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Foreign trips by govt functionaries

Ensure implementation of the directives

THE government appears to be riled by the frequency of foreign trips undertaken by ministers, state ministers, secretaries and acting secretaries that are slowing down work at the ministries.

Taking note of how the principles of selectivity, prioritisation and relevance are being made light of in going on such jaunts, the principal secretary to the Prime Minister has alerted top government functionaries to the need for keeping to such principles. His initiative couldn't have come a day later.

He has rightly drawn the attention of all concerned to a tendency that is becoming something of a past-time and needs to be applied a brake on for the sake of efficient governance. That in our centralised dispensation, their intermittent absence from their posts carrying policy, decision-making and implementation-related responsibilities will create backlog need not be laboured too much. That's why for the sake of maintaining a grip of their work and in order not to slacken their supervisory roles, the top functionaries should be selective about going on overseas tours.

Of course, there are representational, professional and forward-looking aspects to overseas engagements, but for the senior bureaucrats to go abroad in the name of seminars and symposiums is something patently incongruous. These opportunities should appropriately go to the junior or mid-level officials who would gain by such exposure.

One simple criterion that the seniors must apply is whether the offer of a foreign trip, if accepted, would be a value addition enhancing his/her expertise in a particular field. Overseas tours are meant to be work-related and by no means are these to be looked upon as pleasure trips. These must be respectful of financial discipline and must be result-oriented.

We can see that the government from time to time issue circulars exhorting upon the top functionaries to avoid trips that would impede their official functions. It is time that a set of rules is formulated about foreign trips, classifying them in order of importance and that some oversight is also exercised in the matter of application of such rules.

Managing city's traffic woes

Urgent problems should get the priority for addressing

THE traffic muddle of the capital city has been going from bad to worse every passing day. Many of the attempts taken in the recent past to manage the mess, however, have failed to produce any result.

According Bangladesh Road Transport Authority (BRTA), some one hundred vehicles are pressed into the city's ever-swelling fleet of transports everyday. The chaos is exacerbated by old and unfit vehicles getting the certificate from the licensing authority and plying these clogged roads. And there is also the perennial problem of hogging of the footpaths by construction materials defying Building Construction Act of Rajuk. Add to this the ubiquitous hucksters and the habit of parking vehicles helter-skelter flouting traffic rules.

So, we have all these problems clamouring for attention all at a time. And to address those, we have also recommendations galore, though none of those could so far pass the test of implementation.

Officials of a number of agencies responsible for managing the city's traffic as well as some experts on the subject have put the blame for the failure to manage the city's traffic on the shortage of manpower, inadequate logistic support and lack of coordination. At the same time, some city dwellers held corruption in the departments concerned as one of the major roadblocks to the improvement of the city's traffic system.

It is against this backdrop, one needs to prioritise the efforts to deal with the city's traffic mess according to their relative urgencies. The systemic flaws in the form of corruption, inadequacies in the number of staff and equipment under various agencies may take time for their addressing. But what needs immediate attention is the growing number of motorised vehicles and pedal rickshaws, most of them unauthorised, vying for limited road space. The authorities concerned will have to put a limit on the number of vehicles, including that of rickshaws. The vehicles that are not road worthy should be ordered off the streets. Simultaneously, the authorities must have a policy to expand the scope of mass-transport service facilities in the city.

As there is no short-cut means to get over the city's traffic problem, the government has to take a phased approach to resolve it. So, it must resolve immediate issues first, before tackling the long-term ones.

Global crisis: Bangladesh bucks the trend

Perhaps in the rough and tumble of the new global economic order we shouldn't be too quick to jump to conclusions as to who will weather a global downturn better. Globally, it is countries that service the bargain basement such as Bangladesh that can benefit if they offer value for money and play their cards right.

ZAFAR SOBHAN

A year ago as the world financial system teetered on the edge of collapse after many Wall Street giants failed, there was widespread concern about the impact of its tsunami effect on the world's developing countries so dependent on the US market.

But not only have China, India and other major developing countries survived and prospered, even poorer countries like Bangladesh have come out virtually unscathed. How did this happen? A combination of prudent economic management and resilience of the low-end export sector in hard times seems to have helped the country to survive the global challenge.

Speaking on the anniversary of the fall of Lehman Brothers on September 15, US Federal Reserve Chairman, Ben Bernanke said US might finally be coming out of the recession, but cautioned that the worst is not over: further job losses are still to come and families could expect to continue to see hardship well into the new year.

Contrast this with Bangladesh, immortalised in the 1970s description of it as a "basket case" -- the differences could not be sharper.

It has, against all the odds, confounded sceptics, demonstrating how some developing economies can remain sure-footed as more developed economies fall victim to their fancy financial instruments and derivatives.

The conventional wisdom has long been that in times of global financial turmoil, it is the countries at the bottom of the food-chain -- those that have the least flexible economies, the least responsive governments, and the least financial reserves -- that are the first ones hit; that it is the developing economies, such as Bangladesh, that would be expected to be the earliest and most serious casualties of the crisis.

However, Bangladesh, while no means immune to the effects of the global downturn, has weathered the worst of it, and, at what appears to be an impressively low economic cost. GDP growth in 2009 is estimated to be roughly 5% for the second year in a row, down only modestly from the 6% plus growth rate that the country had been enjoying since the mid-nineties.

One reason Bangladesh has fared so well lies in the minimal exposure of Bangladeshi financial institutions to the toxic assets originating in the US mortgage market due to government restrictions on investing in foreign financial assets. Meanwhile, the central bank's dollar exposure was concentrated in conservative US treasury bonds, which enjoyed a significant rally during the market turmoil.

But if Bangladeshi financial institutions were insulated from the financial crisis, the economy remains closely integrated with the contracting global economy, with exports standing at 17% of GDP. In an $82 billion economy, with $14 billion in exports and $20 billion in imports, the trade-GDP ratio was 42% in 2008.

Surprisingly, Bangladesh officials say that export growth is on target for 12% growth despite the 9% drop in world trade estimated this year. Last year, exports grew 10% with 16% growth in its knitwear exports and 14.5% growth in exports of woven garments. The composition of such exports is one of the likely clues to Bangladesh's resilience.

Companies such as Wal-Mart and McDonald's serving the low-end of the market have done notably well despite the economic down-turn, outperforming their more up-market competitors as consumers abandon brand names for a bargain and value for money.

Bangladesh's $12 billion garment export trade embodies the same ethos and reaps the same benefit. The Bangladeshi garment industry, catering largely to the low-end market but with a reputation for value for money, has seen its market share in the US grow by 10% this year, even as overall US garment imports declined by 3%.

Bangladesh's share in US apparel market has risen as a result of rising sales of cheaper clothing in the US due to the recession. In fact, the 7% growth in retail sales recorded by Wal-Mart in fiscal 2009 (and estimated 5% growth in fiscal 2010) has directly benefited the Bangladeshi garment industry, as Wal-Mart alone imports $500 million worth of apparel from Bangladesh, accounting for 30% of Bangladeshi garment production for the US market. Indeed, Wal-Mart's 2008 supplier of the year was a Bangladeshi company.

Like Wal-Mart and McDonald's, a prudent and clear-sighted management together with an eye to providing good value at low cost, have allowed countries such as Bangladesh with a similar and indeed complementary focus to weather the global recession. In other words, what has worked for individual companies works for entire economies as a whole.


YALEGLOBAL

Surviving against all odds.

The second mainstay of the economy has been the life-raft provided by the estimated ten million plus Bangladeshis working outside the country, from whom remittance earnings are on course to reach $10 billion this year, recording growth of almost 20% over the last year.

Here, too, the fact that Bangladeshi migrant workers are typically at the bottom of the food chain has, paradoxically, helped them, as employers looking to cut costs increasingly turn to the cheapest source of labor on the market.

As a result, even though the economies from which the bulk of remittances originate have been hurt by the recession to a greater (US and UK) or lesser (Saudi Arabia and UAE) extent, Bangladeshi migrant workers continue to remit funds in record amounts.

Finally, Bangladesh's resilience was aided by the prudent economic stewardship of the outgoing caretaker government of two years and continued through the tenure of the current government that came to power nine months ago.

From the start, the finance ministry and central bank have done the right thing. When global commodity prices were spiking in mid-2008, the government responded by tightening its belt and also slashing fuel subsidies, an unpopular but necessary step.

Throughout the downturn, the government has continued to subsidise the agricultural sector, thus ensuring both food security and a living wage for 60% of the population still involved in agriculture, as well as other targeted subsidies aimed at minimising the worst of the fallout.

The resultant budget deficit of 5% of GDP over the past two years is higher than the government's target of 4%, but still well within the bounds of prudence given the economic climate and compared to the global situation.

The central bank, meanwhile, has resisted strong pressure to devalue the currency (the taka) to help out the export sector. A strong taka has ensured that commodity prices remained within reach while on the upswing worldwide, and now, with prices far below the peaks of 2008, Bangladesh is reaping the benefit of the terms of trade gains.

Perhaps the ultimate lesson to be learned is that in the rough and tumble of the new global economic order we shouldn't be too quick to jump to conclusions as to who will weather a global downturn better.

Globally, as employers and consumers look for a bargain, it is countries that service the bargain basement such as Bangladesh that can benefit if they offer value for money and play their cards right.

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Agricultural loan: The loopholes in the system

Most of the bankers give loans to large-scale farmers or to the agro- traders, who have enough transaction with the bank and also have assets to use as collateral. In this way, the objective of the government to reach finance to the poorest farmers is not being attained.

ASIF MAHFUZ

FARMERS' access to finance is one of the major problems in rural areas. This is a major drawback in achieving self-sufficiency in food and alleviating poverty. Because of lack of finance, farmers have to cultivate crops with lower cost and lower return. After finishing their meager earning from the crop they cannot cultivate properly in the next season, or invest on cash crops. And the cycle of low investment and crop with low return starts once again.

This is not enough to go through the lean period in the northern region and, since there is no other scope to find work in that area at that time, the farmers face *monga*. This vicious cycle cannot be broken unless the farmers get easy access to finance.

To address this issue, the government is trying to reach finance to the farmers through various organisations. The agriculture sector will get Tk.11,512.30 crore credit from various public and private banking channels in this fiscal, which would be about Tk.2,133 crore more than the previous year. Bangladesh Bank Governor Atiur Rahman said: "The policy is aimed at increasing agricultural production, and the increased farm output will push up the activities in industrial and service sectors."

According to the Bangladesh Bank's agricultural loan and special programs division, the target of distributing agriculture loan through state-owned commercial banks and Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank for this fiscal year has been fixed at Tk.7,779.23 crore.

Among the private banks, Islami Bank set Tk.880 crore as agri-loan this year. Pubali Bank will give Tk.200 crore, AB Bank Tk. 132.25 crore, and National Bank Tk.105.65 crore.

Getting finance at the grassroots level is still a big problem. Even now, when the governor of the Bangladesh Bank has issued a directive to all the banks to disburse loan to the farmers at a lower rate and also allotted a certain portion of BB finances to other banks for farmers, the banks are finding it difficult to disburse loan to the farmers for several reasons.

Even large-scale farmers, having land papers, find it difficult to avail finance from formal sources.

The major issues for private bankers are assessing the farmers' eligibility for receiving loan, high cost of reaching individual farmers for small loans, securing a guarantee for the loan, receiving proper collateral papers for the loan, assessing the risk of the project and reducing the cost of realisation and management to a minimum.

For these reasons most of the bankers give loans to large-scale farmers or to the agro-traders, who have enough transaction with the bank and also have assets to use as collateral. In this way, the objective of the government to reach finance to the poorest farmers is not being attained.

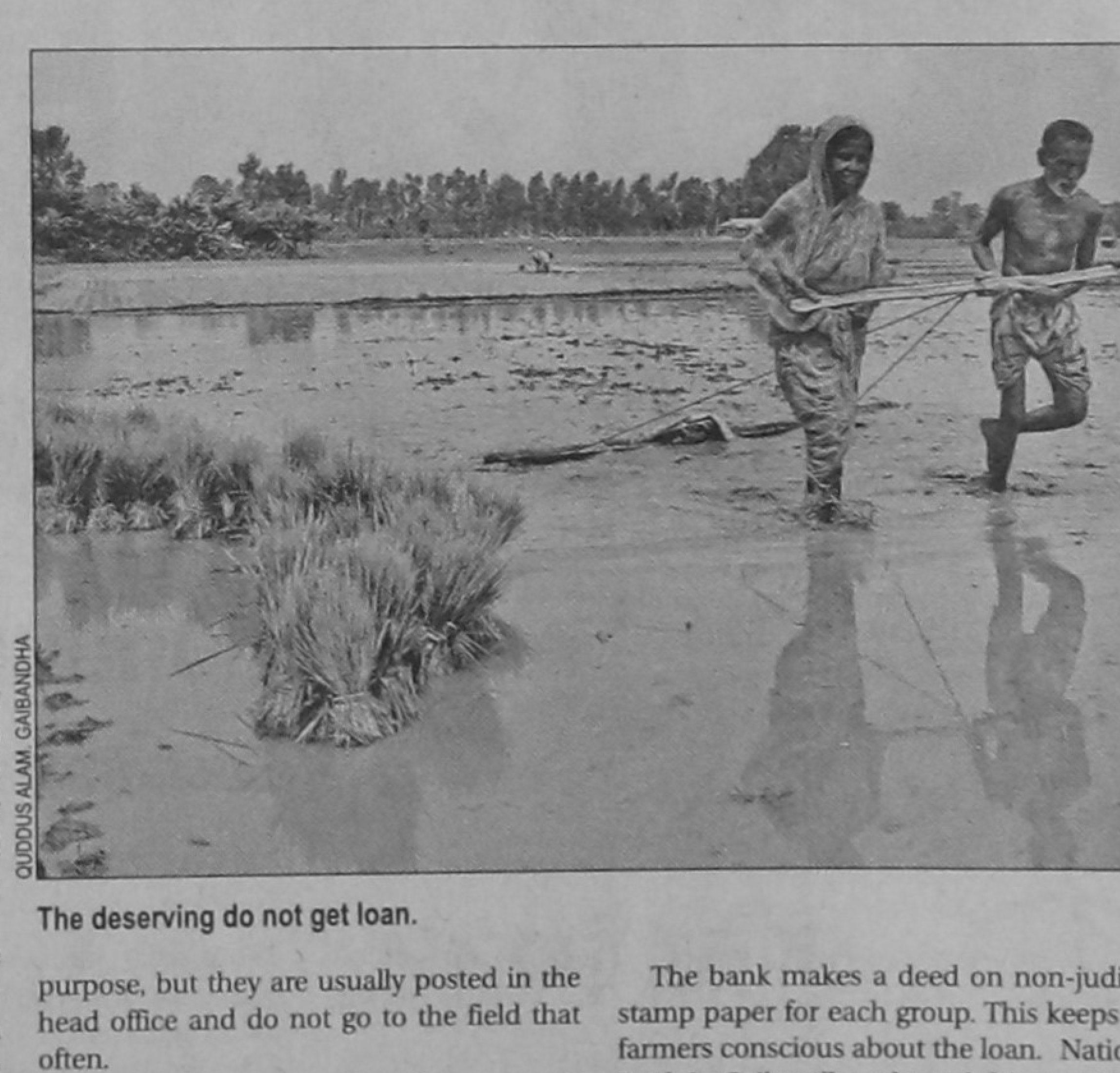
The foremost issue is finding the right farmers and assessing them, which is beyond the scope of the bank's regular work, and is also very time consuming. The operating cost of the bank will also increase if loans have to be realised by going to each individual farmer.

The farmers are not aware of the bank facilities and most of them are afraid of the paperwork needed to receive a loan.

Second, giving a loan depends upon the manager of that particular branch. Some managers are reluctant to take the risk and go for large-scale agro projects. This is another loophole in the system. The managers are directly responsible for the loans that they disburse, so they are unwilling to take risks, no matter how much the government encourages the private banks.

Small or marginal farmers usually do not have any collateral papers like land deeds. Even if they have documents, most of them are not updated. So the bankers do not give loans because of their unwillingness to take the risk without collateral.

Third, most bankers do not have agricultural background, so they do not usually understand the risks in agro projects. Some banks do have agriculturist for this particular purpose, but they are usually posted in the head office and do not go to the field that often.


QUDDUS ALAM, GAIBANDHA

The deserving do not get loan.

Last, bank managers do to have enough manpower to reach many farmers and realise the loan from them.

Contract farming is one solution to these problems. The bank gives the loan to the contractor, or the contractor acts as a guarantor for the farmers. The contractor provides the technology and the knowledge about cultivation techniques. He also buys the harvest from the farmers.

After the contractor buys the harvest the farmers pay back the loan through the contractor. But the contractor is not always willing to take the risk, and the bankers also, at times, want to give the loan directly to the farmers.

Another solution is crop insurance; banks can give loan against the insurance. Though this idea is difficult to implement in Bangladesh, crops and seasons can be chosen to minimise the risk of both the parties.

To solve these problems different private banks have taken different strategies. Some banks have solved the problem through arranging family groups with cumulative liability, which spreads the risk and at the same time makes monitoring easy for the bank. Group members are liable for any defaulter within the group. Also the bankers have to go only to the group leaders instead of all the farmers.

The bank makes a deed on non-judicial stamp paper for each group. This keeps the farmers conscious about the loan. National Bank in Gaibandha adopted this strategy in 2008. The contractor was the technology provider and buyer.

Uttara Bank of Gaibandha solved this problem in a slightly different way. They gave loans to the farmers directly but the contractor acted as a guarantor and was responsible for any defaulter. In this case also, the farmers had to sign on non-judicial stamp. But in both the cases, land papers were not needed. This was more or less a tri-party agreement. These two banks gave loan of Tk.13 lacs to around 76 farmers in this way. Recovery was 100%.

In a perfect example of tri-party agreement NCC bank has been giving loan to farmers on the guarantee of the contractor for the last four years. In 2004, NCC gave Tk.1 crore loan to 360 farmers under both group and individual responsibility. By 2007, the number of farmers increased to 3,700 and the amount of loan to Tk.3.5 crore. But in all the cases the contractor recovered the loan for the bank.

In conclusion, it can be said that, even without land collateral, banks can give loans to farmers if they have the will. And contract farming, if utilised properly, can be another way to arrange collateral and disburse loan to marginal, landless farmers and share- croppers.

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