The bank, fund and the Bangladesh business community

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THERE has been much criticism about the role of the World Bank and the International Monetary Fund (IMF) in that their so-called "prescription" for economic management is harmful for Bangladesh. Some quarters even go to the extent of saying that these institutions are there to preserve the interest of the United States.

In this context, I feel that it is important to review the roles of the World Bank and the IMF in Bangladesh and the validity of the allegations that are being made against them.

As a nation, we have behaved in a self-defeating manner on numerous occasions in the past, including being champion in corruption, political violence, social injustice, and economic mismanagement.

It is extremely important to ensure that we are not committing a similar mistake by implicating two institutions that are trying to restore a country left destitute by a segment of its own people -- corrupt political parties, dishonest business communities, opportunist leaders and, to some extent, a section of irresponsible press.

Bangladesh joined the World Bank in 1972, soon after independence. Early projects financed by the Bank were building of shelters in cyclone-affected areas of the country and providing urgently needed drinking water, and the Bank worked with others to revive the war-torn country's economy.

Since 1972, the Bank's concessional lending arm, the IDA, has financed more than 167 operations with loans of about $8.2 billion. In the 1970s, the Bank supported efforts to expand agricultural production, which have helped Bangladesh achieve a self-sufficient food supply, and to develop population and family planning programmes that have dramatically lowered the high fertility rates.

From the mid-1980s, the Bank expanded support for more energy projects, particularly in the oil and gas sectors, to reduce the country's dependence on imported energy and speed up development of its own gas reserves.

The Bank also supported the government's efforts to encourage private-sector development and to deal with distortions in trade, pricing, credit allocation and interest rates. One of the World Bank's flagship projects in Bangladesh is the Jamuna Bridge.

The Bank's private sector arm, the International Finance Corporation (IFC), was instrumental in developing privates sector leasing, housing finance, mobile phone, power plant, and large manufacturing projects in Bangladesh.

Though we have seen public protests against the Bank and the IMF in India, Bangladesh, Pakistan, Indonesia and few Latin American countries, we have never come across the business community issuing a joint press release or statement against the Bank and the Fund, charging them as the main culprits responsible for the economic backwardness of the country.

The main allegations were -- IMF is pushing the government to adopt contractionary monetary policy and the World Bank suggesting Bangladesh Krishi Bank to increase its interest rate for agricultural loans.

Personal discussions with some of the Chamber leaders also revealed that they did not quite like the World Bank idea of furthering trade liberalisation, closing loss making jute mills, or even privatisation in general.

A section of Bangladesh intelligentsia has been protesting or challenging World Bank's and IMF's role in Bangladesh for long. They perhaps have a strong philosophical basis for this protest, backed by the Bretton Woods institutions' roles in the underdeveloped countries. I am very much comfortable with this.

However, a section of the intelligentsia was found to be taking a shifting philosophical stance, for cheap popularity. Lacking any substance, their views could never earn the respect or cognisance of the World Bank or IMF, or even any serious students of economics. Reportedly, the latter group of the so-called intelligentsia influenced the Chamber leaders.

There is nothing wrong in an economist or a policy analyst, or for that matter, the Bank or IMF, suggesting that interest rates should go up or down in demanding economic situations, governance should improve, privatisation of state-owned enterprises (SOE) should be expedited, corruption should be eliminated, the poor should have access to credit, the financial sector should be more efficient, the country should be less reliant on subsidies, and the private sector should be strengthened.

It was deemed that our intelligentsia in question, and the business leaders, gradually came to the realisation that the country needed more reform, market liberalisation, accountability and transparency in execution of the development projects, and independence of the regulatory institutions assigned to drive the future of this nation.

So, why are the World Bank and IMF suddenly the scapegoats? The reality of the matter is that the concerned part of the intelligentsia, or the so-called "think-tank," was deeply involved in, and taking credit for, influencing the latest national budget of the interim government.

However, when the prices of essentials spiraled with rising inflation, floods battered the country, and exports started showing a downward trend, the intelligentsia-backed national budget did not suddenly seem as effective. It was no surprise that they found it easy to pass on the blame to the World Bank and IMF, the institutions that never enjoyed cheap popularity anyways.

Let us turn our attention now to those in the business community who are protesting. Most members of the business community have problems in settling their dues with financial institutions, maintaining books of accounts at an acceptable level of decency, sharing their corporate success with the common people by way of opening up to the capital market, and even taking minimum possible cognisance of corporate social responsibility.

If the business community had played its due role in the country and in the community, if our government had insisted on wealth accumulation in appropriate ways, if our policy planners had supported the "market led" growth with due seriousness, we could have said good bye to the World Bank and IMF long ago.

Unless we review this agenda seriously, we might be able to mislead our future generations by passing on the blame to the World Bank and IMF for sometime, but the issues of bringing discipline to economic management, accountability in project implementation, transparency in public procurement, and fairness and honesty in wealth accumulation will remain a far cry. With this, our dream of eradicating poverty from the country will remain a dream only.

The World Bank and IMF establish their country strategy and project priorities through a transparent process. The Bangladesh government prepares Poverty Reduction Strategy Papers (PRSP) through a participatory process involving civil society and development partners.

The PRSP describes a country's macroeconomic, structural, and social policies and programmes to promote growth and reduce poverty, as well as related external financing needs. In line with the PRSP, the World Bank develops a Country Assistance Strategy (CAS) in close collaboration with the government of Bangladesh, the civil society, the private sector and academia, and consultation with the major political parties. The latest CAS was jointly prepared with three other development partners, ADB, DFID and Japan.

The intelligentsia and business community have had ample opportunity to raise their views in a systematic manner in the preparation of PRSP and CAS. Instead of doing so, they have decided to take it to the press, which serves their respective narrow interests or submits to their "popularity" imperialism.

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We should remind ourselves that the World Bank and IMF have been, and will continue to be, Bangladesh's important development partners. We should not stress this valuable relationship due to criticism from a small quarter, which does not represent the people of this country.

For the general reader, I have provided some background information below on the World Bank and the IMF to bring more clarity about their roles.

The World Bank is a vital source of financial and technical assistance to developing countries around the world. It is not a bank in the common sense. It is made up of two unique development institutions owned by 185 member countries -- the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

Each institution plays a different but supportive role in its mission of global poverty reduction and the improvement of living standards. The IBRD focuses on middle income and creditworthy poor countries, while IDA focuses on the poorest countries in the world.

Together, they provide low-interest loans, and interest-free credit and grants to developing countries for education, health, infrastructure, communications and many other purposes.

The IMF's primary purpose is to ensure the stability of the international monetary system -- the system of exchange rates and international payments that enables countries to buy goods and services from each other.

To maintain stability and prevent crises in the international monetary system, the IMF reviews national, regional, and global economic and financial developments. It provides advice to its 184 member countries, encouraging them to adopt policies that foster economic stability, reduce their vulnerability to economic and financial crises, and raise living standards, and serves as a forum where they can discuss the national, regional, and global consequences of their policies.

The IMF also makes financing temporarily available to member countries to help them address balance of payments problems -- that is, when they find themselves short of foreign exchange because their payments to other countries exceed their foreign exchange earnings.

The Bank and the Fund have their own limitations, they also have the track record of not always serving the interests of the member or borrowing countries, at times due to their "one size fits all" strategy, and sometimes for not being able to understand the ground realities. This is more applicable to the fund, especially when it crosses its given parameters. The bank is more on the listening and learning road.

However, both these Bretton Woods institutions are evolving and shifting from their core stances, with the shifting realities in the member countries. Therefore, it is now up to the member countries to decide why and how they could cooperate with the two institutions and ensure that member's interests are better served, rather than being dictated to by the institutions. India is a glowing example of this.

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Health care financing in Bangladesh perspective

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GLOBAL spending on health totalled about $2.3 trillion in 1994, or about 9 percent of total global income. High-income countries, those with per capita income above $8,500 in 1994 spent just over $2 trillion, amounting to 89 per cent of total health expenditure, while their populations accounted for 16 per cent of the global population. In USA, for every $7 spent, $1 goes for financing the health sector. Developing countries, with 84 per cent o the world's population, accounted for only 11 per cent of all health spending (Health affair, 1999).

Government's limitations in capacity

Limited resources and administrative capacity coupled with strong underlying needs for services pose serious challenges to governments in the developing world. Even the richest countries of the world are facing limitations in financing the health sector because of the rising medical costs, and are gradually shifting towards alternative financing mechanisms.

WHO recommends that countries should adopt an essential set of interventions with an average cost of $ 30-40 per person. South East Asian countries, on an average, had total health expenditure (THE) of only $12 per person (WHR, 2001).

There is evidence to show that health systems, which spend less than approximately $ 60 per capita find it difficult to deliver a reasonable, minimum range of services.

Health care financing in different countries

Nowadays, different countries are adopting health care delivery systems in which the state does both the financing and provisioning, or shares with the private sector in diverse combinations.

At present, there are several systems of payment in vogue in USA: Medicare, Medicaid, Fee for Service (FFS), Deductibles, Indemnity, Co-payments, Insurance, various combinations of the above, and others.

All these systems are cost sharing and cost pooling methods among the consumer, government, insurance companies and other third party payers, so that treatment expense does not become any single party's burden, thereby maintaining the right quality of the care.

Other systems, like NHS in UK, "National health accounts" in the Philippines, Egypt, Mexico, Colombia, Zambia, and BAMAKO Initiative (Community financing) of Thailand, are measures of cost pooling in health sector that have emerged with success.

Health care financing in developing countries

Low-income countries can only raise revenue equivalent to 20 per cent of their GDP, less than half of the 42 per cent figure in high-income countries. If a basic package of primary care and preventive services were to cost somewhere around $15-20, then a low-income country must devote one-quarter to one-third of its government budget to the health sector.

They are sometimes supplemented by user fees, but these constitute a very small percentage of public revenue. External assistance continues to be a significant revenue source. Thus, ironically, the poorest countries have the highest out-of-pocket spending as a percentage of income.

Bangladesh perspective

In Bangladesh, approximately 35% of the health sector funding of the government is coordinated through a large consortium of donors and aid agencies, headed by the World Bank. The Bank heads a consortium of 10 donors that funds around a third of the health ministry's budget, with over 30 multilateral and bilateral organisations supporting the ministry of health.

Some 500 NGOs operate in the health, nutrition, and population sectors in Bangladesh. Among the best known is the Bangladesh Rural Advancement Committee (BRAC), which reaches around 17 million people.

The Bank's fourth population and health project in Bangladesh, which has disbursed around $780m over six years -- with $190m from the bank, $282m from other donors, and $310m from the Bangladeshi government.

Bangladesh today spends almost $12 per capita in the health sector, of which $4 comes from the public sector. Of the 63% spending from out of pocket, 46% is on drugs from private pharmacies, much of this spending is on partly or wholly ineffective or inappropriate medicines.

Out of pocket payment (OOP) and information payment

A less apparent but important source of private spending is under-the-table, or informal, payments by patients to public-sector providers. The analysis of WHR, 2002, indicated that most countries in South East Asia have more than 50 per cent of the revenue coming from OOP.

Recent studies in thana and district facilities in Bangladesh have found between 20-30 per cent of users reporting payments (CIET, Canada 2000). Payments vary between Taka 40-140 (Taka 10-27 on average for all patients). For large medical procedures payment can be considerably higher, Taka 1275 for normal delivery and Taka 4700 for caesarean section (Nahar, 1998).

Concept of resource pooling in Bangladesh

"Pooling of resources" refers to "the accumulation of health assets on behalf of a population." By pooling of resources, the financial and health risks are spread and transferred among the population. The essence of "health insurance" is the pooling of funds and spreading the risk for illness and financing.

A significant bulk of health care financing in Bangladesh is coming from OOP and informal payment, which indicates that people are willing to pay for better care to supplement the resource-starved and ineffective public health sector.

An implication is that households are forced to pay for health care when their ability to pay is at its lowest limit. Channelling this money into an organised health insurance scheme would reduce payment at time of illness and spread the cost of care across time and individuals.

A limited resource means that much of the allocation is spent on building and staff, with little left over to purchase medicines and other supplies. Based on an income related contribution (average premium of Taka 500 per person annually, or Taka2000-2500 per household), social insurance could contribute up to 8 per cent additional revenue for the sector, and community insurance would extend funding by at least another 4 per cent (HEU, 2001).

A good financing system must envisage contributions based on ability to pay, distribution based on need, reduction of the burden of unexpected catastrophic risks, and must be managed in a way that is accepted as transparent and trustworthy.

There should be progressive taxation for the higher income groups, and universalisation of access to health services by subsidising the poor using both local and outside funds coming both from inside and outside the health sector (in Vietnam, it has been proposed that, in rural areas: The government should end up paying 75 per cent of all health care costs; the community 10 per cent; foreign aid 10 per cent; and user fees 5 per cent. In urban areas: taxes should cover 50-60 per cent of the costs; health insurance 20-25 per cent; fees 10 per cent; and foreign aid 5 per cent).

There is no escape. In one way or another, the government has to increase its health spending. The main challenge will ultimately be to convince people that what is proposed is for them to reduce their "envelope payments," and, instead, pay a clearly identified local health tax with safety net for the poor.

If a strong argument is to be made for these resources to be channelled into the public sector, or other forms of organised financing, society must be convinced that the resources will be used effectively. Without this assurance, it is likely to prove impossible for the policy makers to convince the public that health service resource mobilisation is not "just another tax," and evade it accordingly.

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Doing God's work for the Taliban

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THEY go anywhere -- from African jungles to tribal villages of Afghanistan. Self-designated foot soldiers of Jesus Christ, Korean missionaries travel the globe, looking for souls to save with the good book in one hand and cash in another. The apostles carry a special message mixing religion and politics, insisting that the Gospel saved South Korea from communism. Belief in Jesus not only saves souls, but delivers nations from poverty.

But if press reports turn out to be true that the South Korean government, working on behalf of the missionaries kidnapped in Afghanistan, paid millions of dollars in ransom, then the church work may have merely alleviated the poverty of a terrorist group. The global mission of spreading Christian faith has run smack into the US and Nato global mission against terrorism.

A Reuters news agency report quoting a senior Taliban official as saying that a ransom of more than US$20 million was paid to secure the hostages' release, though unconfirmed, is sure to add fuel to growing criticism of Korean missionaries and expose the growing complexity of an old globalizing force.

The kidnapping of 23 Christian aid workers in mid-July, two of whom were killed before release of the remainder, has revived criticism of missionaries' no-holds-barred proselytizing. The zeal of some churches, often offending local sensitivities, has made the Korean missionaries controversial at home and abroad.

Some countries such as China and Cambodia, with a historical view that foreign missionaries are agents of imperialism, have banned them. South Korea's foreign ministry frowns on work where the missionaries are not officially welcome and restricts travel to war-torn countries like Iraq and Somalia.

Eager to serve, however, some ignore the warnings, risking capture and death; Kim Son Il, a young, novice evangelical worker, was beheaded by Iraqi insurgents in 2004.

This time, in addition to possibly paying ransom, South Korea obtained release of the missionaries by promising to keep them and all South Korean non-governmental organization workers out of Afghanistan and withdraw troops from that country.

abc news

Officially, the South Korean foreign ministry has not responded to speculation about ransom payments. The source of funds is alleged to be the hostages' church, Saemmul Presbyterian.

Church officials did announce plans to repay the government for airfare, hospitalization and other costs. But if reports of ransom payment are confirmed, it would trigger a public outcry, increasing taxpayer resentment about missionaries visiting danger zones explicitly prohibited by the government.

The news of the 29 August agreement won't quiet debate already raging within churches. While the two biggest Protestant organizations in Korea -- the liberal-oriented Korean National Council of Churches and conservative Christian Council of Korea -- issued statements accepting Taliban conditions, critics suggest that Korean missionaries pause and moderate their course.

Overall, such changes, they said, would require Korean missionaries to avoid many war-torn regions, especially where Islam is the dominant religion. They would have to show greater respect for local cultures and religions. Mission emphasis should shift from total converts reported to pragmatic projects. Thus humanitarian projects -- such as providing medical, child-care or education services in Asia and Africa -- should be given priority.

Voices within the church call for moderation: Korean missionaries are "too loud and aggressive in their ways and self-centered," commented one missionary worker writing in www.newsandjoy.com, a church blog, withholding his identity. "Sometimes, they confuse what they do with what they believe God wants them to do."

Ryu Sang Tae is one such critic, exceptional in that he's unafraid about publicly challenging the church establishment. Former school chaplain in Seoul and author of a book calling for sweeping reform of Korea's Protestant establishments, he told a Yonhap News Agency that, by insisting on "recklessly and aggressively converting people of different religions in different countries, in disregard of local sensitivities," Korean missionaries run the risk of "aggravating, not ameliorating the existing conflicts in parts of the world they operate."

Koreans largely support the demand for moderation. According to one Seoul newspaper poll, 64.5 percent of readers responded that Korean missionaries should stay out of countries hostile to Christians, including Islamic countries. Another 85.3 percent said Korean missionaries should exercise restraint in their work.

In temperament, Korean missionary activities reflect the country's aggressive outward-looking economic push in recent decades. Expanding economic ties has enticed more Koreans overseas. Like their European counterparts in history, Korean missionaries followed traders to serve growing Korean communities abroad.

Today, according to one church estimate, more than 16,000 Korean missionaries from some 500 organizations work in 170 locations. In sheer numbers, they are second only to US missionaries.

Their pattern of growth resembles the economic expansion back home. An obsession with numbers and size weakened the moral foundation of what Korean church historians say is an otherwise splendid achievement. Catholicism arrived in Korea in 1783 and Protestant representatives in 1884; today, one of every five South Koreans claims to be Christian. The nation of 44 million people has 8.7 million registered Protestants and 2.9 million Roman Catholics, along with 10 million Buddhists, practicing and nominal.

The speedy conversion can be attributed to several factors: The church initially succeeded in focusing on social alienation in a rapidly industrializing nation. Unlike in the Philippines, foreign religion was not imposed on Koreans by conquerors.

The earliest Korean Catholics were modernizers, converted in China of their own volition. American Protestant missionaries came with the consent of the monarch, who welcomed modern education and medicine. Korean Christians played a pioneering role in the modernization of their country.

But such success is the root of present-day problems. Obsessed with overachievement, pursuing quantity over quality, the churches are often criticized for placing secular interests above spiritual commitment. This trend is evident in Seoul, where most neighborhoods boast at least three churches, competing for converts.

Priesthood in Korea is no longer just God's calling, but a job, with some clerics drawing hefty salaries, plus bonuses and chauffeur-driven cars. At night, the Seoul skyline burns bright with crosses, a city set in a forest of churches.

Some critics suggest that vigorous missionary activities abroad actually serve to cover up the churches' manifold problems at home, including some corrupt and divisive institutions.

Small wonder then that many church groups seek to expand abroad, keeping idealistic new generations connected to the church by inspiring overseas service. Most of the aid workers kidnapped in Afghanistan are in their 20s and 30s, with professional training in nursing or computer skills. To a group of well-intentioned youths, service in dangerous Afghanistan was more inspiring than pressured competition at home.

Within Korea itself, the missionary zeal has earned scant sympathy. "Why go overseas when there are plenty of things to do at home?" sniffed one taxi-driver, reacting to news of the release. The image of wealthy churches sending young adults to dangerous regions generated only resentment.

The government and churches have not recalled missionaries working in other conflict-ridden areas, but insist that those working in places like Somalia or Iraq move to safe locations.

The Afghan incident not only prompts a hard look at Korea's overseas missions, but also much-needed reflection on the state of South Korea's religious establishment. If the report of the ransom payment is confirmed, it would deal a blow to the increasingly difficult task of the US and Nato forces to defeat the resurgent Taliban forces.

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