

Looking into the future

YUSSUF ABDULLAH HARUN

As a nation we must have belief in certain ideals and we must aspire to build a free and prosperous society -- a legacy on which our next generation can build. Since economic development in the final analysis is about the welfare of human being, this vision is not something that is expressed in terms of wealth, factories or buildings. It's in terms of quality of life, equality of opportunity, equitable share of growth, freedom of choice, access to healthcare and education, security of life and property, human rights, freedom of press, good governance, democracy that works.

The moment one tries to envisage Bangladesh in another two decades, say 2025, several questions crowd into one's mind. What would be the population in 2025 in this already very densely populated country? What would be the level of degradation of our environment, bio-diversity, and coastal environment? What would be the state of our rivers - - our lifeline? What will be the dominant forces driving the global economy? What sources of energy will drive our machines? How will the industrialised world guide and interpret globalisation and free trade? One wonders what marvellous technological innovations will be unveiled? What new jobs and activities will emerge as a result of those innovations? What sort of economic transformation will take place in our own region?

Now these are far cry for most of our citizens who are struggling every day in abject poverty to eke out a living. Since we have to build on the present structure for 2025 a brief examination of the domestic and external economic scenario inherited by the present caretaker government would bring home the enormity and complexity of the task ahead. Despite robust growth in exports and surge in foreign exchange remittance from overseas wage earners and our peace keeping forces with the

United Nations, high interest rats, creeping inflation, declining net FDI flows and foreign assistance are putting pressure on macro economic stability. The threat of a weakening financial and banking sector with large volume of non-performing loans particularly on account of SOEs and signs of boom in asset prices do not augur well for the future. Criminalisation of many important sectors of the economy and political patronage have created uneven competition and had been driving out many genuine entrepreneurs from such sectors which include real estate, transportation, public procurement and retailing. If the private sector is not rewarded through merit and competition then growth will not be sustainable. The RMG sector which accounts for 75 percent of our exports is faced with rising wages triggered by increased cost of essentials, housing and transport and dogged by frequent power failures on one hand and on the other worsening terms of trade and increased cost of compliances.

Externally with volatile oil prices Bangladesh faces a huge challenge in meeting higher cost and higher level of energy demands, and in devising a sustainable energy pricing policy. In international trade the developing countries are faced with moving goal posts. Increasingly a question is asked "Is free trade really fair trade?" Doha development round launched in 2001 with the avowed aim to lift millions out of poverty were suspended on July 24th 2006 after key players in WTO failed to reach consensus although frantic efforts are being made o revive the discussions. These decisions will have profound long term consequences for Bangladesh.

Now the critical question before us is that can we raise our GDP growth from the present level of 5 percent to 6 percent to 8 percent to 10 percent on a sustainable basis? For starters, rent seeking, smuggling, customs duty and tax

evasion, system losses in electricity, gas and petroleum products, premeditated non-performing loans, corruption in public procurement are estimated to cost the economy about 3 percent of the GDP annually. The key to growth is investment -- both domestic and FDI. Therefore, we have to carry out reforms of institutions and policies in the areas of governance, trade, finance, economic infrastructure including electricity, port, telecom and transport and improve skill level of the workforces, establish a competitive business environment, free from political patron-

age, establish clear regulations for start up and exit of enterprises, develop an energy development and security strategy, ensure contract enforcement and protection of property rights, including intellectual property. Every year 2.4 million boys and girls enter the job market now. We can only generate about 800,000 jobs. Many of them have education which has little relevance to the job market. This on one hand deprives the nation from the productive capacity of our youth and on the other hand provides fertile ground for recruitment by terrorists, criminals and anti-social groups. Backwardness in education and health is the root cause of persistent poverty.

We have now reached such a juncture in our national development, regional economic transformation and globalisation that we must create an enabling environment to encourage more and more dedicated and able people to enter politics and provide imaginative, constructive and accountable leadership. Along side the national politics we also need to look into the issue of local government very urgently. It is universally accepted that an effective a local government is a precondition for accelerated economic development and poverty alleviation through better service delivery, empowerment of the people and accountability.

These are areas where the government the NGOs and the private sector can forge an alliance and make poverty alleviation a very rewarding undertaking. But the biggest stumbling block for SME is access to finance. They are considered not small enough for micro finance and not big enough for access to formal banks. Also traditional collateral based lending is not suitable for most of the SMEs, particularly in creative sectors like ICT. On the other hand the lack of market based regional growth centres in the country has actually resulted in net outflow of resources from the rural economy as confirmed by

a recent study.

To achieve higher growth we must unleash the creative initiative and productive capacity of our 150 million people, 40 percent of whom are below the poverty line. Stimulating economic growth does not necessarily help reduce poverty. In fact we have been witnessing an increasing income inequality. Without addressing this issue of economic inequality the goal of faster poverty alleviation cannot be achieved.

Therefore, the basic challenge before Bangladesh is how to raise and sustain efficiency and competitiveness

and create an attractive investment climate and implement an inclusive growth strategy to tackle pervasive poverty.

Now what are the areas that hold for us the greatest potential for growth over the next few decades? I passionately believe two of the critical areas are human resources development and regional market integration.

The latest phase of world economy is truly knowledge based, where ideas are more important than physical assets. Knowledge has evolved as a basic form of capital and is now the key driver of economic growth. It is undeniable that the more innovative and knowledge abundant a business location is the higher is its position in the ladder of global trade, finance and investment. Bangladesh needs to undertake significant reforms and investment in building education and skills and strengthening its innovation system. This will enable us to harness the vast reservoir of our talented youth to leverage the global ICT and outsourcing business which is estimated to be worth \$141 billion by 2008.

The process of globalisation is being driven by the economic forces of greater global interdependence on one hand and the integration of regional market on the other. Bangladesh is today sitting at the epicentre of growth in the new millennium. China is expected to capture 10 percent of global trade by 2020 second only to USA with 12 percent while India is expected to follow closely on her heels. Therefore, Bangladesh must devise a strategy to weave into these two fastest growing economies of the world. This may be done by binding the region through multimodal connectiv-

ity which will establish Chittagong port as a nodal point for handling trade of the region that would include North-East India, South-West China and South Asia and beyond. Integration with regional markets will create exciting opportunities for exploiting synergies based on comparative advantages and investment in cross border infrastructure projects. Thus we shall have the potential to tap into a market of over 2 billion people, one-third of humanity with fast rising purchasing power. This calls for sensitive, innovative, visionary and bold leadership in our country.

In the recent past the government was keyed to crisis management while long term policy planning was largely neglected. As far as plotting any road map for the future is concerned there will be a gap in our vision if we do not take on views of the younger generation who will provide the leadership in different fields in 20 years time. Indeed after consultations with the citizens and stake holders we should interact with the political leadership of our coun-

try because it is their role to guide and materialise the vision. We must bear in mind that people's awareness and aspiration today is different from those of 20 years ago. Education, globalisation, internet electronic media, high mobility have given them global exposures that are constantly influencing their thoughts, values, priorities and aspirations enormously. Are our politicians aware of these changes? Even if they are aware do they care about people's expectations? Can our politicians raise themselves above narrow party interest and pursuit of power at any cost to provide the kind of bold and enlightened leadership the country needs to take us to 2025?

But alas! the people were utterly disappointed with the shenanigans and unethical behaviour of the political leadership in preparation for the scheduled election of 22nd January 2007. We had witnessed how they obstructed reforms for ensuring a proper voters' list and a free and fair election. We had witnessed how they disrupted people's lives and economic activities pushing the country to the brink of a civil war to protect their "election engineering" rather than place their faith on the voters. We had witnessed how people's aspiration to see able and decent candidates in the election was shattered by the brazen trading of election nominations with many godfathers and black money holders.

The question that naturally comes to one's mind is why do the parties nominate godfathers/black money holders as candidates to the parliament? Is it because they can win election by vote rigging and violence and bring the party sure seats? Is it because they can help the parties rule the streets when parliament is made dysfunctional and politics is diverted from the parliament to the streets? The fact is when these people are elected or form government the first thing they do is seek return on their "nomination investment" plunging the government into

corruption and bad governance.

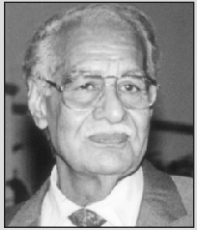
We have now reached such a juncture in our national development, regional economic transformation and globalisation that we must create an enabling environment to encourage more and more dedicated and able people to enter politics and provide imaginative, constructive and accountable leadership. Along side the national politics we also need to look into the issue of local government very urgently. It is universally accepted that an effective a local government is a precondition for accelerated economic development and poverty alleviation through better service delivery, empowerment of the people and accountability. But so far we have witnessed a curious unanimity among the leading political parties in resisting the local government system as this would result in devolution of power from the centre and erosion of influence of the members of parliament.

The present government has a unique opportunity now to cleanse our politics through appropriate and far reaching reforms, strengthening of the institutions, ensure accountability of the political parties and set the stage for free and fair elections. This is not only the cry of the hapless citizens but also many decent politicians in different political parties who had been marginalised in their respective parties by a few godfathers, black money holders and self-seeking politicians. Any half-baked or botched reform effort this time would lead to more bleeding of the economy and more misery to the people in the future.

The government must pursue this goal above everything else and all the major political parties, civil societies, the business community and social groups must support the government in this endeavour. We owe this to our freedom fighters, our citizens and our future generations.

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Overheating of democracy



KULDEEP NAYAR writes from New Delhi

It is not only India's economy which is reportedly overheating; it is democracy as well. There is some election, or its preparation, going on practically all the year round. Four states are going to the polls this February and April. It was more or less the same number last year, and there will be an equal number next year. These elections are apart from the ones for corporations, municipalities and panchayats. And the biggest is the Lok Sabha poll, due in two years time.

In a way, the country is engaged in voting every six months. True, it indicates people's participation in choosing their representatives at every tier of governance. But it also eans that the nation does not settle down to work. Too many polls are becoming a constant digression, besides the inordinate expense they involve. On an average, a candidate pends Rs 1 crore in a state election. The Lok Sabha constituency may cost around seven, eight times more. The government expenditure for holding elections is separate.

The country must ponder over the suggestion by Vice-President Bhairon Singh Shekawat that the elections to parliament and the state assemblies be held simultaneously. This was the general practice three decades ago. Then the politics crept in. The Congress-led centre dismissed the first communist government in Kerala. Under the constitution, an assembly has to meet every

six months. This necessitated election. The combination of opposition parties brought down the government in some other states. The Lok Sabha aced a similar situation less than a decade ago when the BJP government failed to get a vote of confidence.

Prime Minister Indira Gandhi's Principal Secretary, P.N. Haksar, a political person, wanted to separate the state and parlia-

the polls in April. Still, India remains a fascinating place to study contrasts, not only in the field of economics but also in the social field. Pluralism and parochialism live side by side in a society where tolerance is a way of life, marred by disturbances of gruesome nature on religious lines.

Only recently did a Hindu priest get his 20-year-old adopted Muslim daughter mar-

Muslim fundamentalists have also begun emerging, and indulging in violence, as was seen at Bangalore.

The purpose of the RSS-BJP combine is understandable. What Muslim undamentalists are doing is beyond me. The vandalism at Bangalore, to voice protest against the execution of Saddam Hussein, was senseless. Such incidents indicate extra-territorial sentiments.

BETWEEN THE LINES

Muslims should remember that the sufferings and indignities which they have undergone, or are still undergoing, have something to do with the government's acts of omission or commission. But to confuse government with the country is suicidal. The government can be thrown out through the ballot box. But the harm done to the country is irretrievable. Twelve centuries have passed since Islam came to India. It has as much claim on the soil of India as Hinduism. If Hinduism has been the religion of the people here for several thousands of years, Islam has also been there for more than one thousand years. Hindus and Muslims are Indians who share deep bonds of brotherhood and nationhood. There is no other identity than being an Indian.

mentary elections. His argument was that the entral issues should be discussed at national level and the state ones at the state level.

But this did not happen. Political parties do not want to do so. They have their set of prejudices and preferences which they articulate -- that is what they call the election plank.

Experience shows that local issues come to dominate in one form or the other. The calibre of candidates is increasingly coming into the picture. Yet, caste and money are becoming a big factor. The BJP is also playing the religious card. An appeal to the Hindutva sentiments has won them municipalities in 10 cities, including the prestigious one in Mumbai. UP, the biggest battleground, is already witnessing the role of religion. What happened in Gorakhpur, a fairly big town in the state, is probably a curtain-raiser of what may happen until the state goes to

ried at a temple in the heart of Ahmedabad, where hundreds of Muslims were killed under a government-supported plan a few years ago. The wedding took place according to Muslim rites, and there was a namaz inside the temple. The bridegroom's father was so impressed that he asked the priest to look for spouses for his two daughters.

Yet India's pluralistic image is shattered every now and then. In the last few months, there has been the recurrence of communal violence at places like Jabalpur, Bangalore, Tirussur in Kerala and Mandsur in Madhya Pradesh. There is no doubt that the RSS is reviving its policy of dividing the country into Hindus and Muslims during the birth centenary of its fundamentalist leader Golwalker. For example, the bomb attacks outside mosques, like the ones at Nanded, are given out as "the only way of safeguarding Hindutva." But to India's woes,

They revive the sterile debate about whether a Muslim is first a Muslim and then Indian, or the other way round. So dangerous can be this trend that its repercussions are too terrible to comprehend.

India's claim that it has no indigenous terrorists has already been falsified. Whether the Mumbai blasts are responsible for the situation, or the Gujarat killings have made some Muslim youths desperate, is not as relevant as the fact that a crop of local militants has come up. If this kind of militancy is going to seek connections abroad, it would only play into the hands of RSS or similar communal organisations. It would kill the very spirit of nationalism which evokes unity in the country.

That Muslims face discrimination in the matter of employment, education and economic development is a reality which the Sachar Commission has

brought out in great detail. Despite the bureaucratic opposition, some of the Commission's recommendations are bound to be implemented, particularly when the Ministry for

Minorities is headed by a Muslim. The dangerous development is that the prejudice of some among the Hindus is giving birth to a pernicious theory of Muslim identity. Once that takes roots, the thesis of separation begins to get credence. India has already paid the price in the shape of killing of lakhs of Hindus and Muslims during partition, besides the hatred that has continued to smoulder.

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Tailpiece: The wife of an Indian diplomat, posted in Pakistan during the demolition of the Babri masjid, was requested by her gardener to bring a small replica of the Taj Mahal for him when she visited India next. She was curious to know why he made the request all of a sudden. The gardener said: "Who knows, you people may one day demolish even the Taj Mahal!"

Kuldeep Nayar is an eminent Indian columnist.

Microcredit and productive sector

M ENAMUL HAQUE

OFTEN there raised an allegation from among those who tend to think over utility and effectiveness of microcredit that microcredit providers extend more of it towards non productive i.e. non-farm activities than to productive schemes. This is half wrong or half right. Recently (last year), Credit & Development Forum (CDF), a national level microcredit coordinator, published 2005 statistics. It showed, only 32.40 percent of the NGO invested schemes in productive sector. Direct investment in agriculture is in only 24.63 percent of schemes. Bangladesh basically is an agrarian country. The basis and driving force of its economy still is agriculture. From this perspective less attention to agriculture as well as lesser direct involvement of NGOs in this sector undoubtedly projects weaker aspect of the operation.

CDF statistics further stated that about 700 NGOs operated more than 7500 branches. Their membership strength stood at one crore 80 lakh, about one-seventh of the country's population. A significant count indeed, and the most significant part of it is that the

savings accumulated by the poor stood much over Tk 2,000 crore.

Another noteworthy thing in the microcredit operation has been the gradual reduction of foreign finance, which has come down to only 8 percent. In this connection it may be mentioned that although there are about 700 NGOs in the field, three large ones, namely Grameen, BRAC and ASA cover most of the operations. One third of the field operation is covered by ASA.

But how much involvement ASA or for that matter the NGOs have in productive sector? Well, involvement is there if not so wide and direct. For instance, the majority of the members from 50 lakh families organised by ASA are landless small farmers. They need money, to buy fertilizer, seed, irrigation water for share cropping specially in Boro season. They used to take Tk 3000-4000 as needed for the purpose from village money lenders at a very high interest rate or against advance sale of harvest. And much of their earning used to be lost this way. ASA took a programme for such investment in agriculture sector. And this gave them incentive to be more active in their field because even after

meeting cent percent recovery rate they can earn a considerable income now. Of course the service charge is very low -- 10 to 20 times lower than what they had to pay the village money lenders.

Besides this, another project has been started to create employment in agriculture, increase productivity and market agro products. This is to create small entrepreneurs in agriculture sector providing them credit at easy term. This scheme appears to provide direct contribution in the productive sector. Other NGOs must also be contributing in productive sector directly and/or indirectly in no less significant way. Because most of the NGOs work more in rural areas, their investment obviously touch agriculture whatever small way it may be, and thereby help the sector, which collectively is no less significant.

Therefore, it's not true that microcredit is not visible in productive sector. It is already there and gradually making its presence more visible and effective to the benefit of those engaged in the sector, specially the small share croppers and small entrepreneurs.

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Vegetable farming: From family to community level

