# Food Security: Imperative for good governance

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MUNYEMA HASAN

BANGLADESH'S progress in poverty reduction and move towards food self-sufficiency has been noteworthy. But while numbers hint at a success story, a more nuanced look at the story behind the numbers may bring little comfort. Over 40% of the population still lives below the food-consumption based poverty line and the overall incidence of poverty remains high. Malnourished and highly vulnerable, they lack the income and assets to protect themselves against livelihood fluctuations, diseases, *monga* or natural disasters.

The consequences of the recent global food price hike have been severe in Bangladesh, as have been the effects of two cyclones. Food insecure households typically responded by decreasing diet diversity, consuming smaller food portions, reducing the number of daily meals, taking on unmanageable levels of debt and increasing household expenditure on food.

The hungry population jumped to 65 million, or 45% of the population, pushing up the rates of poverty that have been on a decline in the past decade. The situation deteriorated further as two cyclones in 2007 and 2009 -- Sidr and Aila left around 3 million people in need of food assistance.

Food security is a highly visible and sensitive public policy issue in any developing country as it directly and immediately impacts the lives of citizens. It tests the social contract between a government and its citizens, and is always an important part of the political agenda. This is evidenced by the fact that one of the main election pledges of the ruling party was a reduction in the price of essentials and the achievement of food self-sufficiency by the year 2013.

The State of Governance (SoG) 2009, an annual report published by IGS BRAC University, closely examines public policy and governance in national sectors such as food, energy, e governance and migration. It is against this backdrop that the report focused on availability of and access to food.

Availability of food means that the government should produce, make possible the production of and/or ensure sufficient quantities of food either through domestic production or through imports and food aid. Access to food means that it should ensure peoples' economic and physical access to food through boosting household income and government transfers.

## Availability of food:

Subsequent governments, including the incumbent government, have placed great emphasis on boosting domestic production and procurement. The report has found that while food production has been increasing, it has still been falling short of domestic demand, with food and grain imports covering this gap, thus endangering the goal of achieving food self-sufficiency.

There are several reasons for this phenomenon. Domestic production is influenced by land and agricultural inputs such as fertilizers. However, there has been a failure to properly incentivise farmers to produce due to misgovernance in some of these areas.

**Land:** The lack of effective administration and management of land has caused unequal access, livelihood instability and poor productivity. The Land Reform Ordinance of 1984 has largely failed to address the issue of land redistribution due to an unrealistic amount stipulated for distribution. Khas land distribution has also been dotted with widespread corruption, land grabbing and lack of representation of landless farmers in khas land allocation committees.

This exemplifies the incapacity of successive governments to enforce land use policy and avoid the illegal occupation of khas land. The terms and conditions of tenancy contracts, though progressive in theory, provide only marginal profits for farmers in practice. Thus, the current system of land rental invites misgovernance as it weights the balance in favour of land owners and against tenant farmers, further endangering the productive capacity of the country's limited land resources.

**Agricultural inputs:** The fertiliser market has been characterised by high prices and weak monitoring systems. Although the government sets factory gate prices of fertiliser, it lacks the capacity to enforce and monitor whether the dealers maintain the set price. The existing monitoring committees do not have any enforcement powers to penalise private dealers as they are only tasked to report mismanagement.

There have also been bottlenecks in fertiliser supply as fertiliser factories have been unable to adjust their production schedule according to demand, partly due to the severe shortage in the supply of electricity and gas to production facilities, and partly due to the inability to meet demand because of poor production capacity.

**Procurement:** The report has found that when there is a large gap between the market price for paddy and the procurement price for rice, rice millers and corrupt Directorate of Food (DoF) officials collude to split the difference. That the government buys rice from the rice millers and not the farmers directly is a serious weakness of the procurement mechanism. The government's procurement centres are also few and far between and farmers are not generally able to sell rice directly to them. Given the high cost of transport and the pressure to repay debts taken to meet production costs, farmers sell rice to local traders, millers and hoarders at lower prices.

A positive move made by the Ministry of Food and Disaster Management (MoFDM) has been to establish 141 food warehouses to increase the government's food grain storage capacity which will facilitate its ability to procure enough food grain and thereby incentivise farmers to produce.

## Access to food:

**Public food distribution system (PFDS):** Hunger and famine are not caused just by a reduction in the availability of food, but also by the inability of the poor to get access to food. The PFDS attempts to make food grains available to poor households that would otherwise not have access to adequate food, distribute food during emergency situations and stabilise market prices to avoid excessive price increases.

The report has found that though the PFDS has a pro-poor focus in theory, its distribution channels do not reflect this -- with higher allocation going to priced channels rather than non-priced channels. There is also a chronic gap in the PFDS's coverage, with less than half of the food insecure population being reached through its channels.

**Social safety net programmes (SSNP):** Food-based SSNP's operate out of the PFDS. Encouragingly, given higher GDP growth rates the government has been able to set higher targets for providing social security to the poor. However, the targeting of these SSNPs towards beneficiaries is rarely informed by geographic variations in poverty across different divisions in Bangladesh. It is also characterised by high levels of leakage ranging from 20-40%.

Despite this problem, SSNPs like the Vulnerable Group Development (VGD) are perceived to be working well. The 100-day Employment Generation Programme introduced during the food price hike faced a multitude of administrative and implementation problems, but was also deemed an overall success.

These programmes create a platform through which local political leaders can earn support in poor areas. However, there is an absence of realistic alternatives to food distribution by this political class, as well as the lack of an effective administrative structure that reaches the grassroots level.

Consequently, this class can either extend full support and fairness to the programme's beneficiaries or behave as patrons to reward their clients, thus compromising accountability to the community. The report shows that there may be a balance between these two interests, and as a result it is very difficult to label the entire process as corrupt and ineffective.

Overall, however, there are no integrated national guidelines for developing SSNPs. Coordination is hindered by the fact that many programmes are directly financed with donor assistance to individual ministries. The involvement of multiple actors causes considerable overlap in programmes and creates leakage and waste, straining the administrative and resource capacity of the government.


AMDADUL HUQ/ DRIK NEWS

Raising awareness about food security.

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# Manipulating currencies for national advantage

**Some countries have been accused of starting a cycle of competitive devaluation of currencies, thus creating "a wave of protectionism in which countries would weaken their currencies to bolster their own exports." The Brazilian finance minister has gone so far as to say that the world was "in an international currency war."**

CHAKLADER MAHBOOB-UL ALAM

IN a surprise move the Central Bank of China has just raised interest rates for the first time in three years. According to an announcement made by the People's Bank of China on October 19, effective immediately, the benchmark one-year deposit rate will be raised to 2.25% and the lending rate to 5.56%.

It is interesting to note here in this context that China's principal rivals in the economic field, like the United States and Japan, are going to maintain short-term interest rates at near 0%. In fact, the decision to lower the Japanese benchmark interest rate to a range of 0% to 0.1% (a small but significant change from the previous target rate of 01%) was taken only recently.

On October 15, in a speech delivered at a conference organised by the Federal Reserve Bank of Boston, Mr. Bernanke, the Chairman of the US Federal Reserve, stated that starting November he will take exceptional measures to lower long-term interest rates as well.

So the question is: If the United States and Japan are taking measures to lower both the short-term and long-term interest rates why is China pushing the interest rates so high?

The official reason given by the Chinese government for this unusual measure is that it is trying to cool off China's overheated property market and to fight inflation. But analysts believe that besides these apparent reasons, China has got other strategic motives for taking these decisions.

Over the years China has built up a huge current account surplus. Its foreign currency reserves -- most of which by the way, are in the United States dollar -- have reached an astronomic figure. As a result, it has been under pressure for a number of years to raise the value of its currency. It is true that China has frequently intervened in the currency market to keep the value of its currency comparatively low. But is it the only country that can be accused of managing the value of its currency?

After the failure of the various exchange rate regulatory mechanisms like the gold standard, the gold exchange standard (arbitrarily cancelled by the US in 1971), the Bretton Woods arrangements, the currency market was left with the US dollar as the only reserve currency of the world and the myth that the "invisible hand" of free market capitalism would determine the value of a currency at any given point of time.

The near collapse of the financial system in 2008 has proven beyond any doubt that in economic management market forces cannot always be trusted to come up with the right decisions or conclusions, hence the need for controls and conscious management of matters such as trade imbalances and exchange rates.

Today, hardly any export-oriented country wants to have a strong currency. Japan, Philippines, Thailand, Indonesia, Malaysia, Israel, Taiwan and Brazil have recently taken measures to devalue their currencies or at least to prevent them from appreciating.

In Europe, politicians are worried that in recent weeks the euro has risen sharply against the dollar, making it even more difficult to climb out of the current crisis. According to Bloomberg, the United States dollar has fallen between 4.63% (Mexican Peso) and 23.85% (Swedish Corona) against other major currencies since June, 2010.

Some countries have been accused of starting a cycle of competitive devaluation of currencies, thus creating "a wave of protectionism in which countries would weaken their currencies to bolster their own exports." The Brazilian finance minister has gone so far as to say that the world was "in an international currency war." He was so upset that he refused to attend the recently held G-20 finance ministers meeting in South Korea.

China is conscious of this situation and knows that at the November summit of the G-20 leaders in South Korea, further pressure will be placed on it to change its currency policy. It is also afraid that the United States, Britain and other Western countries with current account deficits would try to turn the November summit into a Plaza Accord (1985) type of currency realignment meeting.

Just like today, in 1985, the US was running a huge current account deficit and was under intense domestic pressure to create more jobs by driving down the value of the dollar. China and other emerging countries with current account surpluses would be very reluctant to accept a new Plaza Accord because they remember the consequences of the 1985 accord.

Japan was forced to accept the realignment and the value of the dollar versus the yen declined 51% from 1985 to 1987. A strong yen together with deficit spending and loose monetary policy created stock market and property market bubbles in Japan. When they burst, Japan entered into an era of economic stagnation and deflation, which, after more than twenty years, still persist. This was by far the largest currency manipulation ever orchestrated by the United States and its allies, France, West Germany, Japan and the United Kingdom.

Ben Bernanke has already threatened to pursue aggressively a policy of quantitative easing, which will mean flooding the market with hundreds of billions of freshly-printed dollars with the objective of lowering long-term interest rates and devaluing the dollar. Whatever fancy words Bernanke may use to describe this policy, in reality this is another way of manipulating the value of the dollar to gain advantage in the export market.

This policy may help the US export efforts but will create serious distortions in the capital markets of other countries because investors would flee the countries with low interest rates and pour huge sums of money into countries with higher interest rates and stronger currencies, creating inflationary pressures and bubbles in the property and stock markets.

China is clearly worried about Bernanke's threats and the overall political situation in the United States, where politicians are insisting on imposing tariffs on goods imported from China. China wants to avoid a trade war or a currency war. It has already stated that it would raise the value of the Yuan and that it will do so gradually because of domestic political and economic reasons.

China's recent decision to raise the interest rates before the G-20 summit in November is a step in this direction and can be considered as a pre-emptive measure to satisfy American demands. It remains yet to be seen whether it is going to be enough.

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# Sharing Teesta water with India

**As Bangladesh is a river-irrigated country and as we have to share the waters of 54 rivers with India we must find some solution to the existing problems to save ourselves from serious ecological, economic and agricultural problems.**

A.B.M.S. ZAHUR

WE are very hopeful about the prospect of the Hasina-Manmohan Accord because both the governments appear to be enthusiastic about establishing good neighbourly relations. It is regrettable that at the implementation stage of the treaty we find the same slow pace as in the past, mainly because of lack of expected progress of implementation on the Indian side.

Plainly speaking, without satisfactory progress with regard to issues relating to trans-boundary river waters and transit it may not be realistic to hope for a closer relationship between Bangladesh and India.

Ever since the Farakka treaty we have observed that problems relating to rivers are increasing. Naturally enough, we are worried about our irrigation, agricultural development, river transport and food production. As Bangladesh is a river-irrigated country and as we have to share the waters of 54 rivers with India we must find some solution to the existing problems to save ourselves from serious ecological, economic and agricultural problems.

While India is pressing for rapid progress of implementation of issues regarding transit she appears to be rather less keen about sharing of river water. The attitude shown by India in respect of Tipaimukh dam does not inspire much hope in Bangladesh. As for Teesta barrage, no positive result could be achieved so far though there appears to be presentation of proposals and counter-proposals from both the sides. We know that through effective dialogue very intricate problems can be solved. Let us wait for some time more.

A Joint Bangladesh-India River Commission (JRC) was set up in 1972 to develop the trans-boundary rivers. Immediately after setting up of JRC discussion started on sharing of Teesta water. For the summer irrigation, construction of barrages started simultaneously at Gazaldoba in India and Doani (Lalmonirhat) in Bangladesh in 1983.

It is learnt that an ad hoc treaty was signed between India and Bangladesh in the 25th meeting of JRC. As per this agreement, Indian share of water was 39% and Bangladesh's share was 36%. The rest 25% was to remain undistributed. As there was no formal agreement the ad hoc treaty was not implemented.

India completed the barrage at Gazaldoba in 1987 and Bangladesh at Doani in 1990. However, the current in the Teesta started decreasing in the Bangladesh side. No discussion, however, took place during the period.

Truly speaking, Bangladesh and India started discussions after the Ganges treaty. As per Article 9 of the treaty, both governments agreed to maintain neutrality and equality, and to consider each other's interests.

An expert committee was set up to find a formula for short and long term distribution of river water. It failed to reach agreement despite seven meetings during 1997-2004. On January 5, the JRC agreed only on lifting of water from Feni river and dredging of Ichamati river.

The following reasons have been identified for the failure to reach an agreement:

- Failure to determine the basis of distribution of water;
- Failure to determine the number of years' stream in the past for accepting as the basis for distribution;
- Failure to determine the amount for maintaining the rivers and the respective shares of the concerned countries.

Bangladesh has considered three proposals:

- 20% for maintenance of river and rest 80% to be equally distributed;
- 20% of water at Gazaldoba for river maintenance, with India getting 42% and Bangladesh 38%; and
- 10% water at Gazaldoba for river maintenance and rest 90% at 36% and 39% between Bangladesh and India.

None of the above proposals is acceptable to India. However, the government of West Bengal presented a new proposal -- 10% for river maintenance, 15% for Bangladesh and 75% for India (according to a local Bangla newspaper).

There is no single formula for distribution of river waters in the world. In the UN statutes some broad principles have been laid down. They are:

- No harm to be done to each other;
- Compromise may be based on equity and equality;
- Mutual sacrifices may be considered where necessary.

Bangladesh has only the Teesta barrage project India has Gazaldoba project, irrigation projects and two hydroelectric projects. Thus, the importance of Teesta water is immense for India. At the same time, Bangladesh needs Teesta water for irrigation, river transportation, fish development, industrial use etc.

Through 38 years of its existence JRC has not been able to achieve anything significant so far. Our governments in the past could not show enough ability and competence.

As a river-irrigated country Bangladesh needs a lot of river water for its economic survival. We would expect full support and cooperation from the opposition to the government on this national issue to save around 8% of the people of Bangladesh from economic disaster.

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