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Digital Bangladesh: Going beyond the rhetoric

MRIDUL CHOWDHURY

IN the lead up to the 2008 election, Sheikh Hasina and Khaleda Zia seemed to be on a race to promise a Digital Bangladesh to the citizens. Khaleda went on to promise the "delivery of a Digital Bangladesh" much before 2021, the AL proposed date, as if the concept is something tangible like a bridge or a highway! All this war of words indicates two things:

- Even if those leaders do not really know what they mean by Digital Bangladesh, it is a positive sign that they are thinking that this term associates them with modernity and progressive thinking;
 - There is a growing public demand from at least the educated section of the society to see their government place more strategic emphasis on the use of information technologies (IT) for national development.
- Even after the election, the AL government has continued their rhetoric about Digital

Bangladesh, albeit never clarifying what it is that they really mean. What is the threshold beyond which a country can be dubbed "digital"? What exactly is AL aiming to achieve by 2021? Granted that these are not easy answers, we, the citizens, can surely demand to get an intelligible clarification of their use of the term, and also demand to know what the AL plans to achieve in the next 5 years to realize their 2021 vision.

This piece outlines some thoughts on the concept of Digital Bangladesh and some pertinent policy issues.

Why Digital Bangladesh?

Before getting into specific issues concerning Digital Bangladesh, it is important to review the basic premises. We have difficult challenges in every sphere of our economic and social lives, and use of technologies will not necessarily make them go away. Technology is not a silver bullet; it is useful in some areas, mandatory in some and

overkill in some others. The purpose of Digital Bangladesh policy-making should be to make clear distinctions between those three areas, and sometimes make hard choices if needed. The questions surrounding Digital Bangladesh are real and often politically sensitive. Should the government implement a mid-day meal program to attract students or pay for a computer in a school (a Tk. 20,000 computer can feed 15 students for a year)? Should the government build a new bridge or computerise the Roads and Highways Department?

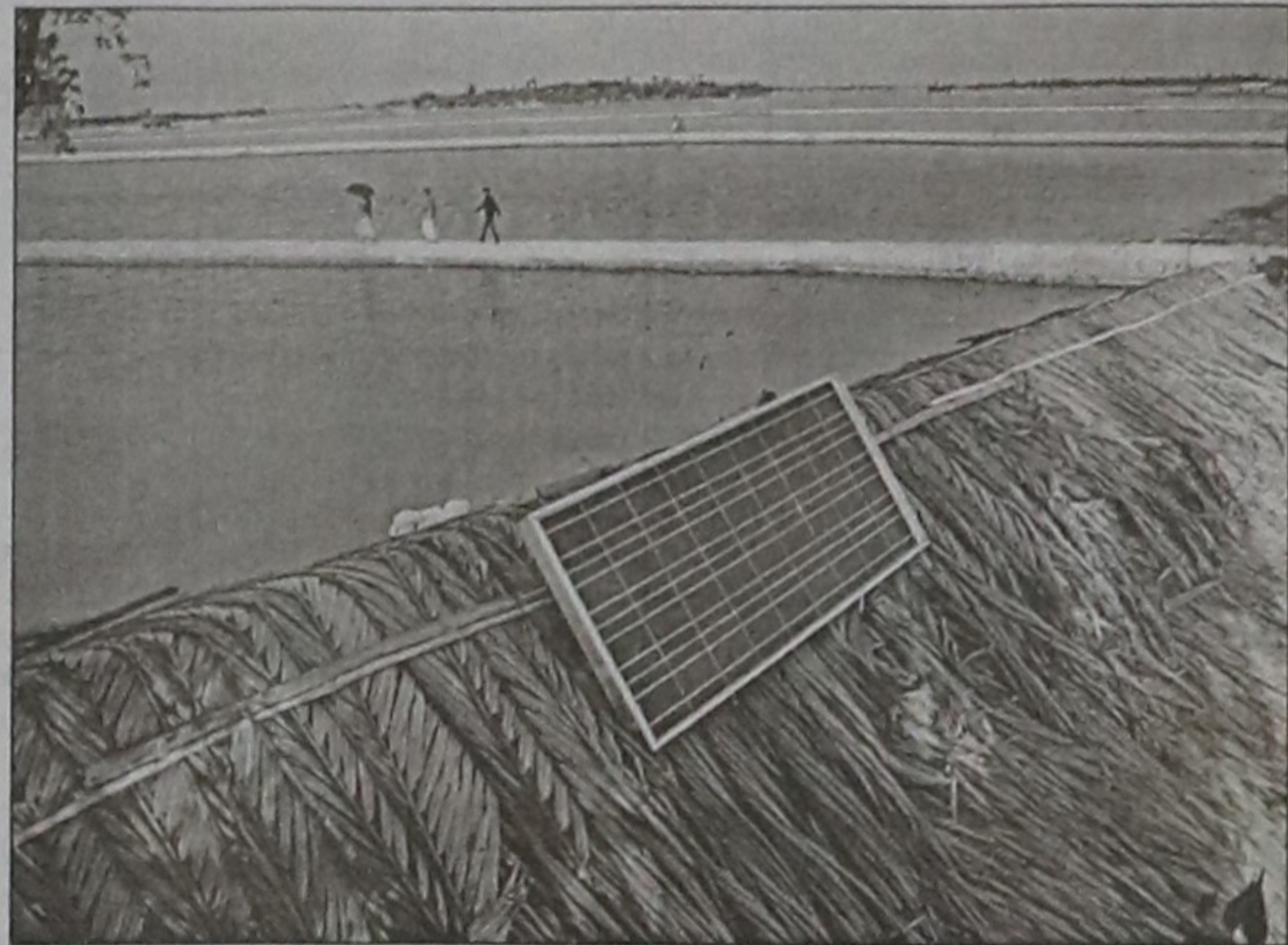
When resources are severely limited, these are valid and difficult questions. But these should be answered in the context of a rapidly changing world. Over the course of the last few centuries, the world has shifted from agricultural to industrial based societies, where efficiency in manufacturing has determined global economic influence. Over the last few decades, the world has been shifting from industrial to knowledge-based

societies, where proficiency in creating and disseminating knowledge has been an increasingly predominant factor for national growth.

The phenomenon is well reflected through the shift in national goals of Malaysia, a country widely perceived to be on the forefront of transition countries. In 1991, the then leader Mahathir Mohamed declared that Malaysia would become a fully industrialised country by 2020. However, over the next decade, the national Vision 2020 was updated to reflect Malaysia's aim to become a "knowledge society" rather than a fully industrialised nation.

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Made in Bangladesh

MAMUN RASHID

IT is a story built up over the last two and a half decades. It is a story of success, of winning against all odds. It is a story of a nation, which has vowed to overcome all the barriers with limited resources and immense passion. It is not a story of "Veni Vidi Vici." Rather, it is a tale of toil, a tale of rising, of starting small and finally finding glory.

Yes, my dear readers, I am talking about the success story of our apparel sector. The sector which started with contributing only 1.1% of the country's total exports in 1982-83, ended up earning more than \$10 billion in the fiscal year 2007-08. This is the sector in which more than two million people are employed, mostly women. This is the engine of our economy and the major source of earning foreign exchange.

The journey

The growth story of our apparel sector is simply spellbinding. In 1983-84, the total apparel exports of Bangladesh were only \$31.57 million, 3.9% of total exports. During this period there were only 134 factories, which employed around 400,000 workers. The breakthrough occurred during 1985-86, when the number of factories increased to 594 and volume of export grew to \$131.5 million.

In FY90 it became a \$624 million industry with a share of 41% of total exports. During 1985-90, the sector grew at a cumulative average growth rate (CAGR) of 40%. The earnings from this sector crossed the billion-dollar mark in FY92, with a total export of \$1.18 billion.

In FY95, the share of apparel export increased to 64% of total exports and earnings doubled to \$2.2 billion. The industry grew at CAGR of 29% during 1990-95. Within the next five years, the export proceeds from this sector again doubled to \$4.35 billion and the share of apparel export to total exports grew to 76%. Since then, the apparel sector has continued to contribute more than 75%



of total exports.

Several internal and external factors contributed to the phenomenal growth of the RMG sector. The key factor behind the growth was the quota regime under the Multi-Fibre Arrangement (MFA). The General System of Preferences (GSP) facilities and RoO (Rules of Origin) offered by the developed nations also helped Bangladesh to accelerate its export.

In short, MFA provided market protection for Bangladesh, whereas GSP facilities offered preferential treatment and market access opportunities in developed economies. Moreover, the apparel industry also received support from the government, which included measures like duty drawback facilities, tax holidays, cash assistance, income tax rebate, creation of export processing zones, zero tariff on machinery inputs, rebate on freight and power rate, bonded warehouse facilities, provision of import under back-to-back letters of credit, loans at concessional rate, export development fund, etc. Finally, Bangladesh possessed a number of comparative advantages, like low labour costs, com-

pared to other Asian economies, growing share of local inputs (particularly in knit fabrics) and competence in mass-produced basic garments (such as knit cotton and woven cotton products). Meanwhile, the sector survived the MFA phase-out at the end of 2004, despite fierce competition from neighbouring countries. However, the success story continued. Post MFA phase-out, export earnings from the apparel sector increased to \$6.4 billion in FY05, \$7.9 billion in FY06, and crossed the \$10 billion mark in FY08.

It was apprehended that, post MFA phase-out, about 30% to 40% of garment factories would close down. On the contrary, the number of factories increased from 4,000 in FY04 to 4,740 in FY08, and employment generation increased from 2 million to 2.5 million.

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Mamun Rashid is a banker and economic analyst. The writer is grateful to Allah Malik Kazemi from Bangladesh Bank for his guidance and intellectual support.

SYED AKHTAR MAHMOOD

THE political parties announced their election manifestos with much fanfare. One wanted to change the country, another to save it. When the manifestos were announced, there was one question on most people's minds: Will the parties really deliver on their promises if they are elected?

We do not know the answer but this much we know: if we want them to deliver, we have to hold them accountable. And, for this we need a system for monitoring and evaluation -- monitoring the implementation of the promised actions and evaluating the impact of these.

There is another reason why we need such a system. Many of the promises are expressed in general terms, such as "freeing the education sector of political influence" (BNP) or "creation of a digital Bangladesh" (AL). Noble goals, no doubt. But how will one achieve these?

Ministers often get away with broken promises because their commitments are expressed in vague and rhetorical terms.



Accountability thus requires a system for converting vague, general promises to precise indicators that can be monitored. What are the specific actions that will need to be taken, and in what sequence? A good monitoring system helps unbundle the general objectives into specific monitorable actions.

Monitorable indicators could be used for more than just checking on government promises. These could be used more generally to evaluate progress in implementing government programs and projects and their development impact.

Consider, for example, a think-tank or other academic institution funded by public money. Rarely do we ask if these institutions are giving society good value for its money and doing what they are supposed to do.

Of course, monitoring project implementation is not easy; even more difficult is evaluating project impact. Nonetheless, it is worthwhile to develop monitorable indicators because the exercise itself could help clarify thinking on how projects may be designed. This means monitoring is not a

thing you leave for the future. You think about monitoring right at the beginning, when you design a project or a program.

Organisations who regularly use performance indicators have found it useful to distinguish between four types of indicators: input, output, outcome and impact indicators. An example will clarify the relevance of each indicator and the distinction between them. Consider the yearly budgetary exercise. Across the globe, finance ministers often point to budgeted expenditures on the "socially-important" items, such as education and health, as indicative of their government's commitment to social causes. More sophisticated finance ministers go further and focus on particular categories of social sector expenditures, such as primary education and public health. They then try to show that these expenditures constitute a significant portion of the budget and/or are rising over time.

Do all these necessarily mean that the government has attached top priority to education and health? No, it does not. A finance minister who makes such a claim is only partially correct. There is more to this than just putting aside money in the budget. This is better understood if we apply the four indicators mentioned above.

Let us begin by asking the all-important question: Why do we argue for an increase in expenditures in the social sectors? It is not the expenditures per se that is important but what we hope to achieve through these expenditures. This brings us to a critical, but oft-neglected, dimension of any government program or project; i.e. its objectives. Why are we doing what we are doing? For example, why do we argue for financial sector reforms? What is wrong with the financial sector as it is and what do we intend to achieve through the reforms?

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Food prices and food security



JYOTI RAHMAN

"WE will have to ... reduce price hike and improve people's living standard," said the prime minister at her first news conference after the landslide election victory. Since then, she and her senior ministers have repeatedly stressed that bringing down the prices of essentials within people's purchasing

power is a priority task for the government. This is not surprising given the importance most voters accorded to high prices in the lead up to the election.

The Awami League capitalised on voters' concerns by pointing to its better record on this issue. Prices of essentials -- the proverbial rice, lentil, cooking oil and salt -- either remained virtually unchanged or fell between 1996 and

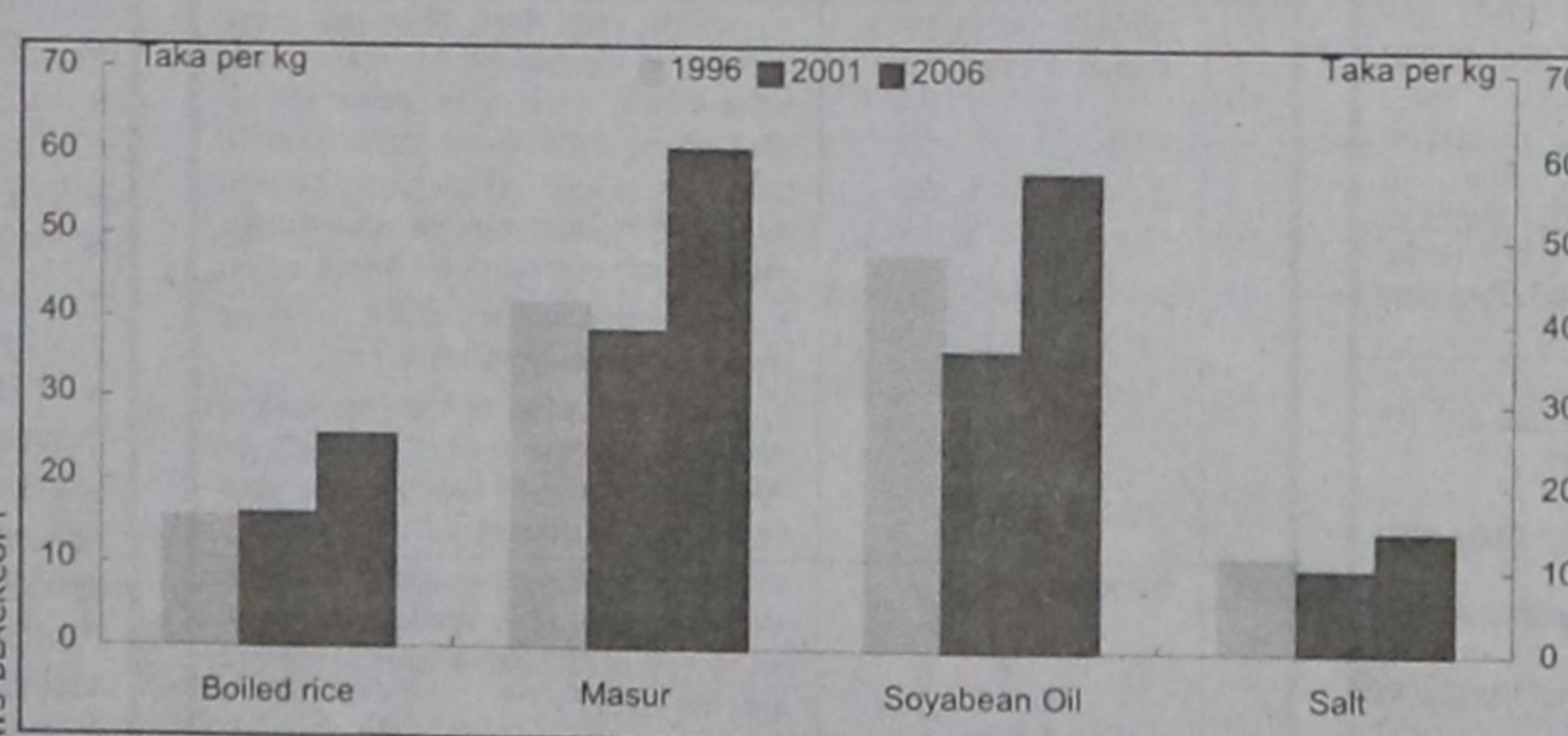


Chart 1: Prices of essentials
Source: CEIC Asia database, prices are for Dhaka.

2001, while all prices rose under its rival (Chart 1). To put the price rises in context, a male farm labourer earned an average daily wage of 48 taka in 1996 (with which he could buy 3.1 kg of rice), 67 taka in 2001 (buying 4.3 kg of rice) and 95 taka in 2006 (buying 3.7 kg of rice).

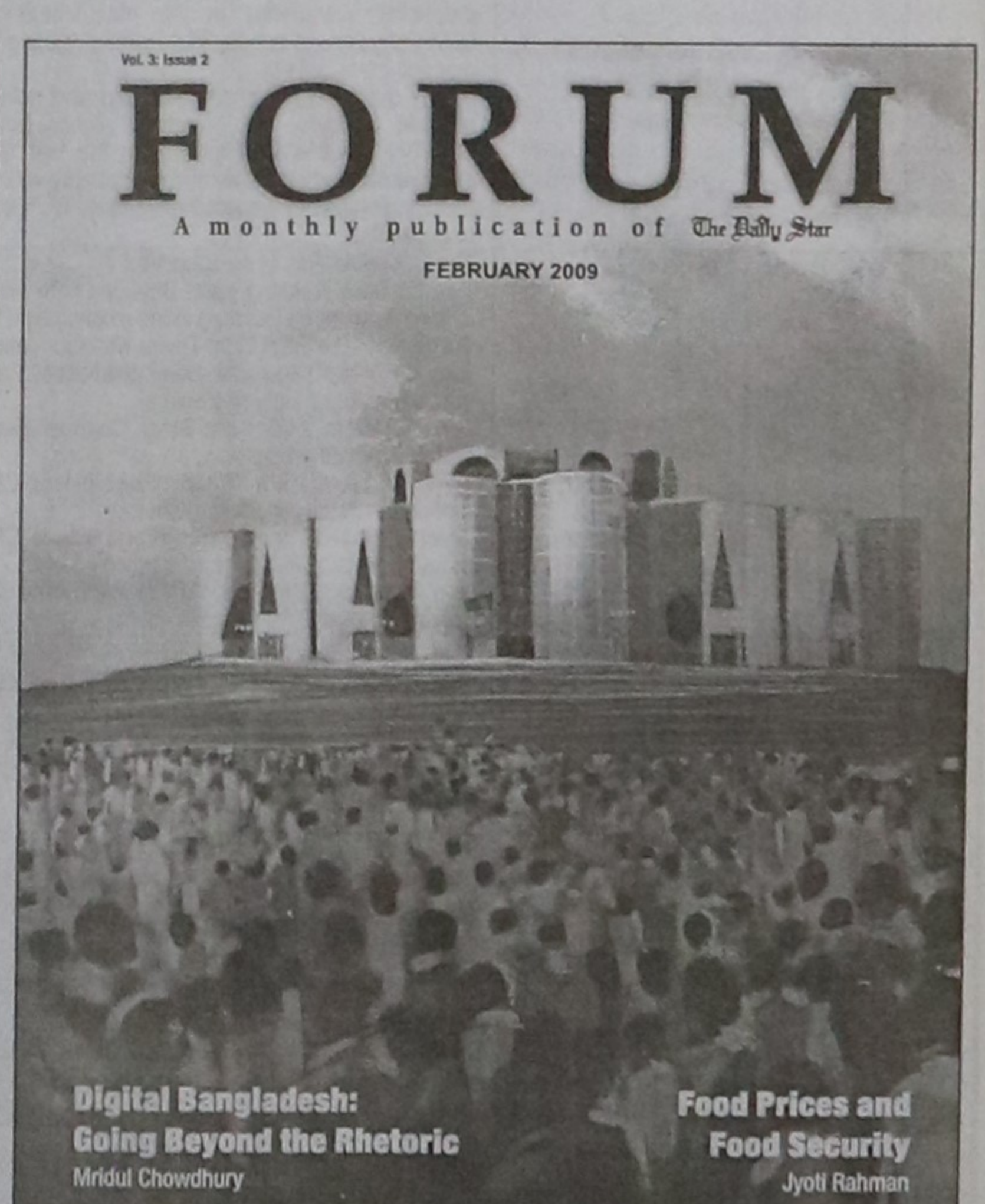
It is no surprise, then, that the voters have overwhelmingly turned to AL for lower prices. But will AL be able to bring prices down, or at least stem the rate at which prices have been rising? And in the longer term, what does the government need to do to achieve food security -- defined by the Nobel laureate Amartya Sen as access to food products,

particularly by poor people.

There are grounds for optimism as far as the near term outlook for agflation -- food price inflation -- is concerned. But drivers of agflation and food security are complex and multifaceted. This piece stresses that for food prices to stabilise, if not fall, and for us to achieve food security over the medium term, a lot more than "cracking down unscrupulous business syndicates" will be needed.

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