

book review

Putting Things into Right Perspective

By Qazi Khaliquzzaman Ahmad

Aid, Development and Diplomacy: Need for an Aid Policy
By Muhammad Shamsul Huq
Chowdhury Rafiqul Abrar
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I have read with searching interest the book entitled *Aid, Development and Diplomacy: Need for an Aid Policy*. One of the authors, National Professor M Shamsul Huq has to his credit long years of first-hand experience and research background concerning all the three key subjects dealt with, viz., aid, development, and diplomacy. He has held many leadership positions in government and in society, among which there have been those of a government minister, a vice-chancellor, and a research scholar working both at home and abroad. In particular, as Presidential Advisor in charge of Foreign Affairs and as Foreign Minister, Government of Bangladesh during 1977-82, he had to deal with such issues almost on a daily basis. Professor C R Abrar is an accomplished teacher and researcher. Hence, even without reading the book one could say that the book would cover the key aspects of the subjects included in it. Indeed, it has. I extend my whole-hearted congratulations to the authors. Mr Mohiuddin Ahmed deserves thanks for publishing this important book on behalf of the University Press Limited, Dhaka.

The major issues the book has dealt with

The authors have briefly discussed the evolution of the aid regime and explored the linkages between aid and foreign policy and between aid and development including the question of environmental sustainability of development. They have also addressed the issue of impact of aid on the poor. And of course the issue of diplomacy in relation to aid has featured prominently. After outlining these issues as the conceptual background, the authors have reviewed the history of foreign aid received by Bangladesh in some detail. They have looked at different types of foreign aid, viz. food aid, commodity aid, and project aid on the one hand and grants and loans on the other. Commitment and disbursement of aid and its sectoral allocation have also been discussed as have been the sources of aid (bilateral and multilateral), debt servicing pattern, and the mobilization of aid through non-governmental organizations.

They then moved on to address the issues of aid conditionalities and aid utilization. The ongoing market economy reforms have been commented upon. The basic issues underlying the economic policy, particularly relating to economic reforms vis-à-vis aid, have been analyzed with reference to both Bangladesh and donor perspectives. In the context of aid utilization, the capacity of Bangladesh, particularly in relation to its bureaucracy and the inflexibility of donors in relation to conditionalities, have been discussed.

This was followed by two case studies of aid-funded projects, namely, the Second Gas Development Project and Rural Road and Markets Improvement and Maintenance Project (RRMIP). It was found that the first was ineffectively implemented while the second was successfully implemented. The causes and consequences of the failure in the first case and the benefits of the success in the second have been highlighted.

The next set of issues discussed includes those related to human development, poverty alleviation and removal of gender gaps. The issue of globalization and its impact on poor nations have been commented upon. Finally, the need for an aid policy has been outlined and advocated.

The aspects being commented on
In this brief review, I would like to

confine my comments to the following three broad issues with reference to Bangladesh: aid dependence and foreign influence; economic liberalization with particular focus on globalization, growth, poverty alleviation, and equity; and the possible way forward.

Aid dependence and foreign influence
Humanitarian foreign assistance began to flow into Bangladesh in a major way immediately following Liberation in December 1971. But the first foreign aid consortium meeting took place in October 1973, which confirmed that the country had chosen an aid-dependent development strategy. Since then substantial foreign aid (grants and soft loans) has been received from both bilateral and multilateral sources. It has been pointed out in the book (p. 21) that the importance of bilateral sources declined over the years (down from 71.4 per cent in 1975/76 to 52.8 per cent in 1994/95) while that of multilateral

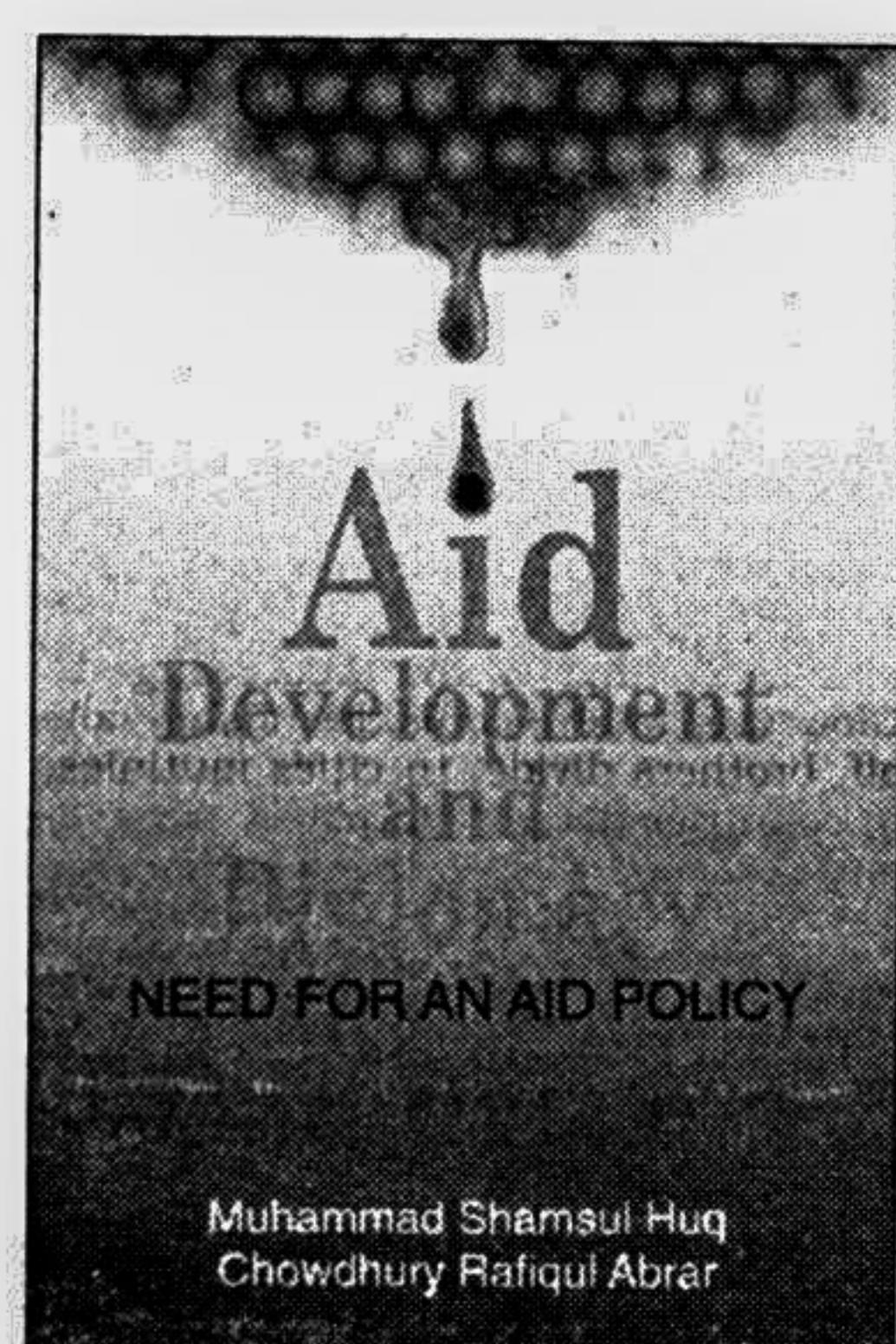
eraged about 50 per cent, the project aid disbursement was only about 18 per cent during the 1990s, slightly higher than about 15 per cent during the 1980s. Hence, a substantial pipeline has accumulated over the years. Finalizing project details and sorting out conditionalities have been the main bottlenecks in the case of project aid disbursement, a point that the case studies included in the book exemplify.

One important point needs to be highlighted here. It has been noted in the book that Bangladesh's aid dependency declined over the years. That it has done so sharply can be seen from table 1 that I have put together. But one should also point out that, despite this significant decline in aid dependency, the donor influence on such key processes as economic policy-making, project selection, appointment of contractors, and even project management details remains pervasive.

Bangladesh: Aid Dependency Ratios, 1991 and 1996

	1991	1996
Per capita US\$	17	10
As % of GNP	8.1	3.9
As % of gross domestic investment	70.2	23.2
As % of imports of goods and services	47.3	16.1

Source: World Bank, World Development Indicators, Washington DC, March 1998, p 342.



sources increased (up from 28.6 per cent to 47.2 per cent during the same period). The same pattern is likely to have emerged in respect of the whole international aid regime. However, I may add, since the funds of the multilateral agencies come mostly from the same bilateral sources and the decisions in multilateral agencies are strongly influenced by the leading bilateral donors, the overall aid regime remained dependent on the perspectives (political, commercial) of the bilateral donors, particularly the major ones. Following the end of the Cold War, commercial interests of the donor countries in a unpopular world have assumed particular significance, although the political aspect has retained its important relevance.

The point made in the book (p. 18) that the total disbursement till 1995 stood at 39.01 billion against a total commitment of 35.13 billion, i.e. a disbursement ratio of 82.6 per cent, is valid. But disbursement is usually looked at with reference to commitment plus pipeline in a particular year. On that basis the disbursement ratio declined from about a third during the 1970s to around 23-24 per cent during the 1980s and to around 22-23 per cent during the 1990s. While food aid has been disbursed virtually in full and the disbursement of commodity aid has av-

Aid conditionalities have been rightly considered in the book from the points of view of both recipients and donors. Donors surely have certain purposes in providing aid (be it a grant or a loan); the humanitarian element is very small. The purposes include, as mentioned earlier, political and commercial interests, with the commercial interest being particularly pertinent in the post Cold War era. The flip side, it should be recognized, is that for the recipient of aid there are costs which must not be ignored in seeking and accepting aid. The costs may include influence on and interference with the policy making, project selection and implementation processes, and exploitation of natural resources by foreign companies on terms unfavourable to the recipient. All these are very much in evidence in Bangladesh.

Economic liberalization: evolution and impact of the reform agenda

Some issues relating to economic liberalization, particularly concerning globalization, have been discussed in the book. It has been pointed out (p. 65), rightly in my view, that the state has an important role to play in advancing a country's economic and social development by facilitating the channelling of resources to particularly important sectors, and the poor and disadvantaged segments of the population, and by generally facilitating private sector expansion within the framework of appropriate regulatory and legal systems. The success stories of South East and East Asian countries such as Malaysia and Korea have been cited in support of this viewpoint.

Let me add a few comments of my own relating to the evolution of the reform agenda and the nature of its impact on the reforming countries. The replacement of the planned development strategy, supported strongly by the same donors until the 1960s, with the strategy of stabilization and structural adjustment reforms from the 1970s is another phase of the donor-driven international system. The reform programme has evolved as follows. The initial reform programme consisted of free market oriented macro-economic reforms — deregulation, privatization and globalization. In response to the unpalatable results, consequent upon the implementation of the reforms, faced by the reforming countries in terms of failure of economic growth to accelerate, accentuation of poverty and disparity, increased social tensions, etc. the reform package was extended to in-

clude social sectors (education, training, health, gender issues) focused on assisting the poorer segments of society to improve their capability to participate more effectively in the socio-economic process. 'Safety net' programmes (food for work, rural work, vulnerable group assistance) for the most vulnerable were also emphasized. Following the publication of the World Commission on Environment and Development (WCED) Report in 1987, environmental protection and enhancement became another major reform focus. Also, it was found that the minimalist government that was part of the initial reform agenda was unrealistic. In fact, for a market economy to function properly an effective government providing an effective regulatory framework and playing a facilitating role was needed. Hence, the minimalist approach was replaced by the concept of the effective state; the size of the government would depend on the functions to be performed. The World Development Report 1997 called for an effective state. Bangladesh started to reform in 1987 and pursued the process precipitously since 1991. The country has been implementing the reform package as it has evolved over the years.

In so far as governance and macroeconomic management are concerned, there are some areas in which appropriate reforms must be introduced without any prodding from the donors. These would include removal of corruption and bureaucratic hurdles; improvement of transparency, law and order, and rule of law; strengthening of the revenue collection process; dismantling of the loan-default culture; and introduction of effective steps towards establishing good governance and local self-government institutions. It is obviously necessary that all these and other similarly pertinent issues are addressed properly to establish a conducive environment for peace, stability and progress. However, none of these objectives can be achieved overnight. Given the realities on the ground, programmes should be chalked out for phased, steady improvements in all these regards, accelerated as much as possible given the prevailing realities on the ground. Only when the basic conditions are in place, the appropriate reform process can be accelerated; but strong political commitment is needed to create those conditions. Here, both the government and the political opposition have crucial roles to play. To serve their own enlightened self-interest and the interest of the nation and the people (which is their professed purpose), all political parties, in government and outside, should cooperate in creating those conditions and moving the much needed reforms forward.

But, there are other donor imposed conditionalities such as those relating to freeing up of international trade and promoting an unfettered market economy dispensation to be implemented without regard to the level of development and the prevailing socio-economic realities in a particular country.

Unless such reforms are carefully planned with reference to the realities on the ground, they can create serious problems in terms of the failure of the domestic economy to withstand foreign competition, adversely impacting on the country's economic growth and accentuating disparity and poverty, for example. Mention may be made here of the precipitous tariff reduction in Bangladesh during 1991-1993 (the unweighted average tariff rate was reduced from 89.0 per cent to 47.4 per cent and the import weighted average rate from 42 per cent to 23.6 per cent) that created severe difficulties overnight for the import-competing domestic products. As a result, many domestic industries became sick and many possible new ones could not come up. A less painful adjustment process could have been de-

signed by planning the pace and pattern of tariff reduction in such a manner as would have allowed some scope and time to domestic production to adjust to the emerging dynamics.

Tariff and other reforms notwithstanding, economic growth has not accelerated in Bangladesh and its poverty ratio has remained unchanged at around 48 per cent (in terms of not being able to consume 2122 kcal) since the late 1980s. With the population increasing quite rapidly, the number of the poor has, moreover, increased by several million during the period. The average annual economic growth rate has been about 5.5 per cent during 1994-99, against 4.2 per cent during 1990-94, mainly because of the contribution of the agricultural sector which has achieved, on average, about 4.4 per cent annual growth during 1994-99 against 1.0 per cent during 1990-94. A contributing factor to this good performance of the agriculture sector has been the provision by the government of assistance to the sector by way of subsidies in spite of the reform requirement of not providing any such assistance to any sector.

The way forward for a sustainable development

It has rightly been pointed out in the book that growth alone is not a sufficient condition for alleviation of poverty. The growth process itself must be poverty alleviation focused. But I do not share the enthusiasm of the authors that a breakthrough in poverty alleviation can be achieved through the micro-credit approach. This approach is focused on rudimentary economic activities, as is clear from the quotation cited in the book (p. 59) excerpting from a statement of the Grameen Bank Managing Director Muhammad Yunus, which is reproduced here: "I firmly believe that human beings have an innate skill. I call it the survival skill. The fact that the poor are alive is proof of their ability. Giving the poor credit allows them to put into practice the skills they already know: to weave stools, to husk rice; to raise cows, to paddle a rickshaw."

This approach does help the poor people who receive micro-credit to survive. But they appear to be in the permanent grip of the micro-credit syndrome, as they take such credits year after year but remain in such a condition that they would soon go under if the credit (life) line is snapped. At the same time, the economy would remain in a poverty trap as it has been the case in Bangladesh despite large-scale micro-credit and other 'safety net' type programmes having been under implementation in the country for many years now. As a survival strategy micro-credit has its value, but for sustained poverty alleviation and sustainable development an approach that addresses the fundamental causes of poverty is needed.

I suggest, and it is now widely recognized, that the main cause of poverty is disparity. Hence, policies and programmes aimed at promoting equity must be an integral part of the growth process if poverty alleviation is an overriding goal. But, in the ongoing reform process, poverty alleviation is only a 'safety net' issue, not a process component and the promotion of equity is not a basic concern. In the context of environmental protection and enhancement a socially cohesive approach is needed, because both the profligate consumption of the rich and the encroachment of the poor on environmental resources for eking out a living are destructive of the environment; and social cohesiveness can be forged only through the promotion of social equity.

It has been pointed in the book (p. 59) that the people should be put at the centre of development for it to be socially and environmentally sustainable. This is now widely recognized to be

the right approach because it is the people who are both the promoter and the beneficiaries of development.

But, as I see it, unless poverty alleviation as a process component and promotion of equity and social cohesiveness as basic concerns are incorporated in the reform process, no progress is likely to be achieved towards putting the people at the centre stage of development or the construction of a sustainable development pathway. This means that appropriate steps must be taken to ensure the effective participation of the people at large in political (governance, decision-making), social (education, training, health, women development), market (production, distribution) and environmental (protection, enhancement) processes. That is, the ongoing free market focused adjustment process, which accentuates disparity and exclusion and leaves poverty to be alleviated through the so-called, inconsequential 'trickle-down' effects, needs to be readjusted to create conditions for equitable access of the poor and the disadvantaged to assets including land and opportunities concerning their capability development and effective socio-economic and political participation.

The above modifications are needed to make the reform process inclusive and the society just, cohesive and stable. But the private sector would remain the principal economic actor. It is therefore necessary that a state-private sector partnership is forged, with the state in a facilitating role and the private sector pushing the economy forward by utilizing the existing opportunities and creating new ones, nationally and internationally. Both the state and the private sector would perform their roles within an appropriate regulatory framework constructed with adequate regard to both market dynamics and social imperatives (outlined in the previous two paragraphs). It is not an easy task to accomplish, but it is one that holds the key to the shaping of the nation's future anchored on a process of development that is socially and environmentally sustainable.

For progress towards this goal, what is needed on an immediate basis is to get rid of confrontational politics and institutionalize democracy at all levels of society to fulfill the initial conditions to make it possible for necessary steps to be taken towards construction of a sustainable development pathway for Bangladesh, as proposed above. The authors of the book (last section) have called for these two crucial tasks to be urgently undertaken.

Pointing out that foreign aid (grants and soft loans) and foreign direct investment (FDI) are needed to support the country's economic efforts, the authors have suggested that diplomacy has a crucial role to play in securing necessary aid and FDI on appropriate terms. It can also contribute importantly towards expansion of beneficial international trade opportunities. Characterizing the ongoing diplomacy of the country unsatisfactory, particularly in the economic field (i.e. for attracting aid, FDI, and expanding international trade), the authors have called for unified, well-coordinated, cohesive diplomatic efforts to promote the national image and the nation's interests in the international arena.

Concluding remarks

All in all, this book is an important contribution in the field of aid, development and diplomacy in the context of Bangladesh. A major strength of the book derives from the fact that quantitative data have been used extensively, issues analyzed dispassionately, and views expressed clearly. Those who are interested in the issues and those whose official responsibilities relate to dealing with them should immensely benefit by reading it.

The writer is Chairman, Bangladesh Unnayan Parishad (BUP), Dhaka

belles-lettres

An Open Letter

My dear G.

N IRAD [C Chaudhuri] is non-returnable the book 'From the archives of a centenarian' edited by his son and pub from Calcutta in January 1997, when he scored his century. It is a palatable mix of vitriol and ghost of Shakespeare (the command of the language).

You will know when you go through these articles (each independent and complete) written for the newspapers and periodicals (IWI, The Statesman, etc). He was the editor of *sonobarer chitt* at one time, and got his quota of brickbats — in fact he got more brickbats than bouquets during his lifetime, as did Tagore (see his piece on Tagore).

NC left his country as he and his family were starving — no jobs offered

to this brilliant and erudite mind — his scholarship is phenomenal. He has written an interesting and caustic piece on his critics, the sharp tongue of the Bengalees can never be underestimated. At one time Tagore also lingered abroad before returning to his matri bhumi, after he won the Nobel prize (malice also lingers in the human breast, perhaps on both sides!).

What fascinated me most was that I discovered (I was out of touch with his writing for several decades) that we think alike on local topical issues. His incisive analysis of the Bengali mind made him unpopular, because truth is bitter, but bitter.

We are shirkers, do not like to work, the short cut philosophy due to *alooshota*. Our laziness is proverbial,

reminding the neutral observers of the Bengali *baboo* culture, the loose dress suitable only for the leisure hours; the extra long sleeves of the ministers hides the palms and the fingers — confirming: don't use the hands for working. Same today with the telephone booths and the photocopy machines. Sit and collect — we are the rent seekers — *bhara khatano*. Now BRTC is renting out the buses on daily basis and making profit! The toll collectors also display (subconsciously) the traditional zamin-dari poise, cleverly encouraged during the British Raj.

Gen Ayub [?] accused us of the phlegmatic temperament. We got independence by default? It is a philosophical remark, not political. Consider this: if we have paid the price of freedom by now, how's that we have not developed, and have nothing to show for the invisible 'development'? After one generation we are coming to our senses, but

have to take some more beating — before beating the drums.

A professor asked Nirad Babu: you have become famous. Do you still read? That extra effort needed for climbing one extra tier of excellence is not forthcoming due to the hot and humid climate which sap energy, and hardly leaves any for use during the leisure hours, when culture develops. This fertile land and milk and fish has made us indolent and left a permanent grey mark on our mental constitution — we are satisfied with a little, because bountiful spoils us. A woman in parched Frontier province has to fetch water daily from more than mile away; while the Bengalee wants his daily bath as a matter of right.

My essay on the bra (The war of the triangles) was written before I had read his cut-piece on the choli in this book (choli is the micro blouse, when body was given to women to conceal the

dress). The naught young man (at the age of 68) started looking for mouse inside the choli, and produced a live mouse from inside his trousers at a formal dinner! So impassioned he was at analysing bare the choli that he even produced a mathematical formula to provide some evidence of the genuineness of his assumptions and presumptions about the scantly dressed Indian women, not at the poverty level, but at the pe of the economic triangle. The sensual twin peaks of Darien will continue to haunt the imagination of the entrepreneurial males for this type of Nirad had electric eccentricity, and his moral guts is admirable, considering his erudition. Here was a character who loved to be unpopular, and was consistent in his inconsistency. The latter compliment comes from his critics, who cannot do it, but can only witness. NC is startling in his provocative themes; for example, his hypothesis in

one of his commentaries on Bengali culture that the Bengali (Hindu) women were treated no better than as *magie* (a Bangla term meaning more than a female).

The weather office has hoisted cyclone-warning signal No 7 (Oct 28-29, 1999), as I jot down these notes. If you are living outside the affected zone, cheer up in the company of Nirad C Chaudhuri — you won't need phenyl (check spelling) syrup to prop up your soul (or sole).

More next, I am digesting the indigestible Nirad. He cannot be chewed, but he could be licked like the *aam-satta*. There are plenty of Bill Gate Windows' mice around in Dhaka, but we need several Nirad mice to be let loose amongst our egoistic politicians, who have the body for pomposity, but are in danger of derailing without the rails.

Alif Zabr