

Citizens to monitor World Bank projects

STAR BUSINESS REPORT

The World Bank yesterday launched a third-party monitoring system in Bangladesh as part of its move to give citizens a greater voice in ensuring the best use of public resources and holding local governments accountable for results.

Initially, the Washington based lender will pilot the monitoring system in four of its projects in the country to ensure feedback on progress from project beneficiaries, including vulnerable and disadvantaged people, said Ellen Goldstein, country director, World Bank Bangladesh.

"Project beneficiaries are the best judges of development results. Increasingly, we will be turning to grassroots in villages to help us track progress and provide real time advice to improve implementation," she said.

"From initial piloting, we expect to expand the initiative and bring more than 25 projects under the radar of citizens' monitoring," said Goldstein.

"The purpose is to improve quality of the local government projects and identify areas which are working and which are not."

The WB is currently implementing 34 development projects in Bangladesh involving US\$5.9 billion.

The WB country chief spoke at the launch of the pilot project at Ruposhi Bangla Hotel in Dhaka.

The bank, in partnership with Manusher Jonno Foundation and the Affiliated Network for Social Accountability (ANSA), South Asia, organised the launching workshop of "Third Party Monitoring of the World Bank's Country Assistance Strategy for Bangladesh (2011-2014)".

The WB has asked the Manusher Jonno Foundation to conduct an independent assessment of progress in achieving the results identified in the country assistance strategy.

Syed Ashraf Islam, local government, rural development and coopera-



Ellen Goldstein, *third from right*, World Bank country director in Bangladesh, speaks at the launch of third-party monitoring system at Ruposhi Bangla Hotel in Dhaka yesterday. Syed Ashraf Islam, *third from left*, LGRD minister; Muhammad Zamir, *second from right*, chief information commissioner; Shaheen Anam, *second from left*, executive director of Manusher Jonno Foundation; Dr Ainun Nishat, *extreme left*, vice chancellor of BRAC University; and Swapan Kumar Sarkar, *extreme right*, national project director of Local Government Support Project, are also seen.

tives minister, said transparency is a key to good governance.

"Through the initiative, our citizens will have a greater voice in ensuring the best use of public resources, and will hold local governments accountable for results," he said.

The minister admitted that corruption is widespread in the country and has become a disease. "We have become so used to it. We cannot stop trying otherwise change will not come."

The system will provide first-hand information to achieve better development results. Citizens will monitor the delivery and quality of services, and look for any anomalies in service provision.

Shaheen Anam, executive director of MJF, said she hopes the pioneering effort will contribute to strengthening govern-

ment accountability towards citizens and improving the efficiency and sustainability of the projects.

"Citizen's effective participation in matters relating to public expenditure or in public service delivery has become a major determinant for improving governance. Demand for good governance calls for improved accountability and transparency mechanisms for public spending and resources," she said.

Anam said this is for the first time the WB in cooperation with the government is opening up a number of specific projects for public scrutiny.

She said the WB pilot projects include the Rural Transport Improvement Project, Rural Electrification and Renewable Energy Development Project, Emergency Cyclone Recovery and Restoration Pro-

ject, Local Governance Support Project, Bangladesh Water Supply and Sanitation Project, National Agriculture Technology Project and Public Procurement Reform Project.

"Using various social accountability tools such as community card report, public hearing and social mapping, the community people will monitor the progress and share their findings at meetings with appropriate local authority."

Dr Ainun Nishat, vice chancellor of BRAC University, said monitoring should not be limited to the end of the project. "It should be continuous. However, it should not deter the progress of the project."

Muhammad Zamir, chief information commissioner, and Swapan Kumar Sarkar, national project director of Local Government Support Project, also spoke.

Matia criticises the way foreign funds are utilised

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Agriculture Minister Matia Chowdhury yesterday criticised the way foreign funds were handled under short term projects that have no sustainable implications on the people.

"When there is money, there is a project. Once it is over, you don't find its footprint just after two years," she said, addressing a workshop as the chief guest.

"Interestingly, no one questions such affairs. This is because everybody is after the funds," the minister said at BRAC Centre Inn in Dhaka.

Bangladesh Rice Research Institute (BRRI), Center for Environmental and Geographic Information Services (CEGIS) and Norwegian Institute for Agricultural and Environmental Research (Bioforsk) organised the workshop on 'Climate change impacts on rice production in Bangladesh'.

These organisations will conduct a study during 2012-14 aimed at developing adaptation technologies to improving rice production in the salinity-prone coastal and drought-prone Rajshahi divisions.

Matia said development partners are coming up with funds in Bangladesh following Prime Minister Sheikh Hasina's strong stance in the Copenhagen climate summit, but scientists must be cautious that the country is not made a guinea pig.

Matia said excessive extraction of underground water in North Bengal caused silent desertification. The donor-prescribed technology also resulted in health hazards like arsenicosis.

"Actually, Bangladesh has never had its own perspective on the use of water resources. During the Pakistan period, the Pakistani rulers and after independence, the donors prescribed the ways of water use," she said.

The present government has initiated river dredging project with its own funds for greater use of surface water for irrigation. "It is better as getting a clearance on foreign funds requires months. Again, delayed release of funds delays project implementation, and donors would say the government lacks capacity," she said.

Matia said developing extreme saline tolerant rice varieties for the southern coastal region and submergence tolerant varieties for the northern region are now the top priorities of the government.

Water Resources Ministry Senior Secretary Shaikh Altaf Ali, BRRI Director General Dr Syedul Islam, Bangladesh Agricultural Research Council Executive Chairman Dr Wais Kabir and Norwegian Embassy First Secretary Harald Larsen also spoke.

Need for a shield against financial contagion

HASAN MAHMUD BIPLOP and SHAKIL RAHMAN

THE capital market of Bangladesh has seen its worst in recent times. In the frontier of multivariate assumptions and perceptions, we believe that there are lessons to be learned from the mistakes and more importantly, reforms have to be initiated to avoid a financial contagion.

The term financial contagion was first coined in July 1997, when the currency crisis (better known as the Asian Crisis) in Thailand quickly spread through East Asia. The term derived through its medical inference, talks about small shocks that initially affects particular sectors of the economy or financial intermediaries but eventually affects the entire economy.

We would like to bring in context certain events of the Asian Crisis that affected the emerging economies in 1997. We will summarise certain events of the crisis with the Bangladeshi stockmarket in terms of money flow and policy phenomena.

This is necessary for two reasons. Firstly, Bangladesh has been identified as an emerging economy for the next decade and therefore, learning from the development of previous emerging economies and reformation is to our benefit.

Secondly, the Bangladesh stockmarket has already faced such recession and the economy has started to show a phenomenon that was common to the pre-crisis events of those economies.

Furthermore, we will put forward some of the extra ordinary policy and project reformations that have taken place in countries like Thailand and Malaysian stockmarket for the betterment of their whole economy. The intent is to shield Bangladesh from a stockmarket debacle in the future because of flawed vision and policy. The next decade of economic growth has to be facilitated by the capital market, not hindered by it.

Being labelled as an emerging economy is a positive note for all of us. But the question will remain as to whether we are prepared to handle the growth process or not. Without dynamic management of regulations, the economy can easily suffer as the stockmarket has suffered from policy wise inertia. In such cases, Bangladesh will not be the first or a unique case either. Countries like Thailand, Malaysia, Indonesia, Philippines and South Korea faced the Asian Crisis in 1997 for similar reasons while playing the role of emerging economies in those times. In the early 90s, when these countries enjoyed GDP growth of 8 percent-12 percent, they were called by the International Monetary Fund



Police stand guard as angry investors set fire to wooden objects on the street in front of the Dhaka Stock Exchange building in protest of a drastic fall in share prices last month.

(IMF) as 'Asian Miracles'. In those times, there were certain events that can be considerable, although we should keep in mind that these are cursory descriptions rather than a fully comprehensive analysis.

- "A huge amount of 'hot money' influx had been observed in these economies with high short term interest rates and a fast profit generating motive." Foreign funds got attracted to these countries for their much higher rates. Although not in the entire economy, but this phenomenon has already taken place in the Bangladeshi stockmarket and the negative after effects are still on going.

- Countries like Malaysia and Indonesia also faced the problems of Crony capitalism (a term describing an economy in which success in business depends on close relationships between business people and government officials). Development money that came through with branding the economy as an emerging one was not being invested in the

most efficient or sustainable manner but rather with people closer to power. Living in Bangladesh, we can closely relate to this.

- The Asian Crisis also massively suffered from the highly leveraged economic climate. A large amount of credit pushed real state prices to an unsustainable price level. This eventually led asset prices to start depreciating, leading to an extensive amount of individual and company debt obligations. This resulted in the loss of confidence in the credit market, withdrawals of credit services and bankruptcies in the emerging economies. Foreign investors trying to take out foreign currencies led to an overflow of the country's currency, resulting in its massive devaluation. Beyond the pegging of currency and other corruptions, this was the biggest economic disaster in East Asia. The IMF initiated currency stabilising package worth \$40 billion for these economies.

We can again relate the Bangladeshi stockmarket to the highly leveraged climate

and the extremely high real estate price level. Furthermore, we are on the stepping stone of witnessing individual investors' equity hitting zero, loss provisioning by financial institutions and employee cuts in the industry.

In the process of becoming an emerging economy, the Bangladesh economy and its capital market eventually will be exposed greatly to global investors. Not having control over the process will create unbound performance for a short while, leading to a massive downfall far greater than we have witnessed recently. Therefore, growth has to be effective and sustainable.

To become a middle income country by the year 2020, we believe the capital market should undergo reforms in vision, project and policy to handle future possibilities. The following have been the skeleton of policies for many of the previously discussed emerging economies.

1. To be the preferred fund raising centre for Bangladeshi companies

We need to deeply enhance the efficiency of the fund raising process. It is required to implement a comprehensive programme to develop the corporate bond market as a competitive source of financing. Furthermore, facilitation of the development of the venture capital industry to finance emerging high growth companies should be a priority in government efforts. Most importantly, we have to foster a liquid and efficient market for the secondary trading of securities.

2. To promote an effective Investment Management Industry and a more conducive environment for investors

We need to develop a strong framework for corporate governance and shareholder value recognition. There has to be heightened efforts to establish a vibrant and competitive investment management industry. The role of institutional investors in the provision and management of funds have to be enhanced extensively.

3. To enhance the competitive position and efficiency of market institutions

There has to be initiatives to restructure Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and clearing institutions to strengthen their efficiency and competitiveness. We will also have to ensure these exchanges are well positioned to respond to changing market dynamics through the adaptation of flexible business structures and commercially oriented strategies.

4. To develop a strong and competitive environment for intermediation services

The stockmarket has to foster constructive competition through the deregulation of services, products and fixed fee structures. We have to develop strong full service brokers to provide a competitive market for integrated financial services. Under compliance, we have to ensure Bangladeshi intermediation services are accord on appropriate prudential standards, with high level of business conduct and professional skills.

5. To ensure a stronger and more facilitative regulatory regime

The Bangladeshi stockmarket needs to move towards a market based system of regulation for capital market activities. Regulatory parity and consistency between all institutions and participants conducting similar capital market activities has to be ensured at all times.

To eliminate the possibility of a future financial contagion, these are necessities for the economy we dream about.

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