the functioning of the NGO Bureau and of the government in dealing with NGOs. Instead of seeing them as a slight threat, something to be controlled, something dangerous, look at the NGOs as an incredibly positive asset in poverty alleviation - and to run the NGO Bureau with a facilitator, a promoter, something which assists NGOs rather than obstructs them and makes life difficult for them. I mean, nine different forms to fill up if you want to register themselves, we have a catalogue of obstructions an NGO faces when it wants to do business.

Last, but not the least, there is no way that the lives of ordinary people can be sustainably improved and the quality of life can be made better unless the law and order situation turns around. It functions particularly to penalise the poor. It is run partly for the benefit of the rich. Everybody knows the stories from shrimp farming to chalaans, khaas lands and so on. The court system is not functioning for the poor, is not functioning very well for anyone. So turn around the law and order situation, the courts, the police, make that a central plank in a poverty alleviation strategy as well as a development strategy. It is for the benefit of everyone except for the very few who exploit it for their own advantage.



Landell-Mills

What we have is good accounting. That leads to balancing the budget and creating an increase in reserves. What we do not have as yet is good use of resources. Now, good use of resources means that we eliminate the distortions in the system.

I hope my colleagues later on get a chance to talk about agriculture. Clearly, we have a problem in agriculture in the sense that we see a declining trend in our productivity and a growing pressure on the land which may lead to a crisis that may affect the poor as much as anyone because food prices will go up. And we know productive agriculture provides employment on-farm, off-farm for the poor. Without a vigorous and prosperous agriculture, the poor don't stand much chance.

Moyeen Khan: The line-up of the priority agenda for 1996 is impressive and I believe they have been rightly picked up although I would like to confine myself to Agenda 2 because of time constraints. The first issue in Agenda 2 relates to micro-credit for the poor. I would like to elaborate a little bit on what we have just heard from Pierre that the present policy of the democratic government is to take a two-pronged approach to poverty alleviation. Increased growth and enhancing the overall level of

economy in the country is a must. I would also like to emphasise the other approach which had been extremely successful in Bangladesh. The issue is of providing micro-credit for the poor, particularly amongst the women in rural areas. We have amongst us a representative from an NGO who had successfully carried out operations in this area. There are other NGOs who have done similarly well.

The government has also been trying through the Palli Shahayak Foundation to provide micro-credit. Until now, I would say the exercises had been useful with a degree of success in operations. The rate of recovery had been very good and the approach had been appreciated not only inside the country but also outside the country. At the same time, there is still some scope for improvement in this approach. By way of looking more carefully into the interest rate structure of this micro-credit programmes, we have come to realise that although this micro-credit is much more easily accessible nowadays compared to the loans availed in the rural areas from the traditional money-lenders, the interest rates continue to be high if and when we compare this to the commercial credit that is provided in the urban areas to the industrial entrepreneurs. There is an argument in favour of the existing high interest rate extending in many cases from 30 to 40 per cent by our calculations, and the fact that the recovery rate is high is an argument in favour of existing interest rates. I think that one has to look a little more carefully into this interest rate, particularly when we look into this interest rate in conjunction with the number of loan cycles through which a particular borrower goes before he or she can really become self-reliant. At the moment, the average number of loan cycles is found to be around ten. In other words, one has to go through this loan procedure nearly ten times before one is set in some kind of small business or some economic activity. There is a strong feeling that the time has come for lowering this interest rate in order to avail more flexibility and give them more opportunity to become self-reliant which would be a real success of these micro-credit programmes.

The second issue relates to the quality of basic health and education. I would only like to add that the present government for five consecutive years has made the highest allocation to education including emphasis on girls' education. The work that needs to be done is possibly in the quality of education. The government has already taken up extensive training programmes for teachers and we quite appreciate the criticism that development or upgrading of the physical infrastructure is not quite enough to sustain whatever gains we have made in the area of education.

In the area of health services, one of the major contributions of the present government is the establishment of health management committees at local levels, and allowing the local level public representatives and the members of the parliament to head a fairly well-represented health management committee in each thana and the committees. Until the resignation of the members of the parliament, this has worked fairly well and had been an oversight mechanism for establishing accountability in the health services.

Thirdly, the issue of strengthening community participation and local government. I do not like to elaborate it here because we had already been emphasising this as pursuant to our participatory planning process where we have said again and again that the local government institutions need to be further strengthened

and the involvement of the people at the grassroots level is the key to success of our future development programmes.

A last word on the issue of enhancing agricultural productivity. I think there is also a word of caution here. For one thing, the per acre yield in Bangladesh continues to be low compared with other South East Asian countries, particularly in respect to high yield varieties of rice. Nonetheless, one is worried about the increased use of chemical fertilisers and pesticides at the cost of the micro-nutrients in the soil. One is not absolutely sure how to increase yield while the question of overall increase in productivity also needs to be questioned because there is a general feeling that there is a need to diversify crops and in the process one is not absolutely sure how one might continue to sustain the growth in agriculture sector. As a matter of fact, as it happens in each and every developing country as it moves forward in the process of development, the contribution of agriculture continues to decrease as a percentage component in the overall GDP. That is what we also foresee in our projects for the next 15-year participatory plan.

The point of on-farm and off-farm activities needs to be emphasised and an issue which is related to this is the issue of employment or unemployment which we would like to see as distinct from that of the poverty issues. This is also intimately related with the agricultural productivity issues in some way because nearly 40 per cent of our contribution to the GDP comes from agriculture while two thirds of our work force is still involved in agriculture, just in one sector. One needs to worry about this sector in conjunction with the unemployment issue in general. However, one has to bear in mind that the unemployment issue may turn out to be more important and is much more worrying than the poverty issue itself because poverty issues have an economic dimension while the unemployment issue has an added dimension which is social.

Mahfuz Anam: How do you respond to the suggestion for a public fund to increase more micro-credit? I don't want you to make a commitment, but what is your personal remark?

Moyeen Khan: I have already explained this point. I said in the public sector there is already an institution called a Palli Shahayak Foundation. But on the other hand, I would respond in the way that it would be better to leave this management sys-



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tem in private hands and in the hands of NGOs who have demonstrated that they can very successfully handle this area. Not to criticise the government or the public sector, let me just add here that it's accepted everywhere that the kind of efficiency, involvement, commitment and devotion which is required for running such micro-credit programmes at the grassroots level, and considering the large number of people who need to be involved in this process, I have my doubts that constituting a fund at the public sector would do much good in this area.

Hossain Zillur Rahman: Hearing Pierre Landell-Mills, again I had this sense of frustration in hearing things about Bangladesh which are all true. Its an omnibus collection of suggestions which are all the right things actually. But often one has to ask whether they are internally consistent. I will give a couple of examples. About the issue of this micro-credit business, one is getting uneasy whether there is a sense of a jumping on the bandwagon sort of situation over here actually. Micro-credit has proven to be obviously successful but we are doing this work for World Bank, for Mr. Landell-Mills himself actually, and one of the points that we have been trying to stress is that this exclusionary focus on micro-credit is having the unintended consequence of leaving out other strategies of addressing the problem of poverty. We are just focusing on this so that other strategies, other instruments which should be brought into focus are lost sight of. Even the focus on poverty fund, etc. is all correct, but in the way that we bring this issue up in the Bangladesh context, I leave this as a question mark. Are we jumping on a large bandwagon, or are we really addressing the real problem of instrumentalities?

Secondly, the issue of health services. This again is a critical issue relating to poverty in two senses, actually which people tend not to appreciate so much. One is in the positive sense of healthy people being better able to be economic agents, but also in a negative sense that illness expenditure has been one of the critical depressor on people's attempt to improve their incomes. So that is an additional sense in which health is important. But there again I would like to ask Mr. Landell-Mills the internal consistency of the World Bank policies. One of the important contributions in the health sector was the national drug policy in the early eighties which led to substantial increase of local pharmaceutical production. And one of the ways in which people have solved the problem of illness expenditure is by easy recourse to pharmacies all across the country. You have a pharmacy even in the remotest village now partly because more drugs are available at a cheap price. And our attitude towards sustaining this national drug policy has been substantially weak and as far as I can recollect, the government is also not strongly in favour of that and neither is World Bank. So you are focusing on health, but are we internally consistent on the instruments which contribute towards effective consequence of health instruments on poverty?

The third issue is on local government. You mention there is a consensus of local government, but it is very difficult to see where is this consensus excepting in rhetorical declarations in seminars. Most of the key actors are violently opposed to local government. The bureaucracy, the political leadership, the MPs, even the NGOs have tremendous ambivalence to a strong local government. This has to be faced actually and one has to probe why they are opposing this and perhaps address those anxieties or criticism if we want to find out effective instruments by which to really bring about strong local government. We just say and good, it's necessary, but since 1870 the local government started here and still it's mainly a field of experimentation. We really don't have viable local government.

Al-Hussainy: I will dwell upon two aspects of this poverty alleviation. One is a certain facet of micro-credit and the other thing is the organisation of the poor.

Money is needed for self-employment or other things in life. Money is not an end in itself. It's a means to achieve other ends, and how to do that? Mr. Landell-Mills has talked about growth. These are the standard prescriptions. Without growth that could not happen. The question is, where will the growth come from? Can we go down to the grassroots

also to contribute to the growth process in a rather self-reliant manner and reduce in a sustainable manner? That aspect has remained rather unattended in all our planning and approaches. I am a kind of practitioner in this and we are working in about 10,000 villages giving small credits to the poor, not having our own money, using the nationalised commercial banks' funds. We run into a lot of problems and when we want a solution to the problem, we found that although poverty alleviation is on the lips of everybody, there was no ministry in the government of Bangladesh who could deal directly with the poor. When we went to the local rural government for rural development, they said we do poverty alleviation in the RD projects. Planning Commission is not involved in any execution. It goes to the credit of Mr. Nasim Ahmed and Mr. Saifur Rahman that they helped us in certain aspects. There is no Ministry who can coordinate this aspect. This is something which the Planning Minister may look into.

The creation of growth and involving the rural people into it is possible, but for that you need a kind of organisation of the poor with all sections of people. It is not a targeted work only for the poor to the exclusion of everyone else in the rural society. You have to involve all sections of society. You have to deal with all aspects of their requirements of their life and that kind of vertical and lateral integration is an essential aspect to start this process from grassroots level. We have that even at that level, giving the average loan per head only Tk. 2000, their savings they have been able to amass a saving of about 20 crores. But now we find that this financial sector reform programme, that has kind of detached these NCBs. They are not interested in that any more. The government must come with some kind of policy enunciation that the existing institutions and infrastructure which are working in the rural area can be made to work for the rural poor and look at all the aspects of rural economy to tone up the economy.



Al-Hussainy

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Rehman Sobhan: I think the problem at the moment is that for as long as I can remember, poverty has been in the agenda. Our version of poverty alleviation is an aggregation of every micro programme which can be funded by donor. So you now have poverty farming amongst the donor community for hundreds and hundreds of projects, leading to what end only God knows. A serious attempt to address poverty would arrive from a holistic programme of poverty alleviation originating from the government which sets identifiable and credible baseline figures, identifies credible poverty alleviation targets, has an overall strategy in which donors will be invited to support particular priorities and clearly articulated components. Until we have such a strategy before us, I would be disinclined to take either Mr. Landell-Mills' protestations or the Planning Minister's protestations about a programme for poverty alleviation too seriously. In the absence of such a programme we have no particular guiding principle for the allocation of resources within the budgets of the government.

Micro information tells us that the poor are productive, creative and credit worthy. The reform agenda donated to the promotion of efficiency-led growth. This should have led to a reallocation of resources from that

segment of the population, usually the most privileged, who tend to have very relatively low returns both in the public and the private sector on claims on public resources, directly into the hand of those who have a better capacity to use resources efficiently. A credible structural adjustment reform programme in part is about relocating productive capacities, from the less efficient to the more efficient, and to build an asset augmentation and distribution strategy into a poverty alleviation programme. We should keep in mind that it isn't just that there is a dichotomy between an efficient private sector and an inefficient public sector with wide degrees of inefficiency and efficiency across the segment of what is classified as the private sector from the productive to the less productive not so poor. That too would be integral to strategy of poverty alleviation. Micro-credit as an intervention only makes long term sense when it is situated within a wider programme which serves to create investment opportunities, provides interventions to alleviate skills in productivity of the poor who can afford not just excess credit but can enhance the efficiency in productivity with which they use it. As the Planning Minister pointed out, actually we do have a public micro-credit agency, the Palli Foundation. The trouble is that it isn't very credible to head a foundation such as that by a party functionary who may be suspected of using it as an instrument of political patronage rather than a transparent instrument for distributing credit to more productive user institutions.

Again, you have to address the whole issue of empowerment of the poor as an integral element. At the end of the day, you have to give the poor electoral responsibility and control over the local institutions. Now to spend five years without a holistic distribution of power within the different tiers of local government, ends up by making the lowest tier into an extension of the bureaucracy rather than an instrument of local government. And no credible programme of participatory planning or delegating responsibility to the poor will take off until such an instrument is put in place clearly with articulated responsibilities both for planning as well as for implementation located in the hands of elected representatives who, to a considerable extent, should also be drawn from the ranks of the poor.

I make these points as agenda for poverty alleviation, if we are to be, even half, taken seriously, other than to make this into one more round of rhetorical protestations about alleviation of poverty.

Samson Chowdhury: I will be very brief. Bangladesh is 55,000 sq miles. But I think we are very fortunate to have the most fertile land in our country. It is more than what Pakistan has in their country although it is larger than ours. But we are not been able to utilise it, manage it, exploit it and the productivity is very low. So, this is an area which should be addressed properly. Maybe corporate investment should be there as to how to exploit the land property of this country to alleviate the poverty.

Secondly, it is the same with the water. Either it is too much or too little. When it is too much, we lack in water management. This water can be utilised properly if attention be given to the area. So we need to have better management of water in the country.

The third thing we have been talking about is credit in the micro-sector. But there is a section between micro and macro credit, where people get money to go abroad for employment but end up in problems. So these are the areas where some credit facilities can be organised so they can self-employ themselves. These are in between areas that we neglect and hundreds and thousands of people go abroad to find jobs and eventually land into problems. I feel there is something we can do to get these people to remain in the country, augment their funds with some other funds so they can self-employ themselves. That will be also another area where we can organise a system for poverty alleviation.

All Akbar Khan: I would like to make three points. My first point is when we talk about poverty, most of the time we assume that poor are homogenous. The poor are not homogenous. The poor in Bangladesh are heterogeneous. And this has two clear policy implications. First, Continued on page 16

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tween raw materials and the finished product. If you don't have it, it is a tariff anomaly.

In India, the definition given by the Indian Finance Minister Manmohan Singh in last year's budget speech is that where the duty of the input is not more than the duty of the output, there is no tariff anomaly. If they are at the equal level, there is no tariff anomaly.

So what we have in Bangladesh is an exaggerated notion. That is why I was talking about the nominal rate of protection and effective rate of protection. In Bangladesh, most of the chambers want very high nominal rate of protection. For example, if you have 30 per cent duty on the input, and you have 30 per cent duty on the output, then you have 30 per cent effective rate of protection. But the nominal rate of protection will not be there. So you have to see what is the value addition.

In Bangladesh what happens is that we have many industries which are at log-heads with one another. If you give protection to one, the other is bound to suffer. So, to use Mr. Kibria's words, many of them were not economically viable units which are suffering. For example, this year, to encourage agriculture we have abolished the duty on shallow tubewells and deep tubewells. There is one plant which assembles shallow tubewells and deep tubewells here. What should be their import duty rate? To make it zero or less than zero? And some of the inputs they use are produced by another producer who wants protection.

So these issues of protection will remain but I can assure you there is the existence of the Tariff Commission and in the NBR we are also sensitive to the issues. We are not doing it in a haphazard manner and rates take into account the interest of the domestic industries. But it will be very difficult to do so in the coming budgets. If we really want to go for further cuts, many nominal rates of nominal protection will disappear and we will have to go for effective rate of protection.

Professor Rehman Sobhan has raised a very important issue on the dependence on imports for our tax revenues. This is probably true and one of the ways it can be tackled is to increase the coverage of VAT because we have restricted VAT only to the manufacturing stage. If we can really introduce a comprehensive VAT system, then we can considerably reduce our dependence on customs revenues.

Mahfuz Anam: Our next theme is stepping up attack on poverty. We would request Mr. Landell-Mills to initiate the discussion under this theme.

Landell-Mills: I want to make two or three preliminary remarks and I have a list of ten proposals for stepping up the attack on poverty.

My preliminary comment is that poverty alleviation depends primarily and most importantly on raising the rate of growth. You cannot eliminate poverty in any sustainable way unless you can create more wealth to share with the people. If you share what you have, you just share poverty.

My second point is that you can greatly increase the impact of poverty alleviation outcomes of growth depending on the kind of growth you get. So it is not just a question of growth. It is a question of what kind of growth and you can back it up with some very well directed measures to alleviate poverty.

We have to recognise that this country has an incredible amount of poverty. Fifty per cent of the population is said to be below the poverty line by all standard criteria if you take hard core poverty instead of 28 or so per cent. So we obviously face a very dramatic problem. We must surely all agree that the primary concern of public policy must be to reduce poverty.

Since growth and poverty are so closely linked, it is not necessarily a win-lose situation. We can have a win-win situation.

When we looked at this issue in a recent global conference on hunger, hunger and poverty are so closely aligned, we came to identify a few key measures which were essential to overcoming hunger. They are, of course, improving the food security situation but they are not limited to improving the food security system. They are also very much related to health. Health is related to sanitation, clean water and other things. It is related to questions of literacy and the ability of people to understand the problems that they face and to become more produc-