

Initial Draft

***Towards Demystifying a Process
The Structural Adjustment Policies in Bangladesh***

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I. INTRODUCTION

1.1 The Essence of SAP

The macroeconomic approach to confronting the internal economic crisis and balance of payment problem of the developing nations witnessed a marked shift in the 1980s. The main creditors of the developing world – the International Monetary Fund (IMF) and the World Bank – devised a new therapy to rescue the indebted developing nations from the acute balance of payment crisis emanating from the world-wide economic turbulence mainly caused by the two major oil price shocks of the 1970s. According to their postulation, the conventional short-term macroeconomic stabilisation policies alone are not sufficient to address the macroeconomic disequilibria of these developing countries as the causes are rooted in the structure of the economy. Therefore, the Bretton Woods Institutions (BWIs) devised a new generation of stabilisation “Facility” and “policy based loans.” These loans coupled with macroeconomic and sector-level microeconomic policies were packaged together by the Bank and the Fund under a neutral-sounding brand name of “structural adjustment.”

Structural adjustment consists of two distinctive phases: short-term macro-economic stabilisation to be followed by the implementation of a number of fundamental structural reforms. The former generally implies devaluation, price liberalisation and budget austerity aimed at reducing short-term disequilibrium, especially current account and balance of payment deficits and inflation. In practice, however, these distinctions as well as their sequencing have often become blurred. There is a division of tasks between the Bank and the Fund. The application of macroeconomic stabilisation is carried out through IMF’s Structural Adjustment and Enhanced Structural Adjustment Facilities (SAF and ESAF). The structural reforms are supported by the World Bank’s structural and sectoral adjustment loans (SALs and SECALs).

The process, which now goes by the phrase of “structural adjustment”, in effect, has now become a global drive in favour of market forces and private enterprises. The emphasis of the ‘new’ policy line was on restoring economic equilibrium through liberalisation of markets,

reduction of state intervention in the economy, privatisation of a broad range of enterprises and reduction of government expenditure, including cuts in subsidies on consumer goods and in social services.

Some of the major features of the adjustment measures are noted below.

- **Trade Liberalisation** – Trade liberalisation implies the elimination of import quotas and the reduction and unification of tariffs. According to the BWIs, the tariff structure includes an anti-export bias, which discourages the development of an export economy. The elimination of the quotas and reduction of protective barriers are intended, according to the BWIs, to make the domestic industry more competitive. The drastic lowering of trade barriers exposes local producers to foreign competition. The implementation of a flexible exchange rate policy is another integral part of trade liberalisation. The prescription is to make frequent downward adjustments of national currencies to maintain the competitive advantage of exports and discourage excessive imports.
- **Divestiture and Privatisation of State Enterprise** - Denationalisation and privatisation are major elements of institutional policies of the SAP, aimed at enhancing the efficiency of resource use by altering the composition of ownership of the means of production. It includes denationalisation, privatisation, closure, and down-sizing the capacity of the state-owned enterprises.
- **Tax Reform** - A number of fundamental changes are implemented in the fiscal structure. These include introduction of value added tax, changes in the structure of direct and corporate taxes. These changes influence domestic production both on the demand and supply sides and have direct bearings on individuals, especially those of low-income groups.
- **Deregulation of Financial Sector** – The restructuring of the banking sector is implemented in the context of financial sector adjustment programmes. It presses towards the divestiture of the state banking system. Interest rates are determined in the market by the commercial banks. The IMF insists on liberalisation of capital movements on the ground of transparency and free movement of foreign exchange.
- **Price Liberalisation** – The SAP asks for elimination and reduction of all subsidies and price controls on the ground of removing price distortions. The deregulation of domestic

grain prices as well as the liberalisation of staple food imports is an important conditionality. The price liberalisation programme also asks for withdrawal of subsidies given to prices of inputs, privatisation of the distribution channel, and elimination of state-owned distributing channels.

- ***State Intervention*** – The centrepiece of the SAP is the minimisation of the role of the state, not only in the spheres of management of the economy, but also in the provision of social services.
- ***Demand Management Policies*** – The SAP emphasises the pruning of aggregate expenditure through implementing contractionary monetary and fiscal policies in order to abate ‘over-expansion’ and ‘excess demand.’ The regime follows a tight monetary policy through imposing ceilings on credit and controls to both private and public sectors. On the government’s budgetary front, it entails a rigid fiscal policy through lessening the government expenditure, aiming to overcome the fiscal deficit.

By the mid-1980s, the social problems associated with the standard adjustment measures led to widespread criticism. The critics also argued that the process of ‘belt-tightening’ imposed under SAP undermined economic recovery and the ability of countries to repay their debts. Even the IMF tacitly acknowledges the policy failure.

“Although there have been a number of studies on the subject over the past decade, one cannot say with certainty whether programs have ‘worked’ or not. On the basis of existing studies, one certainly cannot say whether the adoption of programs supported by the Fund led to an improvement in inflation and growth performance. In fact it is often found that programs are associated with a rise in inflation and a fall in growth rate (Khan, 1990).”

Following the widespread criticism, the Fund and the Bank expressed their willingness to work for adjustment “with a human face” by extending their attention to social issues. Nevertheless, the critics argue that the introduction of poverty, sustainable development and governance into the paradigm of *Washington Consensus* as *add-ons*, hardly bears any conceptual links with the model.

In a new turn, the World Bank's new President in the Bank's *World Development Report 1997* states: "Many have felt that the logical end point of all these reforms was a minimalist state. Such a state would do no harm, but neither could it do much good." He went say: "History and recent experience have also taught us that development is not just getting the right economic and technical inputs. It is also about the underlying, institutional environment: the rules and customs that determine how those input are used. .. Without an effective state, sustainable development, both economic and social, is impossible." Recognizing the ground reality, the Bank has now incorporated a second generation of reforms. The evolving pattern of structural reform propagated by them is summarised below:

Table 1.1: The Evolution of SAP

	First Generation	Second Generation
Main Objectives	Crisis management: reducing inflation and restoring growth	Improving social conditions and competitiveness, maintaining macroeconomic stability
Instruments	Drastic budget cuts, tax reform, price liberalisation, trade and foreign investment liberalisation, deregulation, social funds, autonomous contracting agencies, some privatisation	Civil service reform, labour reform, restructuring of social ministries, judicial reform, modernising of the legislature, upgrading of the regulatory capacity, improved tax collection, large-scale privatisation, restructuring of the central-local government relationships
Main Challenge	Macroeconomic management by an insulated technocratic elite	Institutional development highly dependent on middle management in the public sector

Source: World Development Report, 1997, which adapted from Naim (1995).

1.2 Framework of the Paper

The present paper has been produced in connection with implementation of the Structural Adjustment Participatory Review Initiative (SAPRI) in Bangladesh. The goals of the SAPRI is to improve the understanding of the impact of adjustment policies and to seek ways of incorporating the participation of civil society. Both understanding and engagement require informed participation.

To this end, the paper sets its objective to provide basic information related to SAP in Bangladesh from the original documents of the Bank and the Fund in order to facilitate an informed debate participated in by the cross-sections of civil society. Till date access to these

Bank documents has only been restricted to the top officials of the Ministry of Finance, unlike the ‘grey cover’ policy documents prepared by the World Bank, which could be accessed by researchers, who have contacts within the Bank. These policy documents on the economy of Bangladesh remain beyond the purview of the Bank’s recently introduced public disclosure policy.

Secondly, the paper tries to provide information about the Bank’s and the Fund’s own assessment of Bangladesh’s economy in the context of implementation of SAP. This would apprise civil society of how the BWIs evaluated the impact of their own policy packages.

Thirdly, the paper would attempt, in brief, to provide independent assessments on the impact of SAP in Bangladesh. However, it may be observed that there exists a dearth of rigorous analysis of SAP in Bangladesh – a gap which the SAPRI now intends to fill.

A note of caution might be useful in this respect. Some of the analyses contained in the paper are not necessarily shared by the authors as they followed the guiding principle of informing the public, not of validating hypotheses.

II. STRUCTURAL ADJUSTMENT PROGRAMME IN BANGLADESH

2.1 Genesis and Evaluation of Policy-based Lending

In Bangladesh, the experience of policy reforms as part of aid conditionalities is not new. During the period 1972-1986, the Government of Bangladesh contracted 13 Import Programme Credits (IPC) amounting to a total of \$1165 million. According to the Bank (1986), the first three IPCs supported critical post-independence rehabilitation needs. All other credits had conditionalities addressing sectoral, microeconomic and institutional reforms.

Salient features of the past thirteen Import Credits, as compiled from the various IPC documents are given in Annexure-1.

According to the World Bank's *Review of the Experience with Policy Reforms in the 1980s*, the policy issues identified in the IPCs 'turned out to require a more extended dialogue and in-depth sector work than the annual IPC framework allowed.' Thus, the Bank shifted its course from annual programme loans to sector adjustment loans and IPCs were phased out after the 13th IPC.

2.2 Introduction of Structural Adjustment

As noted earlier, structural adjustment consists of two distinctive phases: short-term macroeconomic stabilisation and implementation of a number of fundamental structural reforms. These distinctions as well as their sequencing in practice, however, have become indistinct. Notwithstanding, there is a division of tasks between the World Bank and the IMF. The application of macroeconomic stabilisation is carried out through IMF's Structural Adjustment and Enhanced Structural Adjustment Facilities (SAF and ESAF). The structural reforms are supported by the World Bank's Structural and Sectoral Adjustment Loans (SALs, and SECALs).

The government in 1986-87 adopted a medium-term adjustment programme administered under a three-year arrangement of the Fund's Structural Adjustment Facility (SAF) and by

various sector adjustment and investment credits from the Bank. Bangladesh was one of the first 35 countries contracted to SAF, set up by IMF in March 1986 to provide highly concessional but extremely conditional loans in support of structural adjustment in low-income economies. The policies of the government for the three-year period were given in the Policy Framework Papers (PFP) prepared by the Fund and the Bank (with negligible input from the national agencies). Negotiations took place in August 1989, February 1990, and May 1990 on a further three-year programme under the Fund's Enhanced Structural Adjustment Facility (ESAF) and that became effective on July 1, 1990. Here, again, Bangladesh was among the first 29 countries having recourse to the ESAF, initiated by the Fund in December 1987.

Bangladesh, however, first signed a loan from the IMF under the Extended Fund Facility in December 1980. The loan agreement was, however, revoked in July 1980, barely six months after its initiation due to the inability on her part to adhere to the limits imposed on government borrowing (Matin, 1986). Only SDR 20 million out of a total commitment of SDR 800 million was disbursed at the time of suspension.

2.3 The Design of Structural Adjustment Programme

The macroeconomic objectives of the adjustment programme during the SAF period were to raise the annual real GDP growth to 5 per cent, moderate the rate of inflation, and contain the central government budget and external current account deficits at 7 per cent of GDP. The structural policies were aimed at improving the efficiency of resource use, enhancing the role of the private sector, and realising higher rates of domestic savings and investment. The proposed reforms include changes in price incentives; simplification of investment regulations; strengthening of tax policy and administration; improvements in financial management of public enterprises; greater reliance on market oriented monetary policy instruments; intensification of recovery programmes of non-performing bank loans; flexible exchange rate management; and trade and exchange liberalisation (PFP, 1990).

The objectives under the ESAF, noted from PFP (1991), were:

- Agricultural sector reform, including a greater role for the private sector in the distribution of inputs and the rationalisation of the operations of the Public Foodgrain Distribution System (PFDS) and the jute sector
- Improved industrial incentives, including the easing of private investment procedures
- Comprehensive tax reform to improve the elasticity, efficiency and progressivity of the tax system and raise revenue in relation to GDP
- Reorientation of public expenditure to support growth and poverty alleviation
- Strengthening of public enterprise finances through more flexible pricing policies, a vigorous effort to ensure that payment is received for goods and services, and measures to improve cost control and performance evaluation
- Financial sector reform aimed at improving the efficiency of intermediation through adoption of more market-oriented methods of monetary management
- Reform of trade policies to strengthen export growth and diversification, removal of export subsidies, import liberalisation and further rationalisation of the tariff structure
- Exchange rate policy that ensures competitiveness and contributes to a macroeconomic framework conducive to higher savings and investment, price stability, and external adjustment

A summary of the structural adjustment policies along with the time-frame is appended in Annexure-2.

2.4 Major Policy Thrusts under ESAF

The IMF in its Policy Framework Papers under ESAF programme lists a host of priority measures. This, according to the IMF, would reduce obstacles to private sector initiatives, improve public resource management, rationalise the public enterprises, strengthen the effectiveness of the financial system, and liberalise the exchange and trade regime. Pursuance of these, as expounded in IMF's PFPs, would lead the country to achieve higher economic growth, with emphasis on poverty alleviation through human resource development and increased resource mobilisation.

The priority structural and macroeconomic policies prescribed by the IMF under ESAF are given below:

Table 2.1: Priority Measures under the ESAF

I. Agricultural Policy

- Maintain liberalisation of import and distribution of import and distribution of irrigation equipment and fertiliser.
- Reduce subsidies on agricultural inputs.
- Maintain adequate producer price incentives.

II. Industrial and Trade Policy

- Further simplify investment regulations.
- Eliminate quantitative restrictions on imports except for those required for reasons of religion, health, security and social considerations and a small number of highly sensitive items.
- Rationalise the tariff structure and reduce maximum tariff levels.
- Remove export subsidies.

III. Public Resource Mobilisation

- Expand the base of the value-added tax.
- Reform personal and company direct taxes.
- Strengthen the tax administration.
- Adjust prices for public goods and services while improving their operational efficiency.

IV. Public Expenditure Policies

- Implement a three-year prioritised public investment programme.
- Limit the growth of current expenditures to less than the growth of nominal GDP.
- Reduce subsidies and administrative costs.
- Improve project aid utilisation.
- Reduce the operating deficit of Bangladesh railway

V. Public Enterprises

- Reduce excess labour.
- Enforce payment of debt-service liabilities and eliminate inter-agency arrears.
- Rationalise the jute mills.
- Improve the operational performance and financial management of Bangladesh Power Development Board and other public entities.

VI. Privatisation

- Privatisise selected public manufacturing/ commercial enterprises already approved by government and expedite identification of additional enterprises for privatisation.
 - Announce a timetable for implementation.
-

VII. Financial Sector Reform

- Implement reforms aimed at a market-oriented system of monetary management.
- Undertake further interest rate liberalisation.
- Strengthen commercial bank loan recovery programmes.

VIII. External Sector Policy

- Manage the exchange rate to ensure competitiveness.
- Export diversification.
- Efficient import substitution.

IX. Human Resources and Poverty Alleviation

- Improve the access of women to education and income generating activities.
- Provide adequate funding for primary education, health and family planning services.
- Target food aid to poverty groups and reduce cash subsidies to monetised food distribution.

X. Environment

- The government will articulate a clear policy on environmental issues and prepare environmental assessments for major new projects.

Source: Compiled from;

1. *International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1990/91 – 1992/93," May 11, 1990.*
2. *International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1991/92 – 1993/94," August 9, 1991.*
3. *International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1992/93 – 1994/95," August 20, 1992.*

2.5 World Bank's Adjustment Lending

The adjustment programme was supported by two three-year arrangements under the SAF and ESAF of the IMF and by various sector adjustment and investment credits from the International Development Association (IDA), soft-term lending window of the World Bank. These highly concessional but extremely conditional loans go under the generic names of "structural and sectoral adjustment loans" (SALs and SECALs). This new generation of "policy-based loans" was devised to help countries to adjust. These World Bank loan agreements included tight conditionalities, under which money was disbursed only if the government complied with structural adjustment reforms as well as met the deadline for implementation with precision.

According to the WB's *Country Assistance Review (CAR)*, adjustment lending constituted a third of total commitments of IDA to Bangladesh during the period under CAR's review

(FY80 to FY96). IDA commitments to Bangladesh during that period amounted to \$5.965 billion, involving 93 projects. Disbursement during the said period totalled \$4.65 billion.

The scale of adjustment lending has declined in the nineties to about 15 per cent. The World Bank explicitly stated that the adjustment lending would decline in future. The CAR categorically states: “ [The adjustment lending] will undoubtedly decline further in the absence of key reform initiatives in certain sectors (e.g. finance).”

The following table shows the commitments of IDA loans to Bangladesh by sector and the amount of adjustment credit.

Table 2.2: Share of Adjustment Loans in IDA’s Commitment to Bangladesh

Sector	In millions of US dollars		In per cent of Total	
	All loans	Of which Adjustment	All loans	Of which Adjustment
Agriculture	1186.6	--	20	--
Education	411.6	--	7	--
Power	636.3	177.3	11	4
Industry and Finance	677.8	438.4	11	7
Multi-sector	1237.0	1141.0	21	19
Oil and Gas	453.0	--	8	--
Pop. Health and Nutrition	239.8	--	4	--
Telecommunications	35.0	--	1	--
Transportation	815.7	--	14	--
Urban Development	47.6	--	1	--
Water supply and sanitation	50.0	--	1	--
Other	173.0	--	3	--
Total	5965.4	1756.7	100	30

Source: Financial Database of the World Bank, quoted in Country Assistance Review, 1998

The following table provides summary statistics about the SALs and SECALs that Bangladesh contracted.

Out of six SALs and SECALs, three (i.e. Second Industrial Adjustment Credit, Jute Sector Adjustment Credit, Public Revenue Management Adjustment Credit) were cancelled because of the government’s failure to adhere to the policy conditionalities attached with these credits. The policy conditionalities are given in Annexures 3, 4 and 5.

Energy Sector Adjustment Credit: The credit of an amount of SDR 137.0 million was approved by the Bank on April 11, 1989 and was supplemented by an amount of SDR 1.8 million by GOB. The credit was fully disbursed and closed on July 3, 1990.

Table 2.3: Summary Statistics of SALs and SECALs in Bangladesh

Loan/ Credit	Project ID	Project	Principal Undisbursed			Approve. Date mo/ye	Closing date mo/ye
			Disbursement.				
			(Amount in Million SDR)				
18160	9457	Industrial Sector Credit	190.0	0.0	195.9	01/87	12/89
18160	9457	Industrial Sector Credit	2.5	0.0	2.4	3/89	3/90
19990	9511	Energy Sector Credit	175.0	0.0	177.1	4/89	12/91
19991	9511	Energy Sector Credit	2.3	0.0	2.3	10/89	12/91
20000	9521	Export Development	25.0	0.0	27.1	4/89	6/94
21520	9528	Financial sector Credit	175.0	0.0	184.4	6/90	12/93
21521	9528	Financial sector Credit	3.5	0.0	3.4	11/90	9/92
21522	9528	Financial sector Credit	2.9	0.0	3.0	11/91	01/93
23610	9464	Public Resource management Credit	150.0	0.0 (?)	100.6	5/92	12/96
24270	9513	Industrial sector Adjustment Loan II	100.0	0.0 (?)	50.1	10/92	12/94
24271	9513	Industrial sector Adjustment Loan II	3.5	0.0	3.5	12/92	01/94
25670	9553	Jute Sector Adjustment Credit	247.0	0.0 (?)	52.0	02/94	6/97
25671	9553	Jute Sector Adjustment Credit	3.4	0.0	3.6	5/94	6/95
25672	9553	Jute Sector Adjustment Credit	3.2	0.0	0.0	12/94	09/96
25670	9553	Jute Sector Adjustment Credit	0.0 (?)	0.0	0.0		12/96

Source: World Bank Bangladesh Country Office

Industrial Sector Adjustment Credit: The Bank approved the SDR 147.8 million (equivalent to US 190 million dollars) credit on June 6, 1987. The credit was fully disbursed and closed on May 11, 1989, seven months ahead of the original schedule.

Financial Sector Adjustment Credit: On June 5, 1990, the World Bank approved the credit amount of SDR 132.7 million (equivalent to 132.7 million) and made it effective on June 22, 1990. Two supplementary credits, amounting to a total of SDR 5.4 million were signed on January 16, 1991 and January 15, 1992 respectively. The first tranche of the credit was released by February 1992 and the second tranche was disbursed on August 26, 1992, after a delay of eighteen months from the targeted date and the third and final tranche was released on December 30, 1993, after a delay of 20 months. The credit was closed on February 22, 1994, much later than the original closing date of September 30, 1992.

Second Industrial Sector Adjustment Credit: The credit to the tune of SDR 72.2 million (US \$100 million) was approved by the Bank's Board on October 27, 1992 and was made effective on November 5, 1993, though the scheduled date was January 1993. The credit was cancelled after disbursing the first tranche, leaving a balance of US \$ 50 million.

Jute Sector Adjustment Credit: The largest ever credit to the country was approved on February 17, 1994 and made effective on April 5, 1994. Of the SDR 175 million, only the first tranche, amounting to SDR 35 million was released. The credit was closed on June 30, 1997, leaving the three other tranches – the second, third and floating-cancelled.

Public Resource Management Adjustment Credit To the tune of SDR 109.3 million was approved on May 5, 1992 and made effective on June 8, 1992. Out of three tranche, two were disbursed while the third tranche amounting SDR 36.9 million was cancelled.

III. THE ASSESSMENTS OF SAPs IN BANGLADESH

3.1 The IMF's Evaluation

Structural Adjustment Facilities (SAF)

The IMF in its Enhanced Structural Adjustment Facility Policy Framework Paper, 1990/91-1992/93 records the performance of the economy during the SAF period that the government contracted with the Fund in 1986/87 for a period of three years. The IMF stated that the macroeconomic objectives were not 'fully' realised. The real GDP growth averaged only 3 per cent annually as against the target growth rate of 5 per cent per annum. For the slowed growth, the IMF partly attributes to the disruption caused to economic activities by successive natural calamities in 1987/88 and 1988/89. The agricultural output stagnated. The lower jute production and flood damage to rice crops was shown as reasons for the stagnation of output growth. According to the Fund, the manufacturing production grew slowly because of weak domestic demand. Domestic and national savings increased in the initial year of the programme, but declined in relation to GDP in the two subsequent years. Budget revenue fell much short of expectations. The Fund attributed it to the government's failure to introduce reforms on the scale originally envisioned by the Fund. Revenue showed no improvement.

The objectives of containing inflation and balance of payments pressures were broadly achieved.

The key economic and financial targets and achievement indicators are given in the table below:

Table 3.1 : Key Economic Targets and Achievement during SAF Period

	1986/87 ^α		1987/88 ^α		1988/89 ^α		1989/90 ^α	
	Project	Actual ^η	Target	Actual	Target	Actual	Target	Actual
GDP growth rate	4.8	4.1	1.3	2.7	2.0	2.4	5.8	5.8
GDP deflator	8.5	11.0	13.8	7.6	11.5	7.9	8.0	8.1
Consumer prices	8.5	10.4	13.0	11.4	11.5	8.0	8.0	9.3
GDP/per capita (growth rate)	1.8	1.5	-1.2	0.2	-0.5	--	3.3	3.1
Gross fixed investment/GDP	12.9	12.6	12.7	11.8	12.8	11.0	13.5	11.1
Domestic savings/GDP	3.5	2.5	2.1	2.5	1.3	0.7	3.4	1.4
National savings/GDP	6.2	7.1	5.1	5.9	5.2	4.1	7.0	4.3
Public fixed investment/GDP	6.8	6.4	7.0	5.3	5.9	5.0	6.4	4.8
Public savings/GDP	0.9	1.2	-0.1	-0.4	--	--	0.9	-0.6
Private fixed investment/GDP	6.2	6.2	5.8	6.4	6.4	6.0	6.6	6.3
Private savings/GDP	2.6	6.0	2.2	6.3	1.3	4.2	2.5	5.0
Government revenue/GDP	9.5	9.1	9.1	8.9	9.2	8.9	9.5	9.1
Government expenditure/GDP	16.7	17.3	17.0	16.7	16.8	16.4	17.2	16.8
Deficit (-)/GDP	-7.2	-8.4	-7.9	-7.7	-7.6	-7.3	-7.7	-7.6
Domestic bank financing/GDP	0.1	0.6	0.2	-0.1	0.3	-0.9	0.2	1.1
Export growth rate	11.3	31.1	6.4	14.7	2.5	4.4	14.9	18.5
Non-traditional export growth rate	30.6	72.9	12.0	26.8	6.5	7.1	21.7	17.8
Exports/GDP	5.8	6.1	6.1	6.5	6.1	6.3	6.4	6.7
Non-traditional exports/GDP	2.2	3.3	3.0	4.3	3.3	4.5	3.7	4.7
Import growth rate	4.6	10.8	17.6	14.0	15.5	13.0	1.9	11.4
Imports/GDP	14.7	14.9	16.7	15.7	16.6	16.5	15.4	16.5
Current account (US \$ M)	(-) 1132	-966	--1414	-1111	-1575	-1402	-1472	-1541
Current account/GDP	-6.6	-5.5	-7.7	-5.8	-7.6	-6.9	-6.5	-6.8
Aid disbursement (US\$M)	1400	1595	1640	1640	1677	1669	1707	1810
Aid disbursement/GDP	8.2	9.1	8.9	8.6	8.1	8.2	7.5	7.9
Debt service (US \$ M)	538	577	474	523	568	528	652	541
Debt service ratio	30.2	27.9	22.7	22.5	23.8	21.0	25.1	19.5
Debt service/GDP	3.1	3.3	2.6	2.8	2.7	2.6	2.8	2.8
Real effective exchange rate	..	102.2	...	101.6	...	102.5	...	108.4

Note : **a** : The figures for targets were taken from PFP (1988/89-1990/91)

^η : All actual figures were taken from PFP, 1992/93-1994/95.

Extended Structural Adjustment Facilities (ESAF)

The macroeconomic objectives of the first-year programme, supported under ESAF, were to raise real GDP growth to 4.6 per cent; reduce the inflation rate to 7.5 per cent; contain the budget deficit to 6.5 per cent of GDP; and hold the external current account deficit to 6.5 per cent of GDP. According to the IMF, the growth, inflation and investment outcomes for 1990-91 were low mainly because of the impact of the Gulf crisis and the cyclone. It attributed the 3.2 per cent realised growth to the decreased activity in the non-agricultural sector and the modest increase in agricultural production over the bumper harvest of 1989/90. The inflation of 8.9 per cent was explained by the IMF with the higher oil import costs and increase in the administered prices of public goods and services. According to the IMF, the shortfall in revenue was due to lower-than-programmed dutiable imports as a result of the cyclone and difficulties in collecting excise duties from the natural gas and cigarette companies.

Consistent with the three-year ESAF-supported programme, the macroeconomic objectives of the second-year programme were to raise real GDP growth to 4.7 per cent; reduce inflation rate to 6.5 per cent; contain the budget deficit to about 7 per cent of GDP; and hold the external current account deficit to 6.5 per cent of GDP. The IMF attributed the growth rate of 3.2 per cent in the second year to the sluggish domestic demand and production owing to delays in implementing the public investment programme, their adverse impact on private investment and the uncertainty associated with the external shock due to the Gulf crisis. The overall fiscal deficit declined mainly owing to introduction of value added tax. The external payments position was significantly because of surge in exports.

The key economic and financial targets and achievement indicators are given below:

Table 3.2: Key Economic Projections and Achievement during ESAF Period

	1990/91 ^π		1991/92		1992/93		1993/94		1994/95	
	Target	Actual	Target ^ξ	Actual (unrevised GDP)	Target ^ξ	Actual	Target ^ξ	Actual	Target ^ξ	Actual
GDP growth rate	4.6	3.2	4.7		5.0		5.0		5.0	
GDP deflator	7.0	8.5	6.5		5.5		5.5		5.5	
Consumer prices	7.5	8.9	6.5		5.5		5.5		5.5	
GDP/per capita (growth rate)	2.2	0.8	2.2		2.5		2.5		2.5	
Gross fixed investment/GDP	11.9	10.6	12.5		13.7		14.2		14.5	
Domestic savings/GDP	2.8	3.5	3.6		5.7		6.6		7.2	
National savings/GDP	5.6	6.6	6.1		9.2		9.9		10.2	
Public fixed investment/GDP	5.0	5.0	5.6		6.4		6.5		6.9	
Public savings/GDP	0.3	0.1	0.7		2.0		2.5		2.7	
Private fixed investment/GDP	6.9	5.6	6.9		7.3		7.7		7.6	
Private savings/GDP	5.4	6.6	5.4		7.1		7.4		7.5	
Government revenue/GDP	9.7	9.2	10.1		11.5		11.9		12.3	
Government expenditure/GDP	16.4	16.3	17.0		18.3		18.5		18.5	
Deficit (-)/GDP	-6.7	-6.8	-6.9		-6.9		-6.8		-6.2	
Domestic bank financing/GDP	0.3	0.2	0.3		0.1		--		--	
Export growth rate	11.3	12.7	12.2		11.1		12.3		11.3	
Non-traditional export growth rate	16.7	24.0	17.8		12.9		13.0		12.6	
Exports/GDP	6.8	7.6	7.2		8.8		8.9		9.0	
Non-traditional exports/GDP	5.0	5.9	5.6		7.3		7.4		7.5	
Import growth rate	6.0	-7.7	13.8		18.4		9.2		9.3	
Imports/ GDP										
Current account (US \$ M)	- 1478	-932	- 1651		-1126		-1195		-1314	
Current account/GDP	-6.3	-4.1	-6.4		-4.5		-4.3		-4.3	
Aid disbursement (US\$M)	1760	1731	1965		1869		1964		2068	
Aid disbursement/GDP	7.4	7.7	7.6		7.5		7.1		6.8	
Debt service (US \$ M)	668	611	550		497		538		582	
Debt service ratio	22.7	20.2	17.6		13.6		13.4		13.3	
Debt service/GDP	2.8	2.7	2.1		2.0		2.0		1.9	
Real effective exchange rate	..	99.5	
Gross reserves (month of imports)	1.9	3.0	3.0		5.4		5.7		5.7	

Note: **p**: The figures for targets were taken from PFP, 1991/92–1993/94 and the realised figures were taken from PFP, 1992/93–1994/95.

x: These projected figures were compiled from PFP, 1992/93–1994/95.

3.2 The World Bank's Evaluation

The World Bank's Operation Evaluation Department (OED) carried out a *Country Assistance Review (CAR)* for FY80 to FY 96 to evaluate the relevance and efficacy of the Bank's assistance in Bangladesh. The Review Covering 16 years and 93 projects is based on a massive volume of economic and sector work (ESW) and policy dialogues encompassing every aspect of the economic and social life of Bangladesh.

The CAR's main conclusion is that: "IDA's assistance to Bangladesh over the past fifteen years has been effective, and the partnership forged with the government has brought about notable successes." The CAR notes the "good progress" achieved in the general well-being of the population, notwithstanding the "not spectacular" trend of growth rate of GDP. It goes on to record the strides accomplished in the reduction of fertility and "good progress" made in education, particularly primary education with 'strong attendance of the girls.' It asserts that the country has 'achieved' self-sufficiency in foodgrains in a normal climate year as a result of liberalisation in agricultural input trade and smallholders' productivity.

Nevertheless, the Bank states its scepticism about the sustainability of the achievements already made. The CAR adds: "Questions remain as to food security, the country's aid dependency and the fragility of the eco-system."

Country Assistance Strategy (1980-1996)

The World Bank has been involved in Bangladesh's economic development since Independence in 1971. The WB's prevalent all-encompassing role evolving in policy advice, lending and donor co-ordination, according to the Bank, was "coloured by fundamental difference regarding the country's post-independence policy framework and the role of market systems" till 1973/74. Since then, the Bank and government forged an 'active development partnership.' Over the past two decades, IDA has financed about a quarter of all foreign aid commitments to Bangladesh, covering all sectors of the economy, including import and balance of payments support.

The following table shows how the focuses of IDA’s country assistance strategies have evolved over the years. While political economy and governance issues were less appreciated during the first half of the eighties, the sensitivity to these issues now tops the list. The Review gives “fully satisfactory” ratings to the Bank’s strategies of 1991-96 for reflecting past experience, realism of outcome projections and risk assessment, adequacy of monitorable progress indicators.

Table 3.3: Relevance of IDA’s Country Assistance Strategy

<i>Issue</i>	<i>1980-85</i>	<i>1986-90</i>	<i>1991-96</i>
Sensitivity to political economy and governance issues	1	2	4
Awareness and appreciation of institutional constraints	1	1	3
Identification of key development issues	3	3	4
Identification of solutions to constraints	2	2	2
Prioritisation of assistance in accord with constraints	3	3	3
Appropriateness of instruments proposed	1	2	3
Does strategy reflect past experience	2	2	2
Realism of outcome projections	1	1	3
Realism of risk assessment	1	1	3
Adequacy of monitorable progress indicators	1	1	3
Average score	1.6	1.8	3.1

Source: Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998.

Note: Rating system: 4 = Highly satisfactory, 3 = Fully satisfactory, 2 = marginally satisfactory, 1 = deficient.

Implementation Status

Project implementation in Bangladesh has been a persistent problem, which, according to CAR, has been affecting negatively the implementation of IDA’s development assistance strategy. Salient features identified by the CAR are given below:

- The disbursement ratio is still below the Bank-wide average of 18.8 per cent, although the disbursement ratio for Bangladesh improved to 17.3 per cent in FY 96 from the average of about 11 per cent throughout the eighties.
- In FY 80, 12.5 per cent of the ongoing portfolio of the Bank was given a “problem rating”, which climbed to a peak of 29.5 per cent in FY 86 to stay for the rest of the eighties. The proportion of problem projects has gradually declined during the nineties to 21.4 per cent in FY 96, which is still above Bank-wide averages.

- Of the 63 projects evaluated during 1980-96 by the OED, 24 projects or 38 per cent were rated as “unsatisfactory,” compared to a Bank-wide OED rating of 33 per cent. Thirty five per cent of Bangladesh’s projects was rated ‘sustainable’. Regarding institutional development performance, 36 per cent of rated Bangladesh projects had a negligible institutional development rating compared to 24 per cent Bank-wide. Out of 13 operations in terms of sectors in Bangladesh, only 3 or 23 per cent had a satisfactory rating.
- The primary measure used by the Bank for estimating the efficiency of IDA-assisted programme is staff years (SYs) spent per approved project. In lending SYs spent per project is almost 40 per cent higher than Bank-wide average. Bangladesh lending completion SYs were over twice the South Asia average, and 4.3 times the Bank-wide average. Bangladesh requires over 50 per cent more calendar time to take a project from the project concept stage to the Board approval stage.
- With regard to time taken between Board approval and effectiveness of the Credit, of 83 projects reviewed by OED, 53 or over 70 per cent took longer than three months, 45 or 54 per cent took six months or longer, and an astounding 24 projects or 29 per cent took nine months to be declared effective.

The CAR attributed the dismal performance of the Bank’s projects in Bangladesh to administrative log jams in the country, lack of “full commitment” to projects, and deficient project preparation and design. The report, thus, suggested keeping effectiveness conditions to a bare minimum, but advised “most of the required actions” to be completed before the Bank’s Board approval. Consequently, this may lengthen the time between negotiations and board presentation, but, according to the CAR, would create a greater sense of urgency to complete required actions.

Development Outcomes

Macroeconomic Performance

The Bank views the growth performance of Bangladesh as “not spectacular”; its own estimation reveals the rate ranging between 3.5 to 4.5 per cent per annum. Investment, both private and public, has been inadequate when compared with the countries of South Asia or

with those having similar per capita incomes. The Bank worked-out table below shows a modest improvement in the 1990s, with an ensuing moderate increase in the trends of GDP growth rate.

Table 3.4: Macroeconomic Performance

	1981-1985	1986-1990	1991-1995
GDP Growth (%)	3.8	3.9	4.4
GDP Composition (%)			
Agriculture	42.3	37.6	31.4
Industry	13.4	14.3	17.4
Services	44.3	48.1	51.2
		(% of GDP)	
Consumption	98.7	96.7	92.3
Private	91.0	83.8	78.2
Public	7.7	12.9	14.0
Investment	13.2	12.5	14.6
Private	7.0	6.3	7.9
Public	6.2	6.2	6.7
Gross Domestic Savings	1.3	3.3	7.7
Gross National Savings	4.3	6.8	12.1
Current Account BOP	-9.2	-6.2	-2.9
Exports	7.5	8.6	13.5
Imports	19.9	17.4	19.9
Foreign Reserves (months of imports)	1.75	3.0	5.8
Consumer Prices (annual % period average)	11.2	9.6	3.4

Source: Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998.

- There has been a remarkable decline in the relative share of agriculture in GDP from over 40 per cent in the early eighties to 25 per cent by the late-nineties.
- The gross domestic savings as percentage of GDP have taken an upturn from 1.3 in 1981-1985 to 7.7 per cent in 1991-1995. According to the Bank, it was recorded because of “strong” growth in private savings owing to increased monetisation of the economy, coupled with extensive expansion of banking service to rural areas. The sharp rise of workers’ remittance from abroad in the latter part of the eighties and in the nineties added to the pool of private savings. The public sector improved its savings performance entirely due to better tax collection and introduction of the value added tax system.
- Throughout much of the eighties, reserves were at a precarious level, given the country’s susceptibility to the natural shocks and very high current account deficit averaging over 9.0 per cent of GDP. Since 1989 the Bank, however, finds a sustained improvement in the country’s macroeconomic management, as well as a sustained period of structural adjustment and liberalisation.

- Export values in GDP in 1995 were equivalent to over 17 per cent of GDP, rising from just 8 per cent of GDP in 1988, mostly contributed by ready-made garments and other non-traditional products. The RMG grew from almost zero in 1982 to over US\$ 2 billion by 1995.
- Since 1990, the overall budget deficit showed an improved trend rate, mainly due to progress in revenue collection, together with a lessened net loss of public enterprises.

Table 3.5: Fiscal Performance as Percentage of GDP

	1986-90	1991	1992	1993	1994	1995
Overall Budget Deficit	-7.4	-7.2	-5.9	-5.9	-6.0	-6.8
Revenue	8.8	9.6	10.9	12.0	12.2	12.1
Expenditure	16.3	16.8	16.8	17.8	18.1	18.9
Current	7.9	8.7	8.3	8.9	8.9	8.8
Annual Development Programme	7.1	6.2	6.3	7.1	8.4	8.6
Gross Losses of Public Enterprises	1.1	2.1	1.9	1.1	0.8	NA
Net Losses of Public Enterprises	0.8	1.8	1.6	0.7	0.6	NA
Foreign Financing	7.0	6.2	4.9	5.6	4.9	4.9

Source: Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998.

Industry and Finance

Real growth in manufacturing averaged only 2.6 per cent per annum between 1981 and 1990, below the GDP growth of 3.2 per cent per annum. The disappointing trend followed suit.

Table 3.6 : Manufacturing Performance (per cent)

	FY 73-80	FY 81-90	FY91	FY92	Fy93
Growth Rate	7.8	2.6	2.4	7.3	8.0
Share of GDP	12.0	10.1	9.8	10.1	10.4

Source: Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998.

According to the Bank, new private investment was stagnant through much of the period and the SOEs continued to perform poorly. For the poor performance of the manufacturing sector, the Bank identified some policy constraints, interfering with the growth of the private manufacturing sectors. These are furnished below:

- A high cost of capital and access to credit has been a major difficulty for small manufacturing enterprises.

- The Government's policy of supporting "sick" private and public industrial enterprises has weakened the banking system, and this lack of "exit" for insolvent firms has weakened stronger competitors.
- Despite some trade policy reform, the manufacturing sector throughout the eighties was highly protected and oriented toward the domestic market which can now grow only as fast as disposable income.
- Despite some denationalisation, the high degree of continuing public sector ownership in several large manufacturing sub-sectors such as textiles and jute has inhibited investment and technological progress.

Agriculture

According to the Bank's estimate, agriculture growth rate between 1980 and 1996 averaged 2.1 per cent per annum or at about the same pace of population growth. To the Bank, the growth rate is, however, "curious" as against the large increase in fertiliser, introduction of high yielding varieties and widespread irrigation.

Social Sector

The Bank finds good progress made in the social sector, although, according to CAR, the GDP growth performance during the eighties and nineties has not been spectacular.

- Fertility has declined to about 2.4 and infant mortality has declined to 77 per 1000 live births in FY 1994 compared to those of 3.2 and 111.5 in FY 1981.
- After the stagnant primary school enrolment for almost thirty years, gross enrolment rose from 55 per cent in 1985 to 63 per cent in 1990, to slightly above (?) 100 per cent in 1997.

Country Assistance Review

The IDA feels that its assistance to Bangladesh has been effective and brought about some notable success. It prides itself on assisting the country's "transformation" against the backdrop of a "very difficult political climate." It attributes the hindrances to progress to "deeply entrenched governance issues and powerful vested interests that have sought to maintain the status quo."

Before embarking on furthering the effectiveness of the IDA assistance strategy in Bangladesh in future, the OED report places two important questions whose answers in each sector and for each activity, in turn, would determine the IDA strategy, the type of lending and ESW:

- (a) What should and can the Government do and what should be done by the private sector and NGOs? and,
- (b) How can the services provided by the public sector be made more responsive to the needs of the stakeholders?

Outlined below are the more generic lessons for future, as articulated by the OED in the CAR.

Table 3.7: Summary Matrix Policy Measures as identified in CAR

• Redefining the role of the public sector	
Social Sector	<p>Family Planning: Govt. should gradually reduce its role as service provider as contraceptive prevalence increases, and phase out its retailing of family planning services.</p> <p>Family Welfare and Health: Greater role for private providers. Govt to encourage indigenous practitioners and midwives as public funding of hospital based care lack cost-effective basic health care.</p> <p>Education: Priority to be given to the improvement of quality of primary and secondary education. Role of public sector in technical and vocational education to be limited and programmes to be developed in association with private employers and costs to be borne by employer and trainees. Subsidies to universities should be phased out and user charges raised. Schools should eventually become the responsibility of reconstituted local governments.</p>
Industry and Finance	<p>Reform of dysfunctional financial and SOE sectors must include an explicit statement of the government intent to privatise and also a widely publicised and monitorable plan to implement privatisation in parallel with increased efforts to strengthen central bank supervision and enforcement of prudential regulation.</p> <p>IDA will only support, if there is demonstrated willingness to embrace a less interventionist public sector role.</p>
Energy and Infrastructure	<p>In clear commercial areas, such as, the oil and gas sector, telecommunications and power public ownership has not optimised exploration, production and distribution and there is a clear place for private sector partnership.</p>
Agriculture	<p>Greater private sector involvement with participation from local councils</p>
• Increasing emphasis on accountability of the systems	
Social sector	<p>Greater financial and managerial autonomy to local administrative systems.</p>
• Greater attention to sustainability issues	

Social sector	The goals need to be adjusted to reflect budgetary allocations to more realistically reflect the budgetary envelope, or recognise those budgetary allocations which will have to be increased. Greater reliance must be placed on the private sector and the NGO.
Industry and Finance	Single tranche adjustment or sector operation instead of existing multi-tranching of adjustment credit, which may ensure sustained commitment to reform agenda.
Energy and Infrastructure	Enhancement of reward/sanction philosophy.
<hr/> <ul style="list-style-type: none"> • Recognising ownership issues <hr/>	
Social sector	Projects in Bangladesh exhibits symptoms of less than complete ownership. Stronger efforts to be made for strengthening political commitment to institutional change.
<hr/> <ul style="list-style-type: none"> • Improvement of project monitoring and evaluation <hr/>	
Social sector	Greater thought must be given to explicit outcome indicators of development impact given the gestation period in social sector project.
<hr/> <ul style="list-style-type: none"> • Reshaping lending operation <hr/>	
Social sector	Transformation from “project” to “programme form of lending.” This programme approach would require agreement with government on a wide range of policies, objectives, strategies and expenditures. Disbursement would be linked to policy performance and satisfactory progress of expenditure programme.
Energy and infrastructure	A programme approach by IDA is needed for financing in power sector with solid agreement with government on a wide range of policies, objectives, strategies and expenditures. Disbursement would be linked to policy performance and satisfactory progress of expenditure programme.
<hr/> <ul style="list-style-type: none"> • Pace and sequencing of reform <hr/>	
Industry and finance	IDA seeks fundamental reform in bank supervision enforcement, legal debt recovery enforcement and closure of unviable SOEs, before proceeding in other areas of industrial and financial restructuring.

Source: Compiled from: Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998.

3.3 Independent Reviews

The structural adjustment process in Bangladesh has received criticism from local academics both for its underlying ideology and its social, political and economic costs.

The disagreements focus on the choice, pacing and sequencing of its instruments. Despite their particular focus, studies to date have mainly deployed ‘target versus actual’, ‘before versus after’ and ‘with and without programme’ approaches to finding out the impact of the adjustment policies. The analytical basis for these approaches, however weak as a scientific model which causally links the specific policy intervention prescribed under adjustment with micro-macro changes, is yet to be designed (Sobhan, 1993).

The UNDP in its report on human development in 1993 made several points of criticism. Rahman (1992) concentrated on the macroeconomic performance of Bangladesh during the 1980s. Mujeri et al (1993) set to finding out the impact structural adjustment left on poverty, employment and distribution. Sobhan (1993) argued for a renewed reform agenda by reappraising the logic and causality of the ongoing reform agenda. These studies, covering mostly the period up to 1989 or 1990/91, were unable to assess the ‘final’ results of the ‘full’ period of stabilisation due to the obvious reason of data availability. The available studies have analytical shortcomings as they assumed causal relationship, without investigating whether the relationship holds, despite their varied objectives and focuses.

For an indicative assessment, however, one could look at the intertemporal sectoral studies, as in effect adjustment policies have interfaced with every aspect of the economy. The above-mentioned risk remains high, though.

The UNDP's Concern

The UNDP in its periodic review of Bangladesh's human development in 1993 devoted a section to ‘Structural Adjustment and Human Development in Bangladesh’ articulated major

controversies based on the background paper¹highlighted major controversies exist in Bangladesh. The following is a list of issues which summarises the concerns expressed by the UNDP (1993):

- The SAP should go beyond the text-book approach to take into account the contextual reality for the purpose of pragmatic implementation of a programme sustaining higher levels of growth and output. The pre-occupation with macro-balances is argued to be detrimental to medium-trend growth rate prospects and long-run transformation of the economy. It is added that less contractionary macroeconomic policy would be preferable, given the low levels of output and investment.
- Excessive emphasis given in the SAP design on demand management policies dwarfs issues of human development such as employment generation, poverty alleviation, illiteracy eradication, etc. The design should have incorporated some macro policies which could strengthen the expansionary approach to find ways to serve the poor.
- In contrast to the Bank/Fund's 'hands off' policy, one view is that the state should continue to invest in economic sectors as they draw upon the disappointing outcome of privatisation.
- Across-the-board liberalisation is certainly no panacea. It might thwart the growth of the nascent indigenous economic activities by exposing these enterprises to sudden competition.
- There is hardly any reliable information in favour of 'crowding' rather than crowding out of private investment in absence of public investment in Bangladesh.

Macroeconomic Performance

The growth rate of GDP virtually remained stagnant over the last years. If one traces the growth track of Bangladesh, the 'era of adjustment' will appear to have a lower growth rate than the growth rates prevailing in the early 1980s (Sobhan, 1996). The table below shows that growth has remained arrested at around 4 per cent per annum.

¹ Bhattacharya, Debapriya: "Summarisation of the Existing Literature Regarding Analytical Work done on Structural Adjustment in Bangladesh."

Table 3.8 : GDP Growth Trends 1982/83-1993/94

Period	Growth rate in 1984/85 constant prices
1982/83 – 1985/86	4.45%
1986/87 – 1989/90	4.05%
1990/91 – 1993/94	4.18%

**SOURCE: RECENT ECONOMIC DEVELOPMENTS AND PRIORITY REFORM
AGENDA FOR ECONOMIC GROWTH, WORLD BANK, MARCH 16, 1995**

Agriculture

The average annual growth rate in agriculture increased significantly to 4.9 per cent during the First Five Year Plan period of Bangladesh. From then onwards, the sector's growth rate showed signs of its decline. The growth rate declined to 1.7 per cent during the TFYP and the slump continued registering a 0.98 per cent growth rate during the FFYP (Alam, 1998). The following table shows the intertemporal growth rate since the independence of Bangladesh

Table 3.9 : Growth in Agriculture

Year	Annual Growth Rate (%)
1973-78	4.9
1978-80	3.1
1980-85	3.5
1985-90	1.7
1990-95	1.7

Source: Bangladesh Bureau of Statistics

Industrial Production

BBS's estimates of industrial production shows a sudden bullish trend in the country's industrial production. The sector's growth jumped from 4.18 per cent in 1990/91 to 10 per cent in 1991/92. The escalation continued to be 13 per cent in the proceeding year. The degree of the output growth has been questioned on the face of it on two counts. The sector's spokesmen were vocal about the industrial sickness and stagnation in investment throughout the 1990s and secondly, the growth record even surpassed high growth economies such as China (11.2%) (Sobhan, 1996).

Poverty

The SAP left a serious impact on the distributional aspect and its consequences on the poor. Poverty and human resources were taken as add-on agenda in the SAP process. Mujeri et al (1993) argued that the main goal for Bangladesh should be adjustment with poverty reduction and not either adjustment or poverty reduction.

The poverty measures show an increase in poverty after 1985/86. The modest drop in poverty over 1984-92 has been attributed to gains to the urban poor (Sen, 1996). Critics have argued that the World Bank has a view that growth accompanied by rising inequality is not a bone of contention if its consequential effect is decline in poverty, however modest it may be (Sen, 1997). Now the researchers engaged in the field of studying and monitoring the levels of poverty are questioning the mainstream paradigm of poverty alleviation, being pushed by the ground reality of a modest decline in poverty. They term the modest improvement as a micro success and macro failure (Sen, 1998).

Health System

The state of affairs in the country's dismal health section suggest that 60 per cent of Bangladesh's population has access to health care. Over 90 per cent of the children are malnourished, 70 per cent of the mothers suffer from nutritional deficiency, over 70 per cent of the pregnant women do not receive ante-natal care while over 90 per cent of them do not receive post-natal care (Barkat, 1998, Sobhan, 1998).

Ownership of the Reform

The failure of the Bangladesh economy to be on a sustainable growth path has been aggravated by a crisis of governance. The failure in following the desired growth path has led the independent periodic reviews to argue that the failure is rooted in a crisis of governance rather than in a failure of the macroeconomic policy (Sobhan, 1998).

A view is gaining ground in the civil society that the fundamental governance crisis emerges from a lack of ownership of the reform by the government. Lack of ownership has impeded the implementation of concrete suggestions made by the donors (Akash, 1998).

Rethinking of Macroeconomic Approach

The dismal outcome of the reforms as opposed to rosy aspirations may lead to a redirection of the reform agenda on the ground that the economy is caught in 'low savings – low investment – low growth' trap. This could be a result of the excessive emphasis put on demand management at the neglect of supply factors. Consequently, it is suspected that improvements in some key parameters are deceptive since they can not usher in a sustained trend. The benefits of the macroeconomic stability achieved are yet to be transmitted through meso policies to dynamise micro-level operations (Bhattacharya, 1995).

Need for a Renewed Reform Agenda

The new realism both at the global and country levels have reinforced the fact that there exists no ready-made universal solution that can be packaged together and spread throughout the universe. Under the impact of the ground reality, the view now emerging is that the simplistic agenda universally marketed by the BWIs and swallowed by governments like Bangladesh to stave off their economic problems is no easy solution to their peculiar crises.

One might be tempted to follow a policy agenda which both targets and empowers the hard-working poor whilst promoting creative entrepreneurship. Such an agenda will also be the best investment to sustain Bangladesh's still fragile democratic institutions (Sobhan, 1995).

Will SAPRI Bangladesh be able to make a contribution towards this end?

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- _____ : *Report and Recommendation of the President of IDA to the Executive Directors on a proposed Credit in the amount for SDR 132.7 million to the People's Republic of Bangladesh for a Public Resource Management Adjustment Credit*, Report No: 5237, May 14, 1990.

_____: *Report and Recommendation of the President of IDA to the Executive Directors on a proposed Credit in the amount for SDR 175 million to the People's Republic of Bangladesh for a Public Resource Management Adjustment Credit*, Report No: 6052, January 13, 1994.

_____: *Report and Recommendation of the President of IDA to the Executive Directors on a proposed Credit in the amount for SDR 72.2 million to the People's Republic of Bangladesh for a Public Resource Management Adjustment Credit*, Report No: 5816, October 2, 1992.

_____: *"Bangladesh: Review of the Experiences with Import Program Credits I-X,"* Report No. 6080, February 24, 1986.

_____: *"Bangladesh: Review of the Experiences with Policy Reforms in the 1980s,"* Report No. 8874, June 29, 1990.

_____: *"Report and Recommendation of the President of IDA to Executive Director on a Proposed Thirteenth Import Program Credit in an Amount of SDR 186.7 Million to the People's Republic of Bangladesh,"* June, 1986.

Summary Matrix of Thirteen Import Programme Credits

IPC No.	Credit No.	Amount US \$ Million	Date of		Justification for Programme Lending	Sector Specific Policy Issues addressed
			Approval	Disbursement		
I	345	50	11/72	03/75	Quick disbursing of reconstruction assistance, following a cyclone and the independence struggle, for sectors agriculture, industry, transport, communication and involving an extensive list of imported goods (commodity oriented), to restore production	None
II	458	50	02/74	03/76	Financing of import requirement of priority industries to improve their capacity utilisation, provide employment opportunities and increase agricultural production. Priority criteria: export oriented, essential consumer goods, transport and construction materials industries, fertiliser, raw materials, spares and balancing equipment for fertiliser manufacture.	Opening of a dialogue with government on identified deficiencies in pricing, distribution and import control policies in the industrial sector. Commission of a study for the establishment of new producers for import controls and budgeting. Action taken to ensure rapid disbursement of IDA funds.
III.	515	75	10/74	12/76	Improvement of capacity utilisation in industry by financing high priority imports. List of eligible industry more narrowly defined	Government reluctant to undertake a commitment to rectify deficiencies in pricing and distribution policies in the industrial sector. Because of the crisis situation, no specific conditions regarding policy issues were attached to this credit. Increasing appreciation of the impact of lack of managerial and technical talents, lack of autonomy and accountability in public enterprise, inefficient management controls systems, weak procurement, inadequate preventive maintenance, poor export marketing, labour disputes and power shortage on the performance of jute

						industry. Identification of similar problems afflicting other sector as well, in particular cotton textile industry and tanneries.
IV	591	100	10/75	10/77	Effort to address structural issues in jute and textile sectors to foster their long-term development.	Commission of a world market study for jute products. Strengthening of production planning and control functions for the Bangladesh Jute Mills Corporation (holding company); institution of managerial changes; initiation of actions to improve mill management; productivity, maintenance, marketing, quality control and financial marketing. Agreement reached for a series of actions to improve mill productivity and to make organisational changes in textile industry.
V	676	50	12/76	03/79	Same as in Cr. 591	Follow-up on issues addressed under Cr. 591. Introduction of initial measures to deal with financial management (e.g. capital restructuring, cash flow projections) in the jute industry. Also, improvement is institutional arrangement (e.g. creation of an export inspection service). In the textile industry, initiation of a pre-feasibility study to establish the potential for local production of man-made fibres and a study of handloom/small power looms vs. larger mills; initiation of programmes to improve mill efficiency and spare parts manufacture. In the pulp and paper industry, initiation of work towards formulating an action programme to improve the operating efficiency of several mills, including the assessment of market conditions for various products.
VI	752	75	11/77	03/80	Same as in Crs. 591/676	Development of specific measures for systematic mill maintenance and spare parts procurement, reduction of

						raw materials costs and improvement of production efficiency. Improvement of financial performance and viability of jute and textile industries through product cost controls, revised product pricing policies, capital restructuring and asset replacement programmes.
VII	866	75	12/78	12/80	Development of an export strategy and policy framework	Initiation of comprehensive export development programme aimed at strengthening the country's infrastructural and institutional capabilities and at commencing work for working out a national export policy and strategy. Focus on policy procedures, promotion/organisation/information, and product selection/design.
VIII	980	50	02/80	02/81	Completion of action programme requirements in priority industries under implementation (jute, cotton textiles, pulp and paper). Follow-ups on progress in developing a comprehensive export policy and strategy under Cr. 866.	Implementation of a phased capital restructuring programme and establishment of mechanism/procedures for the development of optimal pricing structure export strategy in the jute industry. Implementation of capital restructuring and pricing policy in the textile industry. Commission of a study for the long-term development of the pulp and paper industry. Strengthening of the export development programme by focusing on removal of supply constraints in non-traditional exports, increasing the effectiveness of export incentives, and improving data collection and analysis to monitor export performance.
IX	1071	65	10/80	06/83	Shift of focus from industry and export promotion to agriculture. Support of policy reforms introduced or planned by the government to increase production efficiency and equity of foodgrain distribution. Provision foreign exchange for	Greater budgetary allocation for minor irrigation, drainage and flood control; assurance of adequate supplies of diesel fuel and spare parts to ensure full operation of irrigation equipment; commission of project preparation study for the construction or additional bulk storage capacity for diesel in rural areas;

					importation of raw materials, components and equipment to enable the industrial, construction and agricultural sectors to reach full production potential.	provision of additional agricultural credit by the banking system; improvement of institutional shortcomings of the banking system – establishment of additional branches, training of staff, simplification of lending procedures, credit availability for fertiliser purchases, recovery of agricultural debts; greater involvement of the private sector in the manufacturing of minor irrigation equipment and of maintenance and repair services; liberalisation of anti-hoarding regulations and laws, provision of bank credit to private traders to build storage facilities and hold grain stocks, abolishment of the Approved Grain Dealers and standardisation of private market weights to improve the private sector's marketing efficiency in grains; commission of a study to determine the country's storage needs for foodgrains; establishment of an appropriate institutional mechanism for information and analysis to facilitate policy preparation, planning and monitoring.
X	1194	100	12/81	06/84	Support of policy improvements initiated under Cr. 1071 (or earlier) to increase the production as well as the efficiency and equity of foodgrain marketing and distribution. Expansion of the private sector role in import, domestic manufacture, sale and servicing of irrigation equipment to reduce the public sector involved in these activities.	Provision of incentives to farmers, reduction of price risks faced by the farmers and improvement in the distribution of key inputs to stimulate foodgrain production; stabilisation of foodgrain supply and consumer prices during lean seasons; reduction of subsidies for minor irrigation equipment; reduction of budgetary impact of the foodgrain subsidy and procurement.
XI	1300	110	11/82	06/85	Support of a broad range of policy reforms in public resource mobilisation and	Public Resource Mobilisation: Increase in budgetary resources through tax measures, reduction of

					budgetary management, in agricultural and food policies (further policy changes and institutional improvements), and in trade and industrial policies.	public sector losses and subsidies, proper planning of budgetary resources, actions to streamline and speedup fund releases to improve project implementation, improvement of financial performance, management practices and organisation of autonomous agencies. Agriculture: Follow-up on initiatives taken under Cr. 1194; rationalisation of financial policies for major short-term agricultural credit programmes. Trade and Industry: Liberalisation investment licensing and controls; price liberalisation/ adjustment by public entities; promotion export growth and diversification; implementation of the Trade and Industrial Policy (TIP) Reform.
XII	1471	140	06/84	12/86	Same as Cr. 1300. Further initiatives were taken to improve the effectiveness of the financial sector.	Improvement of budgetary planning and investment programming, including administrative procedures affecting project implementation; development of an integrated public enterprise monitoring system. Strengthening of institutional framework and administration of banking sector, improvement of financial resource mobilisation and allocation through the banking system, and rationalisation of agricultural credit policy and administration. Recovery of operating and maintenance costs from beneficiaries in major irrigation policies; improvement of utilisation and maintenance of minor irrigation equipment.
XIII	1655	200	02/86	08/87	Support of policy and administrative initiatives designed to improve the efficiency of agricultural and food programmes, as well as the government's	Agricultural Credit Policy: Simplification of medium-term credit programmes; Improvement of rural deposit mobilisation. Public Foodgrain

					economic management capacity	Procurement and Distribution System (PFDS): Further reduction subsidies under the PFDS. Agricultural Policies: Elimination economic subsidy in wholesale fertiliser price; review of further role of BADC. Strengthening of Economic Management Capacity.
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Source: Compiled from:

- a) *Report and Recommendation of the President of the IDA to the Executive Directors on a proposed Thirteenth Import Program Credit in an Amount of SDR 186.7 Million to the Peoples Republic of Bangladesh, World Bank, June 10, 1986;*
- b) *Bangladesh: Review of the Experiences with Import Program Credits I-X, World Bank Report No 6080, February 24, 1986;*
- c) *Bangladesh: Review of the Experiences with Policy Reforms in the 1980s, World bank Report No. 8874, June 29, 1990.*

A Summary of the Structural Adjustment Policies along with timeframe

Policy	Objectives and Targets	Strategies and Measures	Timing of Measures
I Agriculture and Food Policy			
Public expenditure in agriculture	Improve operation and maintenance of existing and new agricultural infrastructure	Complete study on Operation and Maintenance (O&M) needs in irrigation, water management and flood control	1986/87*
		Implement recommendation of study	1988/89
	Increase the scale and efficiency of public investment in agriculture and water resource management	Incorporate specific agricultural O&M needs in budget on the basis of the study	1987/88 onward
		Increase the share of agriculture and water resources in public investment programme and focus investments in areas suitable for minor irrigation development.	1990/91 onward
Institutional Reform	Greater private sector involvement in the distribution of agricultural inputs and equipment to farmers	Strengthen agricultural research and extension services.	
		Expand private irrigation facilities	Ensure continued unsubsidised private sector role in distribution of minor irrigation equipment. BADC to improve its distribution and GOB to ensure adequate credit to creditworthy borrowers.
Institutional Reform	Greater private sector involvement in the distribution of agricultural inputs and equipment to farmers	Undertake comprehensive study to review the functions, operational role and organisation of BADC.	1986/87
		Complete the UNDP study of agriculture and reviews of BADC and BRDB. Increase	1987/88*

* Supported under ongoing IDA policy credits. This was only mentioned in PFPs for 1986/87-1988/89 and 1988/89-1990/91.

² "Ongoing" without the year marked within the parentheses refers to reform measures that have started before the PFP for 1986/87-1988/89.

		private sector involvement in irrigation and fertiliser distribution.	
		Reform BRDB activities to revitalise co-operatives.	ongoing
		Extend recent liberalisation of restrictions on imports, distribution and siting of minor irrigation equipment.	1990/91 onward
		Rationalise tax structure on agricultural equipment imports.	1990/91 onward
		Allow private sector imports of improved seed varieties.	1990/91
Food Policy	Improve public domestic procurement and distribution operation. Phase out subsidies, except Food for Work and targeted distribution programmes.	Implementation of action programmes based on the recommendations of the National Committee of Rationing as approved by GOB.	1986*
		Ensure that procurement prices are announced prior to planting and that farmers receive those prices. Unify ration prices in various channels, further reduce subsidies and review open market sale policies.	1987/888* onward
		Introduce floor price for farmers and support it with effective domestic procurement. Limit commercial imports to exceptional situations.	1990/91 onward
		Raise rations prices and reduces the size of monetised food distribution system channels, except for well-targeted programmes serving the poor.	1990/91 onward
	Remove restrictions on private foodgrain imports, storage, and inter-district trade.	Remove restrictions on private grain storage and inter-district trade. Allow foodgrain exports, as agreed with food aid donors.	1990/91
		Permit foodgrain imports by private sector on same basis of official imports.	1992/93 onward
Input distribution	Greater private sector involvement in the	Continue liberalisation of restriction on imports and	1990/91

	distribution of agricultural inputs and equipment to farmers.	distribution. Eliminate remaining subsidies on deep tube-wells.	onward
		Reorient BADC's role from input supply to private sector support.	1991/92 onward
		Existing tube-wells maintained on rental basis by public entities to be privatised and remaining subsidies on deep tube-wells to be eliminated.	1992/93 onward
Fertiliser Pricing Policy	Eliminate economic subsidy on fertiliser prices.	Elimination economic subsidy on fertilisers at the wholesale level.	1986/87 onward
		Quarterly reviews of fertiliser prices. Price adjustments at least twice each fiscal year to ensure that economic subsidy remains zero.	Ongoing*
		Adjust fertiliser prices in line with world market prices.	Ongoing (1990)
		Eliminate remaining restrictions on private traders.	ongoing (1988/89)
Jute policy	Stabilise output and price of raw jute and strengthen international competitiveness.	Review scope for price stabilisation scheme, improve distribution of inputs and ensure more effective marketing practices. Restructure Bangladesh Jute Corporation to focus mainly on price stabilisation, and expand role of private sector in commercial trading of raw jute.	1990/91 onward
Agricultural support programmes	Improve efficiency of research extension and water distribution	Management training and reorganisation in extension services and in Irrigation Management Programme (IMP).	Ongoing
II Trade and Industrial Policy			
Investment sanctioning	Liberalise and simplify investment procedures.	Expand number of sectors in which investment is unrestricted. Increase the sanctioning authority of financial institutions to cover most normal industrial projects. Provide equal treatment to foreign and domestic investors.	1986/87* onward

		Rationalise number of regulatory bodies.	
		Identify and remove other regulatory constraints on private development and improve access to land and utilities.	1990/91 onward
		Substantially reduce the list of discouraged industries.	1990/91
		Review and eliminate tax holidays and interest rates subsidies to industries where fiscal cost is not warranted.	1990/91 onward
Tariff reform	Improve efficiency in traded goods sector.	Rationalise import regime.	Ongoing
		Reduce and narrow the band of net effective level of protection for textiles and steel on the basis of TIP study.	1986/87-1988/89
	Reduce disparities of effective protection.	Reduce level and rationalise structure of tariffs in the textile, steel and engineering, chemical and electronics industries.	1987/88 onward*
		Reduce maximum custom duties to 20 per cent for raw materials. 75 per cent for intermediate goods, and 100 per cent for finished goods.	1987/888* onward
		Continue reducing number of rates of customs duty and sales tax.	1987/88* onward
		Reduce maximum tariff rate (other than for specified luxury goods) to 100%.	1990/91
		Further action to be taken to reduce maximum tariff rate and compress duty schedule. One fifth of items with rate above 100 per cent were reduced to 75 per cent. Further action needed.	1992/93 onward
		Simplify tariff schedule to a six- digit level of classification and reduce number of different tariff rates to no more than six.	1991/92

		Curtail special concessions and exemptions on custom duties and sales taxes.	1990/91 onward
Import restrictions	Facilitate import of raw materials, intermediate goods, and capital goods to encourage industrial production.	Eliminate negative and restricted lists for industrial imports, except for items control for reasons of religion and public safety and a small number of highly sensitive items.	1986/87* onward Complete by July 1993.
		Phase out requirement that barter facilities must be fully used before imports under any other financing sources are allowed.	1987/88
Public Sector Enterprises (PSEs) ³	Improve efficiency by enhancing enterprise autonomy, clarifying accountability and improving evaluation.	Implement Public Enterprise Management Ordinance (Promulgated June 1986)	Ongoing
		Develop system of performance evaluation and implement in two pilot enterprises.	1986/87 onward
		Extend to five additional PSEs.	1987/88
	Restructuring of Jute mills	Adopt measures to better utilise existing capacity; invest in improved technical efficiency; and progressively reduce excess capacity	Ongoing
	Strengthening operating efficiency and profitability. Enhance resource mobilisation for entities' self-financing.	Pursue flexible pricing policies, greater management autonomy and set performance targets for enterprises.	1990/91 onward
Privatisation	Progressively privatise public commercial/industrial enterprise.	Further privatisation and divestiture of potentially viable enterprises including jute and textile mills; closure of non-viable enterprises.	1990/91 onward
		Efforts initiated to disinvest 17 enterprises approved by committee on privatisation. Announce a timetable for implementation of privatisation.	1992/93 onward

³ "Public Sector Enterprises (PSEs)" has been categorised as a separate section in the PFPs since PFP for 1990/91 – 1992/93.

		Reduce operating deficit of Bangladesh Railways.	1990/91 onward
Energy sector reform	Eliminate distortions in relative prices of competing fuels.	Reform tariffs structures and makes adjustments in price of gas and power.	1989/90 onward
	Improve efficiency of public sector corporation	Reduce system losses and overdue accounts of Bangladesh Power Development Board.	1989/90
Reform of jute mills	Improve production and managerial efficiency and reduce costs.	Implement rationalisation programme for jute mills; reduce excess capacity and labour; physical and financial restructuring of viable units.	1990/91 onward
Industrial export promotion	Provide free tare status for exporters	Remove restrictions on all required imports for direct and indirect exporters.	1986/87
		Simplify procedures for obtaining duty exemption/drawback and grant autonomy.	1986/87* onward
		Provide additional infrastructure for Export Processing Zone	1986/87* onward
	Ensure improved export credit finance	Prepare and implement plan to strengthen provision and guaranteeing of export credit.	1987/88
	Promote backward linkages	Extend coverage of back to back letters of credit to all products and all indirect exporters.	1987/88
	Encourage growth and diversification of non-traditional exports.	Eliminate all export subsidies other than on jute in 1989/90 and phase out jute subsidies.	Ongoing (1990/91-1992/93)
		Remove all import restrictions on items required by exporters.	1990/91
	Extend bonded warehousing facility to all exports.	1990/91	
III External Sector policy			
Exchange rate management	Strengthen the balance of payment position	Exchange rate management will remain flexible to improve competitiveness and promote export diversification.	Ongoing/1990/91 onward

	Unification of dual exchange markets	Steadily increase the proportion of external transactions conducted in the secondary exchange market.	1986/87 – 1988/89
		Narrow spread between official and secondary market rate to 2 per cent.	November, 1988
External debt management	Limit debt service obligations to sustainable levels.	Eliminate the spread between official and secondary market.	ongoing 1990
External aid utilisation	Raise utilisation rate of the aid pipeline.	Limit non-concessional borrowing to exceptional circumstances.	Ongoing
Exchange and payment restriction	Eliminate multiple currency practices.	Increase availability of local resources for development projects.	Ongoing
		Abolish Bangladesh Bank deposit requirements on import letter of credit.	July 1, 1988
		Abolish limitation on dividends by certain tea companies	1990/91

IV. Monetary Policy and Financial Sector Reform

Monetary policy	Support economic growth while steadily reducing the rate of inflation.	Growth of broad money to be consistent with targeted growth in nominal GDP.	Ongoing
	Encourage savings and efficient allocation of resources.	Maintain positive real interest rates.	Ongoing
	Improve efficiency of monetary management.	Enhance technical and legal aspects of monetary management, including creation of technical unit at Bangladesh Bank.	1987/88 onward
		Shift from direct credit controls towards indirect and more flexible monetary instruments. Bangladesh Bank to manage flexibly the liquid assets and reserve requirements, introduce general rediscount window, issue its own interest-bearing securities, and conduct open market operations. Identify	1987/88 onward

		interest subsidies and shift burden of such subsidies from state-owned banks to govt.	
Interest rates	Liberalise the structure of interest rates.	Move towards a more market-determined level and structure of interest rates; adjust monthly.	1988/89 onward
		Allow banks to charge different lending rates based on borrower credit risk.	1990/91 onward
		Phase-out interest rate subsidies.	1990/91 onward
Financial sector reform	Improve operation of the financial system and credit recovery.	Setting of annual overall recovery targets subject to close monitoring. Establish targets for repayments by 100 defaulters of loans from state-owned banks. Improvement of information system on defaulters.	1986/87 onward*
		Meet targets for repayments by the largest 100 defaulters of loans from NCBs.	1990/91 onward
		Minimise fiscal impact of agricultural loan forgiveness and compensate credit institutions.	1990/91 onward
		Expansion of credit passbook system for agricultural crop loans.	1986/87*
		Establishment of a new comprehensive data base on credit recoveries and a new credit information system at the Bangladesh Bank; and creation of a high-level committee comprising the Cabinet Secretary, Governor of Bangladesh Bank, Finance Secretary, Agriculture Secretary, and the Home Secretary to take policy decisions on agricultural and industrial credit reforms.	1986/87
		Introduce legal and administrative changes necessary to take action against	1988/89*

		loan defaulters.	
		Complete study by Bangladesh Bank on agricultural credit institutions' capacity to collect.	1986/87
		Implement recommendation of the study.	Ongoing
	Strengthen rural credit institutions.	Establishment of Agricultural and Rural Guarantee Fund (AGRF) with participation of Bangladesh Bank, the banks and the government.	1986/87-1987/88*
	Encourage development and deepening of financial sector over the medium term.	Based upon Banking Commission recommendations (July, 1986) and the follow-up study in November 1986, identify and implement medium term reform programmes.	1986/87 – 1988/89
	Strengthen financial institutions.	Strengthen bank supervision and establish Legal Department in Bangladesh Bank. Extend supervision to non-bank financial intermediaries.	1987/88 onward
		Improve the loan classification system to identify non-performing debt and provide adequate provisioning for debt.	1988/89*
		Raise the minimum requirement for paid-up capital and reserves for nationalised commercial banks.	1988/89* onward
		Increase bank autonomy by allowing private sector participation in state-owned banks.	Ongoing.
		Recapitalise nationalised commercial banks. Strengthen bank supervision by Bangladesh Bank.	1990/91 onward
V. Public Resource Mobilisation			
Revenue	Steadily raise government revenue to 10.5 per cent of GDP.	Implement improved tax administration and required increase in rates.	by 1988/89
Tax reform	Move away from heavy dependence on trade-related	Undertake a detailed technical study of (a) the tax system; (b)	1986/87

taxes towards domestic output/consumption based taxes.	scope for improving tax administration, and achieve higher rates of collection.	
	Introduce tax reform, after review of recommendations of tax reform studies.	1988/89 onward
	Reorganise NBR to increase tax collection and reduce tax evasion.	1987/88 onward
Rationalise the tax system: move toward a broad-based, elastic and progressive tax structure.	Increase revenue ratio to GDP by 0.5 per cent in 1990/91 budget and steadily increase ratio thereafter.	1990/91
	Introduce value-added tax and implement from January 1, 1991.	January 1, 1998
	Expand base of VAT. Include within VAT all goods currently subject to excise tax. Remove exemption.	1992/93 onward
	Improve custom duty collection by raising tariff valuation of imports including introduction of a pre-shipment valuation system.	1990/91
	Reform direct tax administration as recommended by Tax Reform Study by reducing tax-deductible allowances, limiting tax holidays for companies and introducing withholding of tax.	1990/91 onward
	For personal income taxation, include employment-related allowances in tax base, establish a realistic annual ceiling on extent to which investments in approved assets can be deducted from the tax base, and eliminate special exemptions for dividends.	1990/91 onward
	For company income taxation, review alternative incentive scheme to replace current tax holidays.	1992/93 onward

Public Pricing	Establish prices for most public goods and services on an economic basis.	Raise prices by 15 per cent for natural gas and 20 per cent for power in 1990/91 and make appropriate adjustments in air fares, bus and ferry tariffs, petroleum prices and urban water supply tariffs.	1990/91 onward
Fees and charges	Improve cost recovery in energy sector.	Raise gas prices and rationalise gas price structure. Adjust power tariffs in light of recommendations of tariff study (September 1986). Implement programme for reduction of technical losses in power sector.	1986/87 – 1988/89 onward 1986/87-1988/89 onward Ongoing
	Improve cost recovery in transport sector.	Undertake a study of cost recovery and financing of road transportation.	1986/87
	Improve cost recovery in health sector.	Undertake a study of cost recovery and financing of health care services.	1986/87-1987/88
VI. Public Expenditure Policies			
Budget deficit	Reduce bank financing of budget deficit.	Tailor expenditure to level of available resources.	ongoing
Composition of expenditure	Improve efficiency of expenditure	Undertake comprehensive review of public expenditure.	1988/89
Current expenditure	Restrain growth of current expenditure.	Restrain overall current expenditure growth to less than GDP growth; restrain wage increases, and reduce subsidies and funding for administration and overhead functions; increase recurrent spending for operation and maintenance and development-oriented activities. Substantially reduce the cash deficit on the food account. Reduce operating deficit of Bangladesh Railway and Post Office. Increase recurrent spending for priority programmes in primary education, primary health and family planning , and for non-	1990/91 onward 1990/91 1990/91 onward 1992/93 onward

		wage expenditures for operation and maintenance of roads and flood control and irrigation infrastructure.	
Public Investment Programme	Rationalise and increase public investment.	Establish clear priorities in public expenditure programme by designing a core investment programme, and reducing/eliminating lower priority projects, provide adequate funding to high priority projects, reduce funding for locally financed projects.	1990/91 onward
		Prepare three-year public investment programme for 1991/92 – 1993/94 in co-operation with World Bank. Restrict approval of new projects to those related to cyclone rehabilitation unless offsetting changes are made in other projects. Limit locally funded projects and block grants to 25 per cent of local resources available for ADP. During the fiscal year the government may reallocate local resources to aided projects that are capable of absorbing such resources in an efficient manner and will not increase the overall allocation of funding for locally financed projects and block grants unless it can be satisfactorily demonstrated that such resources cannot be utilised in higher priority aid projects.	1991/92
Planning and Implementation	Improve efficiency of expenditure.	Undertake a study to identify key constraints affecting efficiency of public administration in key ministries.	Study 1986/87* Implement 1987/88
		Implement major recommendations of Project and Commodity Aid utilisation studies and SIFAD report; carry out administrative improvements in procurement, approval of technical assistance, and allocation of	1990/91 onward

		funds for priority projects; allocate commodity aid programmes through secondary foreign exchange market.	
		Initiate programme to improve budgetary and expenditure control procedures. Strengthen the monitoring system for current and development expenditures.	1990/91 onward
	Improve budget execution and review.	Review and improve accounting and fiscal reporting.	Ongoing
	Develop multiyear budgeting system	Extend and strengthen system of "Shadow ADP," introduced on pilot basis.	Ongoing*
	Improve project implementation	Review and revised contract award procedures. Prepare new manual of procedures. Design and Implement training programme.	1986/87*
Operation and Maintenance	Ensure adequate allocation of funds for O&M.	Identify specific O&M needs for each sector at time of budget preparation, taking into account the requirements of completed projects.	1986/87 onward
		Undertake studies on key sectors: (a) flood control, drainage and irrigation; (b) highways; (c) education.	1986/87*
Flood Control	Reduce vulnerability to natural disasters.	Implement the Flood Action Plan as agreed with donors in December 1989.	1990/91 onward
VII. Poverty Alleviation⁴			
Poverty and income distribution	Raise living standards of lowest income groups.	Target subsidies to lowest income groups.	Ongoing (1988/89)
	Improve the efficiency at public expenditure for poverty alleviation. ⁵	Provide full funding for high priority programmes to improve and expand primary health and family planning.	1989/90 onward
		Target subsidies and government programmes to	Ongoing (1990)

⁴ There was no sectoral specification regarding poverty in the first PFP (1986/87-1988/89). It first appeared in the second (1988/89-1990/91). This section was renamed "Human Resources and Poverty Alleviation" in PFP for 1990/91-1992/93.

⁵ This objective was added in PFP for 1990/91-1992/93.

	lowest income groups. Expand employment opportunities through FFW, minor crop diversification programme, small and cottage industries, and non-traditional export sector.	
Develop institutional framework for poverty programmes.	Further Streamline project clearance process for NGOs; establish foundation to channel funding to NGOs and strengthen existing programme of BRDB and improve development impact of targeted food aid programmes.	1990/91 onward
	Reform co-operative system.	1990/91 onward
Develop human resources	Raise budget allocation for health, education, and family planning.	Ongoing (1988/89)
Develop institutional framework.	Examine role of government organisations; reform co-operative system; expand access of assetless to formal credit institutions.	1988/89* onward
Enhance role of Women in development ⁶	Expand programmes for income generating activities by women through training, increased access to credit and technical assistance.	1989/90 onward
	Increase access of girls to primary and secondary education by increasing number of female teachers, providing adequate facilities for girls, and providing scholarships for girls at secondary level.	1989/90 onward
IX. Environment⁷		
Protect quality of environment.	Prepare environmental impact assessment for major new projects during Fourth Five-Year Plan. Streamline capacity of Ministry of Environment and Forests to direct environmental	1990/91 onward

⁶ This section was first incorporated in PFP for 1990/91- 1992/93.

⁷ This policy objectives was first incorporated in PFP for 1990/91 – 1992/93.

policy.

Review pricing and administrative procedures affecting the use of natural resources and modify to reflect sound economic principles. 1990/91 onward

Source: Compiled from:

1. *International Monetary Fund, "Bangladesh: Structural Adjustment Facility, Policy Framework Paper, 1986/87 – 1988/89," January 15, 1987.*
2. *International Monetary Fund, "Bangladesh: Structural Adjustment Facility, Policy Framework Paper, 1988/89 – 1990/91," November 11, 1988.*
3. *International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1990/91 – 1992/93," May 11, 1990.*
4. *International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1991/92 – 1993/94," August 9, 1991.*
5. *International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1992/93 – 1994/95," August 20, 1992.*

**PUBLIC RESOURCE MANAGEMENT ADJUSTMENT CREDIT
MATRIX OF POLICY ACTIONS**

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
I. MACROECONOMIC FRAMEWORK: Maintain a sound macroeconomic framework, including targets for: (i) growth of revenues; and (ii) increase in public investment		
Maintain sound medium-term macroeconomic framework.	Approval of PFP for FY92-94 and satisfactory mid-term review of performance for ESAF program.	Preparation of medium-term macroeconomic framework in context of PFP.
Establish realistic targets for revenues, current expenditures, and public investment.	FY92 budget provides for: (i) increase in revenues by 0.5 percent of GDP; (ii) rate of growth of current expenditures not to exceed rate of growth of nominal GDP; and (iii) increase in ADP consistent with the above targets.	Satisfactory performance in achieving target for previous fiscal year, and preparation of realistic budget for coming fiscal year that includes the same targets for revenues, current expenditures, and public investment
II. TAX REFORM: Improve efficiency and equity of revenue structure		
A. Indirect Taxation		
Introduce value-added tax to replace sales tax on imports and most excise duties on domestic goods.	VAT introduced in FY92 budget.	Inclusion in VAT of at least natural gas and cigarettes (FY93 budget) and all remaining goods currently subject to excise tax (FY94 budget).
		Exemption for small and cottage industries to be limited to enterprises with annual turnover less than turnover tax threshold.
		Inclusion of contractual processing services VAT.
		No further substantive exemptions to VAT.
		Introduction of appropriate taxation on yarn and textiles.
		Review administrative feasibility of expanding VAT register to include, <i>inter alia</i> , registrars of all commercial importers and exporters, and wholesalers serving manufacturers.
Improve VAT administration.	Preparation of action plan dated February 6, 1992 with targets for: (i) increase in number of registered traders; (ii) improvement in proportion of traders submitting regular monthly returns to 80 percent; (iii) improvements in internal documentation; (iv) expansion of management training programs; and (v) computer cell integration.	Preparation of similar action plan for administrative improvements during FY 93. Satisfactory performance in implementing action plan for previous fiscal year.

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
B. Direct Taxation		
Improve equity and efficiency of income tax.	Introduction of withholding tax on interest (FY92 budget); inclusion of entertainment allowances in tax base (FY92 budget); withdrawal of exemption for capital gains on assets subject to investment allowance (FY92\1 budget); reduction of ceiling for investment allowance to Tk. 100,000 (FY92 budget).	Replacement of filing threshold with conventional exemption limit and replacement of personal investment allowance with a tax credit , accompanied by measures to maintain revenue neutrality of overall tax package.
	Limitation of time period for granting company tax holidays to 1995 (FY92 budget).	Introduce alternative tax incentives for investment to replace company tax holidays.
Improve direct tax administration		Expand coverage of self-assessment scheme cover majority of assesses with income of T 80,000 of less; increase the number of registered assesses, including the proportion assesses with income greater than Tk. 80,000 and reduce outstanding tax arrears, including disputed payments.
III. EXPENDITURE PRIORITIZATION: Improve efficiency of public investment program, strengthen project pipeline, and pro for high priority social services and O&M		
A..Annual Development Program		
Medium-term framework for public investment program	TYRIP for FY92-94 completed and circulated to donor agencies for comments	Preparation of TYRIP, including ADP as its initial year, which meets the following criteria (i) realistic resource envelope consistent with macroeconomic framework of PFP; (ii) adequate allocations, including local funds, for high priority projects; and (iii) no more than percent of available local funds allocated to locally-financed projects and block grants (excluding block grants for land acquisition payment of custom duties and VAT on project related imports).
	Improve project prioritization.	Preparation of sectoral investment review papers for at least three sectors during FY92 and FY93.
	Identification of ten projects for restructuring	Carry-out restructuring of identified projects
	FY91 pruning exercise reduced allocations for locally-financed projects and block grants by roughly half.	Prepare report identifying projects for pruning restructuring and/or increased allocations to implement recommendations in the ADP.
		Introduction of improved monitoring system for high priority projects.

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
B. Current Expenditures	Study initiated to identify short-term improvements in monitoring ADP expenditures.	Implementation of recommendations.
Adequate funding for high priority social services and operations and maintenance.	Measures taken to offset impact of wage increases in FY92 budget.	Provide real increases in funding for priority programs in primary education, primary health and family planning programs, and for non-wage expenditures for O&M of roads and flood controls and irrigation infrastructure, based adequately documented and monitorable budget submissions by the sectoral agencies
Improve expenditure control		Review expenditure arrears and limitations independent cheque-writing authority of government departments.
		Establishment of Cell to monitor non-tax revenues, including fees and charges.
IV. AID UTILIZATION: Streamline procedures for utilization of donor resources		
Increase aid disbursements	(i) Procurement: Preparation of revised guidelines for procurement of goods and works financed under external aid.	Issues guidelines and implement action plan.
	(ii) Recruitment of Consultants: Preparation of revised guidelines for selection of consultants.	Issue guidelines and implement action plan.
	(iii) Technical Assistance: Preparation of revised guidelines and agreement on performance standard for approval process and monitoring arrangements.	Monitor TA approvals to meet performance standard and take corrective actions, if need
	(iv) Project Approvals: New procedures introduced in FY91.	Revision of procedures based on recent experience.
	(v) Funding of Land Acquisition.	Introduce block allocation for land acquisition in FY93 ADP.
	(vi) Project-Level Staffing. Letter issued to ministries instructing them to implement recommendations of Public Administration Efficiency Study.	
	(vii) Special Accounts: Circular issued establishing Convertible Taka Special Accounts.	

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
	(viii) Commodity Aid: Circular issued establishing market-based allocation procedures for commodity aid, subject to approval of affected donors.	Review of ongoing and planned commodity programs to introduce market-based allocation procedures where feasible
V. INSTITUTIONAL STRENGTHENING: Improve institutional capacity for budget management, planning and expenditure control		
Modernize budget and accounting systems	Completion of CORBEC report recommending comprehensive program to upgrade budget and accounting systems	Commence program of TA (Phase I: Design Study)
Strengthen investment programming	Approval of technical assistance project to strengthen investment programming	Commence TA program
Establish internal debt management system in Ministry of Finance	Agreement with Bangladesh Shilpa Bank to improve internal debt management	Consolidate and update debt register and introduction of modern debt management system
		Establish standard on-lending terms for government loans; complete debt restructuring exercise for selected agencies; and require that debt-service payments be made on a cash basis without using ADP allocations to cover such obligation

Source: Report and recommendation of the President of the International Development Association to the Executive Directors on a proposed credit in the amount for SDR 109.3 million to the People's Republic of Bangladesh for a Public Resource Management Adjustment Credit, World Bank Report No. P-5736-BD, April 3, 1992.

FINANCIAL SECTOR ADJUSTMENT CREDIT MATRIX OF POLICY ACTIONS

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
A. MACRO-FINANCIAL POLICY ISSUES		
I. Deregulate deposit and lending interest rates.	Lending interest rate policy implemented based on calculated "shadow market rates" for each lending category with a 3-5% band within which banks may set their lending rates.	Implement new lending interest rate policy in accordance with the agreed methodology with semi-annual reviews and adjustments in structure as needed.
	Floor and ceiling established within which scheduled banks may set term deposit and saving rates.	Implement new deposit interest rate policy in accordance with the agreed methodology with semi-annual reviews and adjustments in structure as needed.
	NCB lending rates raised to at least shadow market rates for most categories in the initial adjustment of rates.	Raise BSB long-term interest rates for medium and large scale industry to at least shadow market rates.
	Technical unit established in BB with responsibility for interest rate and monetary programming analysis and recommendations.	Amend new interest rate policy to allow banks to change interest rates at least monthly.
II. Make costs of subsidized interest rates transparent and reimburse costs to banks.	Remaining administered subsidized lending rates have been made transparent and GOB has agreed to reimburse cost of subsidy to banks.	Reimburse banks for cost of interest rate subsidies due to some administered rates below shadow market rates from January 1, 1990.
III. Protect banks on large loans to poorly performing parastatals made at Government request.	Government has taken steps to reschedule BJC and BJMC advances and to protect banks against non-payment.	Require banks to report regularly on loans and debt servicing status for their public sector borrowers.
IV. Replace direct credit ceiling with indirect monetary instruments and open market operations.	IMF has sent an advisory mission to assist in setting up procedures for implementing monetary programming and policy.	Strengthen BB capacity and procedures for monetary programming, policy formulation and regular review of interest rates.
	Existing refinance program replaced with a general rediscount facility at bank rate for commercial banks.	
	BB Act amended to give Central Bank legal powers to issue debt instruments.	BB debt instruments to be issued at market determined yields; a tendering mechanism should be developed.
	Credit ceilings have been abolished.	Implement the 1990/91-1992-93 PFP program so a sound macroeconomic framework is in place.
B. STRENGTHEN CENTRAL BANK SUPERVISION	Central Bank has combined its four supervision functions under two departments, almost doubled the number of bank inspection personnel, and extended their normal rotation period to five years.	Establish bank supervision as a continuous process based on submitted reports. Inspection and follow-up of identified problems.

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
	IMF TA arranged to assist with establishing bank supervision as a continuous process and rationalizing and streamlining bank reporting requirements.	Rationalize and streamline bank reporting requirements.
	New system of loan classification established which shifts primary responsibility to the banks.	
	New accounting policy requirements established for provisions and suspension of interest.	Establish and staff supervision units for non bank financial institutions.
		Design and conduct major training effort for Central Bank supervision and inspection personnel.
	New BB credit information unit established within the supervision function.	Design credit unit input as part of regular bank reporting. Provide on-line credit reports to banks.
	BB Audit Committee established to set criteria for bank external audits and review audit reports.	Establish criteria for bank external audits and review of audit reports.
C. STRENGTHEN THE NATIONALIZED COMMERCIAL BANKS (NCBs)		
I. Recapitalize the NCBs		Reclassify December 1989 portfolio based on new BB loan classification requirements.
		Make new provisions and suspend interest in second with new accounting policies.
		Issue special Government bond to recapitalize each NCB to a level equal to at least 5% of deposits after provisions have been taken..
		Maintain NCB capital at 5% of deposits.
II. Strengthen NBC management and accounting system	USAID technical assistance for NCB TA to strengthen management, accounting and training progress was approved.	Sign USAID project Agreement.
		Technical Assistance in place.

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
		Establish Tripartite Review process for TA.
		Make satisfactory progress on implementing NCB TA and computerization.
	One NCB has reconciled its inter-branch accounts and the others are working on it. All NCBs have made progress in identifying unmatched items.	Reconcile interbranch and write off or fully provide for unmatched accounts and uncollectible items, and eliminate suspense accounts more than six months old in 1989 accounts.
	NCBs' Boards of directors have been permitted to decide on personnel policy, including rotation of NCB staff.	
	GOB has adopted policy that NCB managing directors will normally be appointed for periods of more than three years, subject to satisfactory performance.	
		Develop satisfactory NCB capacity to set interest rates within the scope allowed.
	A GOB-established task force has submitted a report to Cabinet with recommendations for additional NCB management reforms.	Implement selected NCB management reform approved by Government (to be identified at Cabinet decisions on recommendations).
III. Improve NCB debt recovery	NCBs have initiated special programs for improving debt collection.	Identify large borrowers requiring restructuring.
	Monitorable targets have been established for collections and resolution of legal cases for 100 largest defaulters and for new loans approved by NCB head offices.	GOB will take necessary steps to cause NCI to achieve satisfactory collection performance against monitorable targets for 100 largest defaulters and on new loans over Tk. 1 million approved by NCB head offices. Collections will be closely monitored.
		Require that banks not lend to defaulters identified by credit unit without letters of no objection from the lender who holds the defaulted loan.
		Allow NCBs to select legal counsel of their choosing from panels for debt recovery case
D. MISCELLANEOUS OBJECTIVES		
I. Strengthen the legal framework for debt recovery.	Parliament has enacted a new Financial Loan Courts Act and GOB has issued satisfactory rules and regulations for implementing it.	Review with IDA implementation of Law Court and agree on recommended actions, if any, to improve implementation of the law.
	GOB has issued directive establishing loan recovery courts in Dhaka, Chittagong and Khulna effective September 30, 1990 and calling for their adequate staffing.	

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
II. Revise Regulations affecting banks.	The Ministry of Law has cleared a new Banking Companies Ordinance. BB has authorised public enterprises to place up to 40% of their deposits with private sector banks. GOB has amended income tax requirements to make Central Bank required provisions and interest suspension tax deductible. GOB has given banks freedom to set bank fees individually to allow increased competition.	Enact a satisfactory Banking Companies Ordinance. Delete references in national Industrial Policy 1998 which impose lending requirements on financial institutions for repayment schedule terms, etc. Set limit as percent of capital for private bank loan to individual borrowers and in aggregate to their directors. Implement committee with respect to adjust underwriting fees and increasing flexibility in pricing new public issues.
III. Strengthen capital markets.	GOB has established a Capital Market Development Committee with Ministry of Finance and private sector participation.	

Source: Report and recommendation of the President of the International Development Association to the Executive Directors on a proposed credit in the amount for SDR 132.7 million to the People's Republic of Bangladesh for a Financial Sector Adjustment Credit, World Bank Report No. P-5237-BD, May 14, 1990.

JUTE SECTOR ADJUSTMENT CREDIT MATRIX OF POLICY ACTIONS

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
I. Maintain a stable macroeconomic framework.		Maintain macroeconomic framework including wage policy in jute industry satisfactory to IDA. Maintain macroeconomic framework including wage policy in the jute industry satisfactory to IDA.
II. Reduce excess capacity.	Four public mills closed and one other downsized to reduce capacity in the public sector by at least 2,000 looms.	Dispose of equipment of four closed mills and equipment not required for the operation of the one downsized mill. Close the other 5 identified public mills and downsize one other to reduce capacity in the public sector by at least 2,700 looms. Dispose of equipment of the five closed mills and equipment not required for the operation of the one downsized mill.
III. Reduce excess employment.	Permanent employees in the public sector reduced by about 12,000. The number of BJMC employees reduced from 900 to 650. Tender documents for engaging an NGO to coordinate the retraining program for affected workers completed and submitted to IDA for review and comment.	Reduce permanent employees in the public mills by about 8,000.
IV. Improve production and cost efficiency.	Tender documents for engaging a consulting firm to implement training program for workers and managers in the retained mills completed and submitted to IDA for review and comments. Mandatory production and employment targets for public mills abolished.	
V. Improve regulatory framework.	Letters sent to private mills seeking their agreement to make the necessary modifications in the 1982-86 sale agreements to retract the provision which states that the GOB would have the right to intervene in the affairs of the mills.	Introduce mandatory retirement age for workers in the public sector.
VI. Restructure the jute sector debt. Restore market-based credit relationship between mills and banks.	35% of BJC debt discharged by GOB. Bonds issued to Banks. 70% of the debt of 4 closed mills discharged by GOB. Bonds issued to banks. The	GOB to discharge additional 35% of BJC debt. Issue bonds to banks. Ensure write-off of remaining 30% of BJC debt by creditor banks. GOB to discharge 70% of the debt of the 5 closed public mills. Issue bonds to banks.

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
	<p>remaining 30% will be written off by the creditor banks and instruction to this effect will be issued by GOB to the participating banks.</p> <p>Debt write-off, restructuring and interim financing program announced. Banks and mills given a date by which they must decide whether they wish to participate in the program. The announcement includes the provision that the banks will declare the mills which might decide not to participate in the proposed program, ineligible for interim financing and institute legal proceedings against them for recovering all outstanding debt under the conditions of the existing loans.</p> <p>All existing instructions or guidelines to banks on the subject of lending to the jute sector rescinded. New prudential guidelines to govern all lending banks to jute mills after January 1, 1995 completed by BB.</p>	<p>Ensure write off of remaining 30% of the debt of the 5 closed mills by the creditor banks. Similar arrangements to be completed for the 9 public mills that GOB was unable to sell and has disposed of by other means.</p> <p>Ensure that banks complete debt restructuring for all public mills to be privatized.</p> <p>Ensure that banks institute legal proceedings against all non-participating mills for recovery of all outstanding debt.</p> <p>Ensure that banks complete debt restructuring for all private mills as agreed.</p> <p>Compensate the banks for losses resulting from write-off of the debt of BJC and closed public mills and jute sector debt restructuring by issuing bonds</p> <p>Terminate all interim credit arrangements for private mills</p> <p>BB to issue new prudential guidelines to govern all lending by banks to jute mills.</p> <p>GOB to formulate methodology satisfactory to IDA for adjusting the rate of interest on bonds to be applicable in the fourth and subsequent years from the date of issuance and inform the bondholders of such methodology, and where applicable, adjust the rate of interest accordingly.</p> <p>GOB to discharge 70% of the debt of those 9 public mills GOB was unable to sell and has disposed of by other means. Issue bonds to banks. Ensure write off of remaining 30% of the debt by the creditor banks. Ensure that banks complete debt restructuring for all public mills to be privatized.</p> <p>Compensate the banks for losses resulting from write-off of debt of closed public mills and jute sector debt restructuring by issuing bonds.</p> <p>Terminate all interim credit arrangements for public mills.</p>
VII. Private public mills.	<p>Privatization Board with a clear mandate to implement the privatization programs established. Its budget approved. Its key staff appointed. Guidelines for privatization process approved.</p>	<p>GOB to offer a public mills for sale under terms and conditions satisfactory to IDA and take the necessary measures to make the mill attractive to the private sector. Maintain a macroeconomic framework including a wage policy satisfactory to IDA</p>

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
	TAPP approved and tender issued for hiring consultants to assist privatization Board to implement the agreed privatization program in the jute sector	Reduce GOB's share in total loom capacity at most 7,000 looms by privatization or other means of disposal of at least 9 mills.
	Unsold public minority shares in the private mills offered to third parties.	Reduce GOB's share in total loom capacity at most 4000 looms by privatization or other means of disposal of at least 9 additional mi
VIII. Phase out BJC	Some godowns and press houses put up for tender. Total employment reduced from 2,700 to 700.	Complete legal liquidation of BJC.

Source: Report and recommendation of the President of the International Development Association to the Executives Directors on a proposed credit in the amount for SDR 175 million to the People's Republic of Bangladesh for a Jute Sector Adjustment Credit, World Bank Report No. P-6052-BD, January 13, 1994.

INDUSTRIAL SECTOR ADJUSTMENT CREDIT II MATRIX OF POLICY ACTIONS

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
COMPONENT I: IMPORT REGULATION AND TAXATION	Commitment in principle to efficient industry, export acceleration and liberalized tariffs, in Industrial Policy 1991.	Public announcement of medium term goal of trade reform: effective protection reduced to low levels prevailing in internationally competitive developing countries (through inclusion in NTC policy guidelines)
Liberalization and rationalization of the import regime to remove controls and distorted incentives and facilitate trade and efficient production.	GOB policy to remove anti-export bias in trade regime over 5 years stated in FY93 Budget speech; agreement that this implies effective protection reduced to low levels prevailing in internationally competitive developing countries.	
A. Import Controls		
Removal of prohibitions and administrative restrictions and requirement other than reasonable controls for non-trade reasons.	Replacement of positive list with negative & restricted lists in 1985, covering many of the QRs in the IPO by 4-digit code. These lists combined as the Control List in 1989. No objection certificate introduced but removed 1991. Phased reductions, leaving 193 HS-4 codes on CL plus about 130 groups of other IPO restrictions in IPO text in June 1992. Controls on pharmaceutical inputs/packaging reviewed. GOB agreement to abolish most CL code items & IPO text provisions including passbooks & other procedures not needed for the retained controls, i.e.: a) 39 of present codes including pharmaceutical input & textile items & controls for trade reasons transferred from IPO text, retained for FY93 only, b) 54 of present codes for non-trade reasons, and c) other reasonable PS inspection/guarantee requirements codified on CL (transferred from text).	Implementation (IPO/OTS publication and public announcement) of the removal of: a) all but agreed CL items, b) all but agreed, codified IPO text items, c) passbooks, d) import functions of CCIE not needed for retained QRs, and e) permit activities of sector Ministries with consequent restructuring of CCIE/BOI/ other agencies' functions. Removal of remaining control apart from agreed non-trade requirements.
B. Tariff Structure		
Compression and reduction of rates and simplification of instruments in the protective elements of import taxation to remove bias among users/importers, industries, stages and scales of production, and direction of sales	ISE-supported rationalization during 1988-90 but maximum customs duty (CD) rate remains 150% with 200-350% for 12 luxury prod-groups; development surcharge (8%) & regulatory duty replaced by 10% increase in most CD rates below 100%, and a few exemptions/concessions removed in 1991. GOB approval of FY93 steps towards and FY94 rules for rationalizing CD/LF/AIT schedules: a) CD as the only protective instrument in import taxation (VAT/SED trade-neutral);	Implementation (by OTS publication) of agreed LCA/permit fee & AIT changes plus following CD rate changes: a) apart from 4 agreed prod-groups, all now above 100% to \leq 75% (most) or 100% (some), b) about half (by CY91 import value) of now at 100% to 75% or less, c) about one-quarter (by CY91 import value) of now above 50% to below 50%, including significant inputs to a) & b), d) all now below 7.5% to 7.5 or 15% except

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
	b) No user-defined CD rates; c) Eight CD levels: 0, 7.5, 15, 30, 45, 60, 75 & perhaps 100%, with <ul style="list-style-type: none"> • Zero for specified non-trade reasons, • 7.5 for specified primary inputs, • 15/30/45 for most raw/semi/final goods, • 690/75/7100 under NTC agreements, (some FY93 exceptions: see Effectiveness); d) LCA/permit fee applied as temporary revenue measures in FY93; e) Advance income tax applied to all taxpayer importers.	some agreed items at zero, e) consolidation to eliminate distinctions between users (all) & between similar products within HS-4 hdgs (most). Implementation (by OTS publication) of: a) dual CD maxima – <ul style="list-style-type: none"> • 75% for NTC-approved, time-bour industry adjustment programs (perhaps 100% in a few agreed cas) • 50% for other imports (acceptable revenue considerations permitting) b) other CD adjustments needed to make effective protection moderate for most activities, any exceptions being explicitl on the basis of NTC recommendations, c) elimination of LF.
C. Trade-neutral Taxes Development of consumption taxation to replace revenue-justified elements to protection tax instruments, and removal of protective elements in the consumption tax instruments.	VAT legislated & executed in 1991 to replace import sales tax (ST) & domestic excise duty (ED) but imposed only on imports of textiles & some other domestic products exempt; supplementary excise (SED) on a few products. GOB approval of : a) rules for SED at several rates on significant range of final goods to help offset possible revenue loss from CD decreases; b) plans for trade – neutrality for textiles (partial in FY 93)	Implementation (by OTS publication) of tra neutrality for levies other than CD/LF/AIT v satisfactory schedules for VAT, ED (for Vat except domestic textiles) and SED. Implementation (OTS) of : a) Imposition of trade neutral taxation of textiles; b) Revised SED schedule to accommodate CD reduction from 75/100/>100% to 45/60/75%.
D. Import Administration Removal of delays and discretion in customs clearance, and equitable enforcement of prescribed taxes on import.	1. Program developed for computerizing customs entry; historic data compiled for FY91 (BBS) and CY91 (NBR); daily computing fully operational in main Customs houses by 1992; FY93 revenue changes projected on basis of CY91 import transaction database; IDA – financed advisor mobilized in NBR to coordinate collection data activities. 2. Preparation made in 1990 for appointing pre-shipment inspection/ assessment (PSIA) agents; voluntary PSI initiated in 1992 and instituted on trial basis with provision for IDA/GOB review. 3. Operative Tariff Schedule (OTS) initiated; FY92 schedule prepared (but not published); draft FY93 scheduled prepared (some revisions to come).	1. Satisfactory NBR arrangements operational for reconciling assessment/receipts data, resolving discrepancies, and training NBR staff therein. 2. Satisfactory procedures and operation o voluntary PSI scheme, 3. Publication of FY93 OTS. 1. Satisfactory reconciliation of 12 months import data. 2. Satisfactory operation of PSIA scheme a) pre-qualification & contractual arrangem with GOB, b) agent's valuation prevailing over tariff values and a) Certificates including duty/tax assessments (pursuant to formal GOB/IDA review of voluntary PSI

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
<p>E. Protection Analysis</p> <p>Development of public capacity to measure, to assess, and to provide appropriate and intended levels and pattern of industry assistance.</p>	<p>Effective protection studies unit supported by 1984-86 IDA -financed Trade & Industry Policy Studies project; retained in Bangladesh Tariff Commission through FY92 but without adequate expertise.</p> <p>Decision in principle taken in 1991 to establish more autonomous, better staffed National Tariff Commission (NTC); IDA TA-V funded advisory service & study tour to help formulate policy guidelines & organization structure; Cabinet “approval with amendment” of draft legislation in May 1992</p>	<p>GOB/IDA review of voluntary PSI scheme conducted by November 1991 to determine need for such improvements).</p> <p>1. Publication of FY94 OTS.</p> <p>1. Announcement of intended NTC reform (in advance of legislation).</p> <p>2. Commencement of NTC operations with:</p> <p>a) Satisfactory policy guidelines within or approved pursuant its legislation,</p> <p>b) approved & satisfactory operating procedures, organization, staffing, budget & TA requirements and work program,</p> <p>c) assignment of staff & mobilization of T. V.</p> <p>Satisfactory operation of NTC and completion of FY93 studies/hearings/reports on:</p> <p>a) industries most affected by the tariff rationalization,</p> <p>b) “sensitive” imports now subject to QR,</p> <p>c) others agreed in setting the FY93 work program, and</p> <p>d) first annual report with general protection review.</p>
<p>COMPONENT II: EXPORT DEVELOPMENT</p>		
<p>Replacement of policy and institutional constraints on export growth by active public promotion activities</p>		<p>Implementation of agreed BEDS action plan and TA requirements for FY93-94 incl.:</p> <p>a) establishment of Cabinet Committee on Export Council, Export Assistance Fund;</p> <p>b) EPB strengthening;</p>
<p>F. Export Promotion Strategy</p> <p>Provision of an integrated strategic framework for improving and assessing policy interventions and public services affecting export development</p>	<p>Staff strengthening and ITC & USAID assistance for EPB and other export services; EPB/MOC preparation of strategy with IDA assistance.</p> <p>GOB adoption and public announcement of comprehensive Bangladesh Export Development Strategy 1992-2000</p>	<p>a) satisfactory concrete steps to re-examine regulatory environment, possibly including bans on re-export consignment sales (subject to review).</p> <p>Satisfactory implementation of further measures under BEDS.</p>
<p>G. World -priced inputs</p> <p>Removal of the effects on export production costs of fiscal</p>	<p>1. Duty drawback. – Strengthening of DEDO office & staff for improvement of DD schemes; USAID expert & equipment mobilized to help computerization,</p>	<p>Satisfactory operation of improved/expanded SBW scheme.</p> <p>1. Continued expansion & satisfactory</p>

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
instruments intended to protect domestic market production or tax domestic consumption.	<p>procedures; coordination of DD and VAT rebate procedures. Public announcement & satisfactory operation of DD schemes with:</p> <ul style="list-style-type: none"> a) "flat" DD rates set for 335 products, b) max. processing time reduced to 5 days for flat & 4 weeks for actual rate applicants. <p>1. Special bonded warehouse facilities extended to 2 non-garment firms on trial basis.</p> <p>Approval and public announcement of arrangements for SBW improvement/expansion to any industry by allowing:</p> <ul style="list-style-type: none"> a) non-back-to-back L/C credit arrangements, b) advance import of one-third of the greater of last or next annual requirements, c) duty suspension on machinery & spares (100% exporters FY93) without involvement of "sponsoring" agencies, d) relaxation of 30% VA requirement for high-value items. 	<p>operation of DD schemes including extension of flat rate coverage by 50 a month or other satisfactory number.</p> <p>2. Continued expansion & satisfactory operation of the SBW scheme, including pro-rating machinery/spares duty suspension for non-100% exporters.</p>
<p>COMPONENT III: PRIVATE SECTORE DEVELOPMENT</p> <p>Replacement of policy and procedural constraints on PSD by its active promotion within a conducive legal, regulatory and incentives framework.</p>	<p>International/local experts mobilized for Ministry of Industries (MOI) studies to:</p> <ul style="list-style-type: none"> a) identify legal, regulatory and procedural obstacles to industry (other than investment, import & export controls covered below & in import & export components); b) review of efficiency of fiscal, financial incentives for export, location, small industries, etc; c) review plans for BOI reorganization. GOB approval and public announcement of some aspects of program. 	<p>Formulation of action programs for further reforms in FY 93 (in addition to those noted below) and in early FY94, based on inter-agency review of MOI studies' findings.</p>
<p>H. Investment Controls</p> <p>Withdrawal of public monopoly and intervention in private investment decisions other than reasonable regulation for social/environmental protection.</p>	<p>In 1990, self- & private bank-funded projects deregulated, and sanction ceiling for DFIs & NCBs raised to Tk. 100 & 60 million including upto 49% foreign equity projects. Industrial Policy 1991 raised DFI/NCB ceiling upto Tk. 300 m, promised equal treatment for foreign investment, set time limits for DFI/NCB/BOI/BSCIC/BEPZA approvals, replaced the indicative/priority/discouraged investment schedules by 7 groups of industries reserved for public investment plus provision for regulated industries. Elimination of requirements for public listing-of firms with over Tk. 10 m paid-up capital and for approval of public limited companies' chief executive salary rates. GOB approval of</p>	<p>1. Revision of IP-91, including:</p> <ul style="list-style-type: none"> a) elimination of BOI/BSCIC/BEPZA oversight of DFI/NCB-funded projects of all approvals, allocations, etc. other t for the purpose of delivering incentives/services through BOI/BSCIC/BEPZA; b) elimination of requirement for approval <ul style="list-style-type: none"> • production capacity changes, and • machinery imports; c) curtailment of reserved list to allow priv investment in power & telecom. (other industries to be considered) With public announcement thereof. <p>1. Commencement of study on scope and</p>

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
<p>I. Exchange Controls</p> <p>Liberalization of the exchange policy regime to promote domestic production and facilitate international business transactions.</p>	<p>changes to be made in Industrial Policy to remove project & other approval requirements.</p> <p>1. Return to flexible management in 1991 aimed at maintaining real effective rate (REER) at its November 1998 level.</p> <p>2. Removal of requirement for approval of transactions falling within transparent BB/BOI guidelines for</p> <p>a) remittance of dividends and capital gains;</p> <p>b) local borrowing of working capital by foreign -invested firms;</p> <p>c) remittance of salary (50%) and pension contributions. Announcement of similar liberalization for :</p> <p>d) contracting, servicing & report of supplier credit & other foreign borrowing;</p> <p>e) agreements & fee remittance for technology transfer;</p> <p>f) local borrowing of term finance by foreign -invested firms;</p> <p>g) remittance of savings on expatriate employees' departure and</p> <p>h) back - to-back L/Cs against export L/Cs. Announcement of withholding tax for dividend & capital gain remittance. Announcement of 10% export proceeds retention allowance (5% for garments).</p>	<p>implementation of industrial regulation relating to environment & safety. Satisfactory implementation of further reforms including those based on study industrial regulation & review of reserve industries.</p> <p>1. Flexible management of the exchange rate to allow the exchange rate to help, in part, protect production during tariff rationalization.</p> <p>2. Satisfactory implementation of</p> <p>a) the recently announced relaxation and streamlining of exchange controls; and</p> <p>b) automatic access to foreign exchange for domestic firms' foreign training consultancy expenses. Under satisfactory guidelines</p> <p>1. Continued satisfactory operation of flexible exchange management.</p> <p>2. Satisfactory implementation of further relaxation of exchange controls.</p>
<p>J. Legal Reform</p> <p>Provision of an appropriate legal framework for modern private enterprise.</p>	<p>Study on regulatory environment commissioned by MOI revealed need for urgent attention to Laws & Legal procedures affecting business.</p>	<p>1. Satisfactory arrangements for</p> <p>a) establishment of judicial training institute;</p> <p>b) strengthening the legal drafting staff Ministry of Law and Justice.</p> <p>1. Completion of a review, and formulation & announcement of a satisfactory program of reform of business law, legal institutions, and legal and administrative procedures.</p>

POLICY OBJECTIVES	RECENT MEASURES TAKEN	FURTHER ACTIONS UNDER CREDIT
<p>K. Investment Incentives</p> <p>Rationalization of the corporate tax regime to promote private investment in productive activities.</p>	<p>Commitment under PRMAC to review direct tax structure, but without urgent attention to incentives for business and industry; study on incentives commissioned by MOI.</p>	<p>Satisfactory implementation of initial reform</p> <p>Commencement of study to prepare changes the fiscal regime affecting commerce and industry with respect to corporate tax rates, holidays, allowances and deductions, as well administration, liability and appeal.</p> <p>Satisfactory implementation of initial fiscal reforms.</p>
<p>L. Investment Promotion</p> <p>Identification and rapid removal of constraints on and disincentives for domestic and foreign investment.</p>	<p>FIAS proposals on BOI structure/ operations and UNDP/FIAS TA endorsed by BOI in 1990; revised proposals sought in 1991 by industry Secretary; new FIAS report prepared. BOI relocated in PM's office with upgraded Executive Chairman. Project document signed by GOB/UNDP/FIAS. Establishment of public/private taskforce with broad scope to form proposals on investment promotion.</p>	<ol style="list-style-type: none"> 1. Formulation of action plan following review of Task Force report. 2. Implementation of approved BOI reorganization under new mandate, appointment of qualified Board member substantial restaffing of secretariat, and mobilization of TA. <p>Satisfactory progress in BOI operations and other agreed mechanisms to promote and facilitate foreign and domestic investment in sectors of the economy.</p>

Source: Report and recommendation of the President of the International Development Association to the Executives Directors on a proposed credit in the amount for SDR 72.2 million to the People's Republic of Bangladesh for a Industrial Sector Adjustment Credit, World Bank Report No. P-5816-BD, October 2, 1992.

In Search of Unheard Voices

A Pre-Study Consultation Exercise on Structural Adjustment Policies in Bangladesh

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Bhattacharya & Titumir: Demystifying a Process

The authors would like to express their deep gratitude to more than 600 participants of the three Regional Consultative Meetings and five Focus Groups Discussions for their contribution to SAPRI Bangladesh. The cooperation extended by the NGO/civil society organizations of Bangladesh network of SAPRI in hosting these Meetings/Discussions is gratefully acknowledged. The support provided by Proshika, the lead organization of SAPRI Bangladesh, in this respect is particularly appreciated.

I. STRUCTURAL ADJUSTMENT PARTICIPATORY REVIEW INITIATIVE (SAPRI): AN INTRODUCTION

1.1 The Context

The Structural Adjustment Participatory Review Initiative, known as SAPRI, is a *global* exercise of a network of civil society organisations, the governments and the World Bank. The tripartite collaboration is geared towards reviewing the impact of adjustment lending and policy advice in selected countries. The aims of SAPRI are two folds, viz. (a) *to improve understanding of the impact of the World Bank sponsored structural adjustment policies*, and (b) *to seek ways of incorporating the participation of civil society in future policy-making*. As a forward-looking exercise, the Initiative also attempts to identify practical changes that can be brought about in policies, which may lead to significant improvements in people's lives. The Initiative has been developed in a participatory fashion through consultations between the SAPRIN Steering Committee and a World Bank team. The Structural Adjustment Participatory Review Initiative Network (SAPRIN) is a network of about 1200 civil society organizations including major trade unions, peasant organizations and NGOs around the world.

The origin of the SAPRI may be traced back to June 1995, when the Bank's new President James Wolfensohn met a group of US and international NGOs to listen to their concern about structural adjustment programmes (SAPs). The group maintained that the SAPs had been detrimental in many ways to developing economies, particularly disproportionately hurting the poor and reducing the local productive capacity. It was also emphasized that local information had not been adequately tapped in the adjustment planning process. The meeting resolved that the NGOs would submit a proposal for a forward-looking joint Bank-civil society review of the SAP experience. After reaching out to a large number of civil society organizations from South and North, the NGOs submitted a proposal for joint review to the Bank in December, 1995.

The Bank and civil society organizations began discussion in March 1996 to decide on SAPRI's objectives, approach, general methodological guidelines, and country selection criteria. For co-ordination of SAPRI activities, a joint steering committee has been set up, with the Development Group for Alternative Policies (DGAP) as the SAPRIN's secretariat and the Policy Research Department as the World Bank's secretariat.

The SAPRI was formally launched at the *First Global Forum* in Washington DC at the World Bank Headquarters on July 14, 1997. Initially, governments of *seven* countries agreed to participate in the process. The countries are: Bangladesh, Ecuador, Ghana, Hungary, Mali, Uganda and Zimbabwe. Later, four more countries, *viz.* Canada, El Salvador, Mexico and the Philippines joined the Initiative.

1.2 The Design⁸

A *national steering committee* comprising the NGOs/civil society, the government and the Bank has been set up in each country and the country under review will co-ordinate the exercise. The country case-study approach adopted by the joint global steering committee envisages investigating the effects of the adjustment through:

- (a) organization of public fora;
- (b) field investigation into impacts of selected policies; and
- (c) summarisation of existing literature on adjustment in the country concerned.

As per the design of SAPRI, the (joint) national steering committee is to finalize two or three most important themes out of a preliminary short list prepared by the civil society organizations. With a view to identifying the key issues under each of these themes, a broad-based consultation with the disadvantaged stakeholders was considered essential. Finally, the issues are to be discussed at the *First National Forum* for confirmation.

Following the First National Forum, field investigation (also having a strong emphasis on participatory approach) is to be conducted to resolve differences in understanding between the Bank, governments, and civil society on the endorsed themes. The results of the investigations are to be combined with existing analysis of the adjustment programme and discussed publicly in a *Second National Forum*. The national steering committee is to summarize the outcome of this process in a final report, which is to be placed in the *Second Global Forum*.

The Issue of Participation. The *participatory nature* of SAPRI possibly distinguishes it from many other earlier attempts to understand the impact of SAPs.

From the inception of SAPRI, both the Bank and the NGO/Civil Society (CS) network have underscored the critical need for involving the government in each participating country as a full partner in the review process. It was agreed that SAPRI

⁸ This section draws on the Project Description of the Structural Adjustment Participatory Review Initiatives prepared by the Global Steering Committee, SAPRI, Washington D.C., July 9, 1997.

would only be held in countries whose governments would give their approval to the review.

The civil society network has expanded to include about 1200 organizations/groups from the original group of mainly US NGOs that met the Bank President. In July 1996, the network, SAPRIN, set up a Steering Committee including representations of both Northern and Southern organizations. The representation of civil society at the country level has been determined via broad, inclusive selection process led by local organizations.

For ensuring a widespread participation at the country level, an elaborate methodological approach was followed. The SAPRIN secretariat contacted an organization in each country to convene a meeting or a series of consultations, involving the relevant and major organizations of the local civil society, and, thus, extending well beyond its own immediate network. The focus was to be on such entities as labour unions, small-farmer associations, small and medium-scale business organizations, and women's organizations, indigenous peoples' organizations, religious, environmental and youth groups, as well as other people's organizations that have been affected by the local adjustment programmes and those local NGOs working with them. Collectively, these organizations are expected to represent a broad cross-section of the civil society in the country, although *a strong preference was given to the popular sectors, organizations and groups those have consistently been left out from providing input to the formulation of adjustment policies*. The consultative meetings were to set up a National Steering Committee and select a lead organization in every country to act as the secretariat.

The World Bank's staff participates, together with SAPRIN team members, in the global SAPRI Steering and Technical Committees. Similarly, at the country level, staff of the country offices of the World Bank are members of the National Steering and Technical Committees.

Public Fora. The SAPRI concept attaches high importance to the need to hold a series of public fora (both at national and international levels) backed up by a wide-range of exchanges with the stakeholders, to guarantee that a broad range of civil society groups participate in the review exercise.

The launching of the exercise is to take place at the *first* international meeting while the *second* one is to be held at the end process to allow the discussions on the global findings and recommend actions. In the same vein, each country is to organize two national public fora – the *first* to bring civil society representatives to discuss their experiences with adjustment, and the *second* to deliberate on the findings and policy recommendations from the field investigation and other analysis.

Field Work Methodology. A Global Technical Committee (GTC), comprising of the World Bank staff and representatives from SAPRIN, decided that each country team should choose the specific policies and hypotheses for analysis in their own country, rather than establishing a set of hypotheses to be tested in all of the participating countries.

The GTC, however, agreed on several general guiding principles. *First*, the field investigations will have a strong participatory element to ensure that the targeted population can contribute fully to the understanding of the effect of a certain policy. *Second*, both qualitative and quantitative types of information will be gathered in the field investigation and compiled from existing sources for an overall analysis. *Third*, the investigation will aim to trace the linkages between macroeconomic policy and micro effects by taking into account such factors as intervening institutions, markets, and implementation processes.

Output. After incorporation of views expressed in the envisaged Second National Forum, each country will produce a *National Report*. Summaries of the country work and the process of consultations will be put together in a *Global Report*. The Global Report will contain an evaluation of the process and methodologies used in each country, a series of findings on the policies investigated, recommendations for policy actions and further studies, if necessary.

Funding. The SAPRI is funded by grants from the Norwegian, Swedish and Dutch governments, as well as from various private sources, including the Charles Stewart Mott Foundation.

In order to ensure the reality and appearance of independence of action, no World Bank funds are utilized towards the civil society part of the exercise. The Bank is, however, going to support part of the field research related expenses. Incidentally, those funds of the Bank are also to come from the globally generated amount from the above mentioned donors.

1.3 The Implementation Plan

In fine, the SAPRI's implementation plan has *four* phases. Each phase entails several steps – some of which are ongoing, the others are already implemented, and the rest will be implemented in future. Given the global nature of the operation, the implementation plan presented below depicts a standard format prepared by the SAPRIN. As we will see later, SAPRI Bangladesh is currently executing *Step 8* under *Phase III* of the schedule elaborated below.

Phase I: Preliminary Implementation

Step 1: *Country Selection.* The countries were selected on the basis of country selection criteria.

Step 2: *Formation of Civil Society Committees.* Civil society organizations met and selected representatives to conduct and participate on national steering committees in each country.

Step 3: *Formation of National steering Committees.* Representatives of civil society, the Bank and the governments formed the national steering committees.

Step 4: *Selection of Issues by the National Steering Committees.* The national steering committees met to choose two or three policies for examination once civil society had produced the list.

Step 5: *Identification of National Technical Team.* Guidelines for and agreement on a national technical team were set by the National Steering Committee.

Step 6: *Compilation of Available Data on Country Adjustment Policies.* The World Bank team will compile a short summary of policies implemented, general statistics on macroeconomic and social welfare variables, data from existing household surveys, and any other data requested. This paper will be submitted to each National Steering Committee before the First Global Forum.

Phase II: First Global Forum

Step 7: *First Global Forum.* Spreading over three main sections, the first global forum featured public presentations and discussions among Bank, Government and civil society leadership on the rationale of SAPRI. This was followed by a workshop on field methodology. The final session focused on roundtable discussions of the issues selected for field investigation.

Phase III: National Level Fora and Investigation

Step 8: *First National Forum.* The National Forum will be organized to learn from adjustment-related experiences and analysis of the representatives of civil society. The Forum will set the course for the field investigation.

Step 9: *Field Investigation.* Field research design will be finalized within a month of the first national forum, and the field investigation will be conducted over a four to six month period.

Step 10: *Second National Forum*. Findings and policy recommendations will be presented and discussed in a second national public forum. A final country report that contains the findings and recommendations will be presented and discussed at the Second Global Forum.

Phase IV: Second Global Forum:

Step 11: *Second Global Forum*. Findings at the country level and policy recommendations will be presented and discussed at the second global meeting. The findings will be incorporated in a global report on SAPRI's findings, along with lessons learned and recommendations for modifications in adjustment policies.

II. THE SAPRI PROCESS IN BANGLADESH: AN ACCOUNT

2.1 Commitment of the Government

The Government of Bangladesh (GoB) expressed its commitment by way of agreeing to participate in the country review process. The government's interest in SAPRI is guided by its concern about the welfare of the people, and as such it places importance to know how adjustment policies affect the well-being of the disadvantaged sections of the society. The GoB's stated policy in this regard says that the reform measures being implemented in the country must enjoy the support of the people for whom they are intended. The government feels that learning about the impact of the past reform policies can be an important input in making the current policies more effective in achieving the country's overriding economic objective, i.e. poverty alleviation. In this context, the GoB reckons the initiative of SAPRI as a useful venture.

The Government of Bangladesh maintains that economic policy making by building consensus through consulting broad societal groups, and, thus enlarging the constituency for reforms, is one of the cornerstones of its economic governance. As the concept of SAPRI also underscores the participation of the people in the socio-economic policy process, the GoB finds the envisaged exercise consistent with its declared policy approach. During its participation in the First Global Forum, the GoB delegation also reiterated this view.

The high profile presence of the GoB representatives in the SAPRI Bangladesh Steering and Technical Committees, as well as their active participation in SAPRI activities bear testimony to the government's commitment to the process.

2.2 Mobilization of the Civil Society

The SAPRI Bangladesh has evolved over the last one-year and a half through a process of consultation and joint activities. Proshika, a leading NGO of Bangladesh and a member of global SAPRIN, has shouldered the burden of bringing together the relevant organizations and individuals in Bangladesh for the purpose.

Following a series of informal contacts, two meetings, held on 24 May and 10 June 1997, attended by a cross-section of the civil society, led to formation of a 17-member SAPRI Civil Society/NGO Steering Committee and a 6-member Technical Committee. Later, two members were co-opted in the Steering Committee to ensure better balance in representation. The NGO/CS Steering Committee has been formed to include as many active civil society groups as possible, including four representatives from trade unions of different political viewpoints, one unorganized sector representative, one agriculture union representative, one farmers' association representative, two chamber representatives, one small producer representative, one representative from women's organizations, one representative of the media and two research economists. The Bangladesh SAPRI Steering Committee also includes three representatives from NGOs. Proshika was given the responsibility to work as the secretariat of SAPRI Bangladesh.

The Civil Society/NGOs began their work under SAPRI by initiating the process of identifying the priority issues that they would like to see being addressed. Two broad-based meetings in this regard were held on 21 June and 6 July 1997. Subsequently three priority issues, viz. (a) trade and industrial policy reforms (b) agricultural policy reforms and (c) fiscal restructuring, were tentatively identified.

On July 8, 1997, the representatives of the GoB and the World Bank met with the NGO/CS Steering and Technical Committee to form the SAPRI Bangladesh Steering and Technical Committees.

During 14-18 July, 1997 representatives of the three partners participated in the First Global Forum. Ms Khushi Kabir and Mr. Mahbubul Karim, both members of the Steering Committee, spoke at the global Forum on the experience of the SAPRI process in Bangladesh. Dr Debapriya Bhattacharya, a member of the Technical Committee, presented the priority issues.

Between August, 1977 and April, 1998, SAPRI Bangladesh Steering Committee met for a number of times to chalk out its future course of action. Finally, a joint meeting of the SAPRI Bangladesh Steering Committee and Technical Committee held on May 14, 1998 approved a three-stage work plan. It also discussed the modalities of the Regional Consultative Meetings, Focus Group Discussions and First National Forum.

A joint meeting of the SAPRI Bangladesh Steering and Technical Committees held on July 24, 1998 reviewed the progress of Regional Consultative Meetings (RCMs) and deliberated on the ensuing Focus Group Discussions (FGDs). Three RCMs were held in Chittagong, Rajshahi and Khulna, in which farmers, labourers, agricultural workers, NGO workers, teachers, women activists, professionals, small traders, trade union activists described their experiences and voiced their concern on adjustment issues and engaged themselves in the participatory forum to identify the research agenda.

On September 28, 1998 a joint meeting of the SAPRI Bangladesh Steering Committee and Technical Committee reviewed proceedings of the four FGDs and approved the programme of the First National Forum. The four FGDs with small producers, farmers, women and industrialists benefited from the exchanges on their experiences with the adjustment policies. On September 15, the final FGD with the labourers was held, which was shifted earlier as the recent flood had hit most of the labourers in the country.

The issues raised at the three Regional Consultative Meetings and five Focus Group Discussions have been discussed in the subsequent chapter.

2.3. Role of the World Bank

Faced with the new realism and change in leadership, the World Bank started to consider participation as a mandatory aspect of its lending programme and thus began interfacing with the civil society. Against this backdrop, its new President James Wolfensohn agreed to embark on SAPRI 'with an open mind'.

As part of the exercise, the World Bank has put together teams for each participating country. In Bangladesh, the Country Director is a member of the Bangladesh SAPRI Steering Committee, while three members of its Poverty Reduction and Economic Management Network represent the Bank in the Technical Committee. Members of the World Bank's country office (including its Country Director) participated in all meetings of the Steering Committee. The World Bank officials attended the Regional Consultative Meetings and Focus Group Discussions (excepting one) in which they stated the importance put on SAPRI by the Bank and underscored the need for participation of the concerned civil society organizations in policy making. The Bank expects that SAPRI Bangladesh will be able to identify practical and necessary changes in policy, which may improve the lives of the common people.

Following the guidelines laid down in the globally agreed Standard Operating Procedure (SOP), an Information Disclosure Agreement was signed with the World

Bank Country office, under which the Bank has been providing documents to the study team relating to structural adjustment and sectoral adjustment loans.

During his Bangladesh visit, James Wolfensohn met the members of the SAPRI Bangladesh Steering and Technical Committees on October 17, 1997. At the meeting, lively exchanges centred on issues such as the Bank's own evaluation of the SAPs implemented over the last one and half decades; deepening indigenous ownership over the reform process; effectiveness of the reform initiatives; etc. The deliberation exceeded Bangladesh to draw upon cross-country experiences.

III. THE PRE-STUDY CONSULTATION EXERCISE : A BRIEF

3.1 The Consultations

Prior to the first National Forum of SAPRI Bangladesh, three Regional Consultative Meetings and five Focus Group Discussions were organized. The RCMs and FGDs were aimed at recording the adjustment-related experiences of a broad cross-section of the civil society and determining the issues for framing the research agenda. Usually spreading over three business sessions, the consultations sought to capture the 'unheard voices' of the disadvantaged sections of the civil society on key adjustment issues, and the issues which they wanted to be addressed through field research on priority basis. Three one-day Regional Consultative Meetings were held at Chittagong, Khulna and Rajshahi (headquarters of three of the country's four greater administrative regions). Four of the five Focus Group Discussions were organized in Dhaka, while the fifth was arranged at Narail.

The SAPRI Secretariat at Proshika provided necessary back-up in organizing these meetings and discussions.

Regional Consultative Meetings

The *first* Regional Consultative Meeting held in Chittagong was organized by a local organization, Community Development Centre (CODEC) on Monday, 6 July 1998 at the Conference Room of the Chittagong Chamber of Commerce and Industries. A total of 41 participants, including representatives of 33 local organizations of varied compositions attended the meeting.

The local body of the Nijera Kori arranged the *second* RCM at the Khulna City Corporation Auditorium on Monday, 13 July 1998. A total of 94 locals including representatives of 33 grassroots organizations of the region participated in the RCM, making it a forum of diversity. The participants included farmers, labourers, agricultural labourers, NGO workers, teachers, women activists, doctors, lawyers, small traders, trade union activists, etc.

The Rajshahi Chapter of the NGO apex body, Association of Development Agencies in Bangladesh (ADAB) organized the *third* day-long RCM at the Caritas Auditorium in Rajshahi on Monday, 20 July 1998. Out of 87 participants of the RCM, 61 were from local organizations — representing entities such as labour unions, small farmer associations, women's organizations, environmental and professional groups as well as NGOs and prominent individuals — who attended the meeting aimed at assessing the experience with adjustment policies.

Focus Group Discussions

On Wednesday, 26 August 1998, the *first* Focus Group Discussion of SAPRI Bangladesh was held to discuss the impact of SAP on Bangladesh's women. Organized by the Nijera Kori in collaboration with a number of women groups/organizations, the FGD was held at the Auditorium of Women Voluntary Association in Dhaka. Participants, 30 in number, ranged from housewives to labourers, small traders to farmers, university teachers to politicians.

The *second* Focus Group Discussion was devoted to the peasants and agricultural workers and was held at Narail Town Club on Sunday, 30 August 1998. 71 locals representing almost every sector involved in agriculture and rural economy attended the FGD, organized by the Bangladesh Khetmojur Union. They expressed their views on the policy changes, which are affecting the viability of their livelihood.

The National Association of Small and Cottage Industries of Bangladesh (NASCIB), an apex body of the sector, arranged the *third* FGD with the entrepreneurs involved in the informal activities at the capital's Karmajibi Mohila Hostel Auditorium on Wednesday, 2 September 1998. Eighteen entrepreneurs, representing various sub-sectors including handloom, leather and footwear, rubber and plastic, handicrafts, engineering and electrical industries dwelt on the effect of adjustment policies on their enterprises.

On Thursday, 3 September 1998, the Bangladesh Chamber of Industries (BCI), a leading trade body of the industrial entrepreneurs, arranged the *fourth* FGD discussion with its 18 members, each representing a sub-sector, where an exchange on issues related to trade and industrial policy reforms took place.

The first round of Focus Group Discussions before the first National Forum ended with holding of the *fifth* of this kind with labourers at the conference room of Centre for Policy Dialogue (CPD) in Dhaka on Thursday, 15 October, 1998. A total of 44 representatives of workers drawn from various sub-sectors voiced their concerns at the FGD not only on issues related to privatization, but also on the prospect of industrialization in Bangladesh in the context of implementation of SAP.

3.2 The Format of Consultation

The Presentations

The consultations usually began with an introduction to the SAPRI process, followed by the participants' own analysis of the effect of policy changes. Finally, attempts were made to prioritize the issues raised for the field investigation.

The participants were presented, generally by the Study Team Director, with the global and national context, in which developing countries contracted to the World Bank and IMF soft but highly conditional loans. After providing an illustration of the SAP package and a background that led to the launching of the Initiative, the participants were briefed about the scope, objectives, national and global structure, and the process of implementation of SAPRI. It was underscored that SAPRI sets out to give a voice to those sections whose opinions have not been heard traditionally. They were also informed of the methodology of the SAPRI exercise.

In every meeting it was stressed that, unlike other studies (on SAP), the SAPRI was fundamentally a participatory exercise, in which members of the civil society would set the themes and issues to be investigated and hypotheses to be tested in the field. Thus an open, interactive and effective participation was emphasized and invited.

Resource Documents

Prior to each RCM along with the invitation letter, five resource documents in *Bangla* were distributed for enabling the participants to involve themselves effectively in this innovative process of evaluating structural adjustment. The documents produced and distributed are captioned in the following fashion:

- (a) SAPRI: Background, Process and Its Importance
- (b) Structural Adjustment Policies and Bangladesh
- (c) SAPRI Activities in Bangladesh
- (d) World Bank's Country Assistance Review

(e) Themes and Issues of SAP for Field Investigation

For each of the FGD, four resource documents, based on key issues raised at the Regional Consultative Meetings, were prepared.

The documents supplied to the FGD participants are captioned as follows:

- (a) Structural Adjustment and Women
- (b) Small and Cottage Industries and Structural Adjustment
- (c) Structural Adjustment and Agricultural Sector
- (d) Trade and Industrial Sector Reforms

3.3 The Overarching Concerns

The constructive engagements which took place at the RCMs and FGDs allowed for exchanges between a varied composition of participants — drawn from every side of the spectrum — on their experiences about the effect (impact) of adjustment policy related changes. The major opinions expressed in these meetings and discussions have been summarized below.

It is a Myth!

It is a commonly held perception in the policy-making quarter that general masses are unaware of the on-going policy changes, especially those taking place under the broad category of ‘structural adjustment.’ But, the common people’s participation in the pre-study consultative exercise of SAPRI Bangladesh revealed that such perception is a myth. Rather, these people turned out to be quite knowledgeable in their respective areas and could competently express their own views, ideas, and, at times, solutions. In fact, they could also identify inter-relationship of economic variables and distinguish between private and social gains. In the event an enabling environment could be created, like those of SAPRI consultative meetings/discussions, the common people, especially the poor and the marginalized, speak their own mind and voice their concerns which go beyond the anticipated questions. Their wisdom often surpass the conventional insights.

Scepticism about SAPRI

Almost in all the RCMs and FGDs, the participants raised issues about the commitment of the World Bank to SAPRI, composition of SAPRI Steering Committee, tenure of SAPRI, prospect for incorporation of recommendations in the future policy-making of the Bank, etc.

The most frequently asked questions pertaining to the World Bank were: How willing is the Bank to listen to the recommendations derived out of SAPRI? Will the results be taken seriously? Will the study merely be shelved and ignored? Is there any guarantee that the Bank would incorporate the findings of SAPRI in its future policy making? Is this initiative designed to legitimize the Bank’s policies or there is scope to discuss the basic (fundamental) premises of SAP?

Regarding SAPRI itself the questions were: Is SAPRI a discrete project or is it instituting a new system of policy formulation? How was the Steering Committee formed? The Steering Committee being capital centred, would it adequately reflect the concerns of the rural areas?

IV. ISSUES RAISED AT THE CONSULTATIONS: A REVIEW

4.1 The Cross-Cutting Issues

The SAPRI Bangladesh Steering Committee identified three cross-cutting issues to address under each of the themes selected for field investigation. These were *poverty*, *women* and *environment*. Besides, putting their weight on these three, the participants in Regional Consultative Meetings identified *corruption and violence* as the fourth cross-cutting issue. They wanted to see these four aspects addressed specifically under each of the broad themes of research.

Impact on Women

The female participants in the FGD opined that trade and industrial policy reforms have impacted negatively on women. It was mentioned that women were retrenched at the first instance. The retrenched women workers said that they are yet to find alternative employment. In case of retrenchment of male members of the household, the participants opined that primarily the women had to bear the brunt of loss of job, as they need to find ways to replenish the lost income. The women participants emphasized that although export led industrialization had created huge job opportunities for women, there existed a high degree of wage differentials, favouring the male workers in similar jobs. They also observed that the working environment in the readymade garments units was not congenial to women, especially for those having children. The participants said that these industries hardly employ any women having children.

As regards agriculture, the participants opined that liberalization of input delivery had declined the profitability of agriculture, which in turn is affecting women as the manager of the household. The participating women criticized the agricultural pricing policy stating that the withdrawal of subsidies, abolition of statutory food rationing and reduction of government's food procurement and storage have contributed to an increase in food price, resulting in negative impact on the households' income and consumption.

As managers of the households, women, especially the poor ones, are finding their families deprived of basic social sector services because of the reduced role of the public sector, imposition of users' charges on social services and increased

reliance on the private sector. The female-headed households, amongst the poor, are being hard hit by the reform, they maintained.

Employment, Real Wages, Devaluation

There was an overwhelming consensus at the FGDs and RCMs on the deteriorating employment situation. The participants observed that the reform measures had failed to increase employment, rather unemployment has increased unabated. They observed that wages of both skilled and unskilled workers in agricultural and industrial sectors could only sustain a sub-human living standard. They mentioned that the Bank's predication of an increase in productivity and wages as result of pursuance of market oriented policies has turned out to be false.

Participants also observed that frequent devaluation of the country's currency had adversely affected the purchasing power of common people by fuelling inflation.

Ownership of the Reform Agenda

The participants of the RCMs and FGDs were of the view that the current reform agenda lacks socio-political legitimacy. As regards to the ownership of the reform agenda by the political parties, the participants observed that the parties while in opposition have voiced their criticisms, and while in government, privately, they have expressed their 'helplessness' in the face of the Bank 'imposed' policies. It was a unanimous view that policies, tailored to the 'country-society-time-people', should be designed organically by the politicians of the country with assistance from indigenous knowledge and expertise.

Issues related to Governance

The majority of the participants in various meetings was in favour of investigating how miss-governance has impacted on the macro management of the economy and well-being of the population. They also highlighted the paramount need for administrative accountability and transparency. According to them, the bureaucracy is hindering the development of the country since the accountability of bureaucracy is conspicuous by its absence. Some participants stressed the importance of political stability and also questioned the integrity of the politicians.

Need for paradigmatic shift

Some participants pointed out the prevailing asymmetry of power in economic, political and international affairs. They also highlighted the unequal features of the international trade regime, reinforced by the policies of the developed countries and multinational enterprises. They also criticized policies of the Bretton

Woods Institutions (BWIs) which, according to them, usually favour their rich pay masters. These participants maintained that failure to achieve the projected target as expressed by the BWIs while initiating SAP invalidates the entire paradigm of 'adjustment'. They contended that the sectoral problems were derivatives of the crisis of the paradigm itself and they called for a radical shift.

4.2 The Sectoral Issues

The participants at the Regional Consultative Meetings and the Focus Group Discussions broadly endorsed the three broad themes of research proposed by the SAPRI Bangladesh, Steering Committee, viz. (a) implications of trade and industrial policy reforms, (b) impact of agricultural policy reforms, and (c) consequences of fiscal restructuring on the social development.

Specific issues of concern raised during the consultation exercise with respect to each of the themes have been discussed below.

Trade and Industrial Policy Reforms

The participants, particularly entrepreneurs and workers, in all the RCMs and FGDs underscored the need for developing a sound industrial base in Bangladesh in order to meet domestic demands and create employment. They were in favour of articulating a home-grown industrial strategy, capable of guiding a process of industrialization tuned to achieving strategic self-reliance. Criticizing the process, pacing and sequencing of liberalization of the trade regime in Bangladesh and the imposition of it without adequate consultations with the stakeholders, the participants noted the adverse impact of such policies on the competitiveness of indigenous products. Recognizing the need for developing the export sector in the context of global realities, they nonetheless, pointed out the inadequacy (limits) of exclusive emphasis on export-oriented industries. The participants also voiced strong opinions regarding the privatization process.

- *Indigenous industrialization strategy and effectiveness of privatization and liberalization:* The necessity of having a developed industrial base was strongly stressed. The participants contended that the country's industrial base was being destroyed through the process of liberalization and privatization at the instance of the Bank. They cited the incidence of incremental increase in lay-offs and industrial sickness in favour of their arguments. They also pointed to the phased adoption of liberalization policies by the neighbouring countries, which reduced tariffs only when their industrial produces could face the competition. Criticizing the process of privatization, they added that the industries were being sold at 'knock down prices', and most of the privatized mills have failed to remain operational, resulting in joblessness.

- Privatization is not the only solution:* The participants were of the opinion that privatization of the state-owned enterprises (SOEs) were not *the* solution as expounded by the BWIs. They said that the thrust of the policy should not be on change of ownership, rather policies should be designed on the basis of operational efficiency, dynamism of the entrepreneurs and prospects of employment creation. In the FGD, the workers placed cited comparative performance statistics to refute the view of the Bank that the privatization is *sine qua non* for enhancing efficiency. Referring to the recent pilot exercise conducted by the Dhaka Water and Sewerage Authority (WASA) and the Power Development Board (PDB), the workers claimed that the performance balance sheet rejects the Bank's perception of relating efficiency to private ownership. Regarding the bill collection contracting-out by the water provider, the focus group was informed that the authorities leased out one zone out of four to workers and contracted out another to a private contractor, while the rest was retained by the organization for a year on pilot basis. They revealed that the system loss was brought down to 36 per cent by the WASA employee-managed project, while the loss went further up to 54 per cent from the average pre-contract out system loss of 51 per cent in the private sector managed zone. The loss came down to 49 per cent in the two Dhaka WASA managed zones. But, the Dhaka WASA employees were surprised by the authorities' decision to extend the private party's contract instead of awarding the zone to the employees as had been agreed earlier by the management. The authorities changed the decision, according to the employees, at the dictate of the World Bank, which yielded to intensive lobbying by the private contractors. The workers found further testimony to their hypothesis, when almost the same thing was repeated in Power Development Board, in which achievement of the employee-managed project exceeded the target while the private contractor's performance was below the target as fixed on the contracting out-deal. The workers claimed that they would have made further progress, if they were provided with incentives that were dished out to the private contractors. Regarding railways, the workers portrayed the failure of the private sector operated lines. The participants informed that being unsuccessful, some of the private operators revoked the operation while some had applied for review of the contract as they failed to earn pre-contracting revenue. The workers also cited statistical evidence to their credit and pointed out that during the post-independence period a large number of SOEs earned profit.
- Anguish toward received wisdom:* The participants in the consultation process challenged the conventional wisdom, which prescribes privatization as the sole model of efficiency enhancement. The workers asserted that the dreary performance of the privatized units substantiated their argument that privatization is not the panacea. The participants, especially the workers, questioned the text bookish stance of the economists and called for a thorough enquiry and new

thinking on the basis of revealing ground reality. According to them, the economists' quest should not be limited to, but go beyond privatizations. Accordingly, the suggestions for changes must be designed not only to deal with the symptoms, rather to wipe out the root causes.

- *Privatization or destruction of the industrial base:* Questioning the fundamental position of the World Bank, some of the participants were of the opinion that the policies that the Bank had been advocating to the successive governments were not aimed at widening the industrial base of the country as evidenced by increasing closures of thousands of manufacturing units of varied size. According to them, the Bank had been interested in industrialization, it would have diagnosed the real problems and undertaken strategic planning based on a vision, instead of imposing the 'just privatize' policy of the government. If the Bank was serious about Bangladesh's industrialization, it would have opted for a high-powered Board or Commission for industrialization rather than forcing the government to set up the Privatization Board, they added. According to the participants, industrialization should increase employment, not to make people redundant; but people were being forced out of employment in Bangladesh at the instance of the Bank.
- *Imposition of projects and introduction of consultancy bribery for 'reform minded bureaucrats':* Citing examples, some of the participants revealed that the Bank on a number of occasions had imposed *projects* on the country. Even the senior bureaucrats, whose integrity was questioned by some of the participants, have shown reluctance to these projects because of their marginal relevance; these schemes were undertaken due to cross-cutting conditionalities placed on other projects by the international financial institutions. According to some participants, the Bank has established cronies within the bureaucracy. After retirement, according to them, these 'reform minded bureaucrats' are being gifted with consultancies. The degree of these kickbacks, as they put it, depends how best the bureaucrats had served the Bank during their active services in government, they asserted. They cited some examples.
- *Characteristics of the entrepreneurial class:* The entrepreneurial class in Bangladesh was considered to be of mercantile nature. Some of the participants depicted the buyers of the privatized entity as anti-people, overnight wanting to appropriate riches. They went on to show specific examples of how the buyers or present day industrialists had employed corrupt means in accumulating their wealth. The participants questioned their motive: how could one expect dedication towards industrialization from them, given their wealth accumulation process. The workers stated that many of them had been excited when they learnt about denationalization as they were frustrated with the government appointed inefficient and corrupt managers of the SOEs during the post-independence period. But, with experience they have concluded that privatization per se does not

help, rather it is motive (nature) of the entrepreneur is one of the key factors in advancing industrialization.

- *Transparency and selective disclosure of information:* The workers opined that the World Bank burdened the public with false information, often even fabricated, to malign the workers' image, an example being the Bank-sponsored advertisements issued by the Privatization Board. According to the workers, portrayal of the workers by the Bank as villains in Bangladesh's industrialization is one-sided as the Bank had never provided the public with information about the strides made by workers in the utilities and other industries. The participants also opined that there is hardly any transparency in the industrial relations involving the Bank, government and workers.
- *Limits of export-oriented industries:* Referring to the presentation of the ready-made garments sector as the success of the export-led industrialization strategy, the participants observed that people are being fooled by its apparent success. The FGD participants compared the workers' prevalent situation in the country's garments factories with that of slavery. Some held that the garments sector in the country is buoyant because of the characteristics of international finance capital, which move to sectors from which it could suck in maximum profit, exploiting labourers. The participants described how the owners were violating existing labour laws and depriving the workers of their statutory rights and privileges. They found the Bank's silence in this regard very surprising.
- *SOEs' loss, services and workers' responsibility:* The workers vehemently opposed the notion that the labourers or their so-called militancy were responsible for the losses of the state-owned enterprises (SOEs). Denying the accusation, the participants said that it was them who put forward several proposals to the government for making up for the losses. One of the many examples the workers' leaders cited was that they entered into an agreement with the government at the risk of losing their constituency that ten best performing jute mills would be selected, five each from the public and the private sector. The government is to only finance the difference between the average cost of production of these ten mills and the world market price. But, to their surprise, the government has been financing at actuarial, which had led to accumulation of debt to a mountainous proportion on the one hand and allowed the management to be as inefficient as one could be, on the other. On the question of the so-called poor services provided by the nationalized commercial banks (NCBs), the workers reacted sharply. Giving the comparative statistics of work load between NCBs and private banks, one participant quipped that the amount of vouchers a large branch of Sonali Bank processes would surpass all the activities of three to four private banks taken together. They also said that they had to do many non-banking activities, like the bill collection of utilities. Refuting the World Bank's portrayal of private banks as

efficient, the participants argued that the proportion of non-performing loans in private banks is much higher than that of NCBs.

- *Management failure:* The workers attributed the failure in country's industrialization and physical infrastructure to the inefficiency of the management and increase in superstructure-laden bureaucracy. They blamed the Bank's one-eyed policy under which they were suggesting only retrenchment of workers, while turning a blind eye to the increase in top-heavy administration. The workers found the Bank's policy in favour of decentralization as an eye-wash. Giving examples of railways and NCBs, the workers informed how the top echelons were increased manifold, while the main workforce had been trimmed.
- *Lack of credit, technological and marketing support:* The participants expressed that adequate incentive structure including availability of credit, technological and marketing support is required for facilitating the process of industrialization
- *Questionable privatization process and increase in default loan due to excessive emphasis on privatization:* Most of the participants expressed strongly adverse opinion about not only privatization, but its process as well. They felt that the mills were bought at throw - away prices by borrowing money from the banks. After acquiring the mills, the new owners have been retrenching workers and selling land and other assets, and at one point of time, they were either declaring the industry sick or closing down the operations. According to them, the current process of privatization is increasing the amount of defaulted loan. Contesting the arguments of the World Bank, some participants made their observation using the jab that the Bank's policy of privatization was like prescribing to chop off the head as the cure for the headache.
- *Misuse of industrial loans:* The participants commented that industrial loans were being rampantly misused. The issue of loan default and the Bank's apparent soft tone regarding big defaulters in comparison to other conditionalities came under fire during deliberations.
- *Closure of privatized SOEs:* The participants observed that the SOEs were running, though at a snail's pace, but after privatization a good many of them had been laid off by the new owners.
- *Reduction of tariff, dumping price and countervailing duties:* The industrialists in the focus group discussion said that the reduction of tariff had opened the floodgate of imports, thwarting the nascent industrial base of the country in the face of uneven competition. They also cited examples of dumping products by the foreign companies at the usual low prices in order to capture markets. They also pointed out how the industries were being adversely affected due to countervailing duties imposed on the raw materials in the backdrop of the high dependence of the country's industrial bases on imported raw materials.
- *Unfavourable tax structure for local produces:* The participants in the FGD criticized the tax administration and examples cited of how prevailing tariff rates

discriminate against the import of raw materials and capital goods vis-a-vis the finished goods. They also showed high reservation about the process of collection of value added tax (VAT).

- *Non-payment of retrenched workers and non-availability of alternative employment:* The participants observed that a great many retrenched workers were yet to be paid benefits of the much vaunted ‘golden handshake.’ They also pointed out that the retrenched workers were not finding alternative jobs.
- *Redesign of the reforms:* The workers were of redesigning in favour of the reform process, in which a strategic vision with its locus on increasing industrialization would be the guiding principle. The participants added that the very essence of the reform would be to make the sectors dynamic, employ more labourers, but just not to privatize. The participants observed that the reforms needed to be carried out in association with every stakeholder. One of the major reasons of the failure of the current reform process is, according to them, the failure to incorporate labourers in the decision-making process. They felt that every reform process must take labourers on board and give them equal partnership.

Agricultural Policy Reforms

According to the participants, infusing life into the agriculture sector can revitalize the economy of Bangladesh. They opined that rigorous enquiry was needed to find out the impact of the reform measures in order to ascertain why the profitability of the crop sector had recorded a decline. They questioned as to why a pro-agriculture incentive structure was not developed for the country’s largest private sector, while the policy of SAP espouses private sector driven growth. The polarization of land ownership was identified as a consequence of the reform measures implemented in the sector.

- *Outpacing of output price by input price:* The participants at the RCMs as well as the farmers at the FGD pointed out that the cost of production in agriculture has superseded the price that the farmers receive from the output. This they attributed the upturn in the cost of production in the post-reform era, especially the price hike of fertilizer, seed and irrigation.
- *Increased polarization and pauperization:* The farmers observed that being forced by the adverse policy climate, the small and medium scale farmers were increasingly becoming landless, giving rise to absentee landlordism and polarization of land ownership. The participants felt that unequal distribution and accumulation of resources have also contributed not only to the process of pauperization, but also to fall in productivity. They held that the colonial system of land management coupled with a rent-seeking bureaucracy have been taking a heavy toll on small and marginal farmers. Some of them also expressed their disgust about the ‘Enemy and Vested Property Acts.’ In this context they opined

in favour of land reform which would make land available to the actual cultivators.

- *Withdrawal of subsidies:* Criticizing the withdrawal of subsidy from agriculture, the participants opined that it had an adverse effect on the viability of the country's crop sector. Observing the negative economies of scale emanating from the withdrawal of input subsidies on the profitability, the participants pointed to a paradoxical situation where the prescription of withdrawing subsidies was imposed on the developing countries by the Bank and the Fund at the instance of its rich shareholders, while subsidies on the agriculture were retained in their own countries.
- *Privatization of input distribution and the reduced role of BADC:* The privatization of agriculture input delivery system, according to the participants, negatively influenced the cost of production. The farmers were of the opinion that the contraction of the role of Bangladesh Agriculture Development Corporation (BADC) and its withdrawal from the distribution of agricultural inputs impacted unfavourably. The farmers asked: why they (farmers) had to sacrifice lives to collect fertilizers, if the privatized distribution channels are more beneficial to them? After the withdrawal of BADC from input distribution, the quality of fertilizers has not been maintained, the farmers pointed out. They added that the market places were full of adulterated fertilizers, which in turn were taking toll on soil fertility.
- *Lack of price support and inadequate food purchase and storage by the government:* While the input price is escalating on the one hand, lack of price support, on the other, is pushing farmers into vulnerability. Criticizing the open market sale (OMS) operation, the participants argued that the expanded food purchase and storage facilities would have much effectively contributed to maintaining the price stability of the agriculture produces. The farmers believed that food purchase centres at grassroots levels would restrict the eating up of farmers' price by the middlemen.
- *Oligopolistic behaviour of private input traders:* The farmers opined that the private traders in the region had formed guilds to dictate prices. They also said that the private traders in most cases were engaged in hoarding. The retail network does not also adequately reach out to the remote areas.
- *Decrease in land fertility due to excessive use of chemical fertilizer:* The participants observed that the excessive use of chemical fertilizer owing to the agriculture strategy's excessive emphasis on increasing the yield and use of modern varieties led to a decrease in micro nutrients of soil. They opined that the current pricing policy is also acting against the use of a balanced mix of fertilizers.
- *Unregulated sale of irrigation equipment and use of natural resources:* It was mentioned that BADC maintained a balanced strategy of selling irrigation equipment, but following privatization, the random sale of pumps and extraction

of water might have resulted in serious problems like arsenic contamination. The participants expressed the apprehension that the unregulated use of natural resources, being driven by a profit motive thanks to privatization, might pose a strong threat to the environment in future.

- *Monoculture and loss of bio-diversity:* Strong emphasis on producing high yielding variety rice and excessive use of chemical fertilizers and pesticides, according to the participants, have damaged the environment. It was said that the country was losing bio-diversity and great many traditional varieties have become extinct.
- *Lack of access to formal credit institutions and high interest rate of micro credit:* The participants opined that formal credit institutions failed to address the issue of credit requirement of the farming community, while the interest rate of micro credit is exorbitant. It was also revealed those officials of micro credit programmes resort to coercion in order to collect the weekly dues.
- *Policy bias against agriculture:* According to the participants, the agriculture policies currently in vogue are anti-poor. As an example, they pointed to the behaviour of the banks which are funding large-scale defaulters in the urban areas, while advancing less than what was being collected as deposits from rural areas. They further pointed out the bias through the illustration of a comparative state of affairs of punitive measures and harassment perpetrated on small marginal farmers and liberal attitude to large-scale borrowers.

Fiscal Restructuring and Social Development

The participants in the regional consultative meetings and focus group discussions identified issues related to access to and provisions for social services as the main focus of the probe for the SAPRI field research. Their observations emanate from the apprehension that accesses to basic health care services and education facilities by the poor and the disadvantaged are being subjected to further squeezes against the backdrop of SAP's core emphasis placed on greater reliance on the private sector for service delivery in the social sector. The participants also stressed the need for finding out what distribution improving measures had been undertaken to narrow down the increasing inequality in the availability of quality education and health care to the poor. They wanted to see the investigation concentrate on the consequences of reduction of public expenditure on poverty alleviation and allocation to social sector.

- *Pruning of state services:* According to the participants, the government is gradually withdrawing from providing services in the social sector influenced by the World Bank's policy of 'minimalist state'. They argued that these policy reforms are against the spirit of the Constitution of Bangladesh as the state is constitutionally pledge-bound to provide basic necessities to the population. The participants then went on to ask what would happen to the half of the population,

who live below the poverty line, should the state continue to minimize its role in favour of the private providers.

- *Increase in income inequality:* The participants opined that the policy reform had left its most adverse impact on the country's distribution of income and with its concomitant effects on the poor. Given the gradual deterioration of income equality, the participants suggested that the enquiry should focus on finding out what measures were built in the reform package to avert it.
- *Greater emphasis on private providers and increased lack of access:* The participants expressed an apprehension that access to social services by the poor would further worsen, should the government continue to follow the policy of putting greater emphasis on private providers. They pointed out that if the policy of private sector-led service delivery was implemented in the social sector in full, the access to basic services by the cash-starved poor would face further deterioration in the limited access to basic social service they had at present.
- *Increased user charges for services:* The participants were of the opinion that gradual increases in user charges for education and health care and phasing out of the state's retailing of family planning services from the household level is detrimental to the poor. The participants apprehended that the curtailing of the role of the public sector in technical and vocational education might have adverse effects on the country's human resource development. They also criticized the policy of withdrawing subsidies provided to the universities and raising user charges. These policies, according to the participants, would further reduce the enrollment of the poorer section in higher education.
- *Lack of adequate safety net provision in the reform package:* The participants observed that poverty alleviation was not given the appropriate consideration it required for Bangladesh and was not packaged as the principal goal of the reform agenda. They were of the opinion that there hardly existed any effective safety net within the reform agenda.
- *Tendering of social service delivery, forcing NGOs to become "private contractors":* NGO representatives said that either the community based organizations were falling apart or they were forced to leave the fundamental ethos of NGO movement as they were being asked to participate in tenders in the social sector project like private contractors. They expressed their fear that tendering might increase competition and have a serious toll on the access of the poor and the quality of the service.
- *Closure or reduction of services of NGOs:* According to NGO representatives, the donors are channelling increased amount of money through NGOs for the social sector. Simultaneously, donors have shifted their policy towards encouraging greater participation of the private sector in delivering social sector services, they added. Because of the policy shift, some donors have stopped financing projects that provide services like delivery of contraceptives, medicines

etc. As a result, the participants said some NGOs have been either closed or their workers have been made redundant. The participating NGO representatives were of the opinion that these market oriented policies of the donors have squeezed access of the poor to social sector services.

- *Inadequacy of vocational and special education:* The participants observed that there existed a serious deficiency in institutional structures for providing vocational and special education. They apprehended that the Bank's policy of limiting the public sector's role in providing this training would further impede human resource development.
- *Quality of expenditure and services:* The participants raised doubts about the quality of expenditure made by the government in the social sector. They also questioned the quality of the services provided by the state.

V. THE KEY HYPOTHESES

The views listed above may not be necessarily true in the empirical sense. On the other hand, many of the identified socio-economic problems may have nothing to do with the SAPs. However, given the purpose of the present paper, attempted has been made to faithfully report the outcomes of the consultation exercise in a structured fashion. Only a scientific investigation can possibly establish the causal relationship of the problems mentioned by the participants of the RCMs and FGDs with respect to design and implementation of SAPs in Bangladesh.

In this context, taking into account the discussions which have taken place at the consultations, the following three (positive) propositions may be explored within a 'before after' (i.e. pre- and post-reform) framework.

First, has the industrial capacity and employment experienced a growth following the introduction of the SAPs? What had been the impact on industrial labourers in this respect?

Second, has the profitability of the crop sector increased as a result of the reform measures implemented under the SAPs? What had been the impact on small and marginal farmers as well as on the landless labourers in this respect?

Third, has the user cost to quality education and health care services reduced due to the changes brought about by SAP? What had been the impact on the rural poor and other vulnerable groups in this respect?

Endorsement of the above mentioned propositions for research will be sought at the first National Forum of SAPRI Bangladesh.

Structural Adjustment Participatory Review Initiative, Bangladesh

***A Summary Report on the Regional Consultative Meeting held in
Chittagong on Monday, 6 July 1998***

The first Regional Consultative Meeting of SAPRI Bangladesh, aimed at selecting issues for the field investigation, took place at the Chamber house in Chittagong on July 6, 1998. The one-day-meeting, divided into three working sessions, was organised by a local organisation, Community Development Centre (CODEC) with the assistance of the SAPRI Secretariat. In total 41 participants, including representatives of 33 local organisations of varied compositions, attended the tripartite meeting. They voiced their concerns on adjustment issues, and engaged themselves in the participatory forum to chalk out the research agenda. A summary matrix of the regional consultative meeting held in Chittagong (headquarter of one of the country's four greater administrative regions) is given below:

DATE & VENUE	LOCAL HOST ORGANISATION	AGENDA	PARTICIPATION BY CATEGORY	PARTICIPATION FROM DHAKA
July 6, 1998 Chittagong Chamber Building	CODEC, Chittagong.	<ul style="list-style-type: none"> ❖ Welcome, introductions, background to SAPRI and its operations in Bangladesh, and Q &A; ❖ Research Methodology and Issues; ❖ Prioritisation of Issues for the field investigation. 	Trade Union - 1 NGO - 34 Women Org. - 3 Teacher - 1 Media - 1 Local Govt. Representative - 1 <hr/> Total = 41	Syed Nizamuddin Atiur Rahman Debapriya Bhattacharya Iftekhar A Chowdhury Rashed A M Titumir

Prior to the meeting, five *resource documents* in *Bangla* were distributed for enabling the participants to be effectively involved in this innovative process of evaluating structural adjustment programme. The documents were:

- (a) SAPRI: Background, Process, and Its Importance
- (b) Structural Adjustment Policies and Bangladesh
- (c) SAPRI Activities in Bangladesh
- (d) World Bank's Country Assistance Review
- (e) Themes and Issues of SAP for Field Investigation.

First Working Session

Expressing his sincere gratitude to the participants for their attendance, the chair, Kamal Sengupta, local chapter chairperson of the NGO apex body ADAB, invited the members of the SAPRI Technical Committee to make opening remarks.

Welcoming the review of Bangladesh's experience with the SAP, the World Bank representative Syed Nizamuddin said that the Bank viewed it as a forward-looking exercise. He stated that the Bank's interest is in learning the impact of the SAP in order to bring about pragmatic and necessary changes in the 'Country Assistance Strategy.'

Dwelling on the background to the SAPRI, Atiur Rahman, a member of the Technical Committee observed that the civil societies around the world have been voicing their concerns about the consequences of the on-going economic restructuring of the developing countries during the last two decades. While registering his criticism about the policies of the Bank, he, however, welcomed the SAPRI, what according to him was the resultant of mobilisation of the civil society and interaction of the former with the new leadership in the World Bank.

Debapriya Bhattacharya, the SAPRI Study Director and Technical Committee member, presented the global and national context, in which the developing countries contracted to the World Bank and IMF for conditionality bearing soft loans. After giving an illustration of the SAP package and a background to the SAPRI, he briefed the participants about its scope, objectives, national and global structure, and the process of implementation. Inviting an open, effective interactive participation, he stressed that the SAPRI was fundamentally a participatory exercise, in which members of civil society would set the themes to be investigated and hypotheses to be tested in the field.

Questions and Answers

Participants expressed their skepticism about the commitment of the World Bank to the envisaged exercise. How willing is the Bank to listen to the recommendations derived out of SAPRI? Is there any guarantee that the Bank would incorporate the findings of the SAPRI in its future policy making?

In response, the WB representative reiterated that the objective of the exercise was to produce findings that would be taken seriously and would provide important recommendations for policy formulation. He went on to say that the Bank viewed the opinion of the people as critical input. He also referred to the recent changes within the Bank, and added that the 'Country Assistance Strategy' and 'Fifth Health and Population Programme,' among others, were formulated incorporating opinion of the stakeholders.

In response to the question if SAPRI was a *process* or a *project*, it was stated that SAPRI was a to the question discreet project, but if it could enlist effective participation of the people, it might be translated into a watchdog forum of the civil society.

Participants pointed out that broader involvement of all walks of public including trade unions, labour, farmers, professionals like teachers, physicians, and lawyers, was necessary for ensuring effective participation of people and obtaining feedback from them. Some participants opined that it was necessary that the political parties be more closely involved in the process.

Second Working Session

Referring to the field work methodology, Debapriya Bhattacharya informed that the investigations would be significantly participatory to ensure that the targeted population could contribute to the understanding of the effect of a certain policy as the traditional methods sometimes failed to capture the reality. He also said that a “political economy approach” would be adopted to take into account not only how political and social structures affected policy formulation, but also how policies impacted and reinforced political and social forces and power relationships. He added that the exercise would give equal validity to both the quantitative and the qualitative methods.

Since SAPRI sets out to give a voice to those whose voice has not been heard in the traditional research, Atiur Rahman said that the “participatory resource approach” would be used to get effective feed back from the people as people took control of the production of knowledge. He said, for example, the impact of withdrawal of subsidy from the agricultural sector might be understood by drawing a time line, or effects of restructuring of the BADC might be analysed by preparing ‘case history’, and well-being ranking could be used to investigate the consequences of SAP on poverty situation.

Based on their past experiences, some participants suggested that it would require some time to get effective feedback, employing participatory techniques. Otherwise, they observed it might yield inadequate results.

Terming PRA a continuous exercise, participants expressed that it was essential to be involved in all stages of a project cycle to derive results out of PRA. A participant wanted to know whether SAPRI would be involved in the future policy making and evaluation.

Third Working Session

In the opening of the session, it was informed that the National Steering Committee had selected the following three themes for review: (a) Impact of Agricultural Policy Reform on Landless Labourers and Small Farmers; (b) Consequence of Public

Finance Restructuring for the Vulnerable Groups; and (c) Implications of Trade and Industrial Policy Reform on the Small Producers and Labourers. Giving an outline of the issues that might be investigated, the Study Director invited participants' opinion in the form of hypothesis. He reiterated that the testable hypotheses be finalised through regional consultative meetings and a national forum.

Below is the summary of issues raised during the process of consultation:

Agriculture Sector

Criticising the withdrawal of subsidy from agriculture, the participants opined that it had an adverse effect on agriculture, and the policy of withdrawing input subsidy required re-examination.

They opined that the agriculture strategy of putting excessive emphasis on producing high yielding variety rice and the excess use of chemical fertiliser and pesticides damaged the environment. It was said that the country was losing bio-diversity and a great many traditional varieties have become extinct.

Some of the participants felt that unequal distribution and accumulation of resources in society has resulted in pauperisation. They also opined that mismanagement of the land system had been taking its toll on small and medium farmers as well.

It was mentioned that before the privatisation of the distribution of deep tube-wells, BADC used to maintain a balanced selling strategy. But, after the privatisation, deep tubewells were being sold randomly, which was in turn reducing the ground-water level and creating severe problems like arsenic contamination.

Trade and Industrial Sector

There were differences of opinion regarding the adjustment-related issues of the trade and industrial sector.

Some opined that the efficiency of the state-owned enterprises (SOEs) was low. According to them, the SOEs was to be disinvested, and the money earned from privatisation was to be reallocated to the social sector.

On the contrary, it was claimed that there would be an adverse effect on employment, should the government stop industrial investment. They argued that the economic crisis created due to this policy might lead to social unrest. One participant asked how would the private sector make positive contribution to the living standard of the people, while the main motive of the private sector was to make profit?

A participant opined that the excessive emphasis on privatisation had been increasing the amount of default loan. Questioning the process of privatisation, it was said that the SOEs were being bought at a very low price by borrowing from the banks, the borrowed money was being used in different sectors, and the loans were not repaid. The quantum of the defaulted loan was thus . On the other hand, the participants complained, the owners were not keeping the mills running, adding to the country's unemployment.

Referring to the presentation of the ready-made garments sector as the success of the export-led industrialisation strategy, one participant asked: “Do you know, how much a garment worker is being paid for her service from dawn to midnight”? describing the working environment, he went on to state that a garment worker had no place even to breast-feed her child. Some participants described how the private owners were violating the existing labour laws and depriving the workers from statutory rights and privileges.

Some participants felt that the blind adherence of the government to the World Bank’s recommendations was hindering the establishment and development of industries in Bangladesh. Another participant illustrated how the indigenous industries, especially small and cottage industries such as handloom were being hard hit by the policies of trade liberalisation.

Consequences of Public Finance Restructuring on the Social Sectors

NGO representatives said that either the community-based organisations were falling apart or they were forced to leave the fundamentals of the NGO philosophy as they were being told to participate in tenders in the social sector like contractors. As a result, some NGOs were either closed or their workers were made redundant. Because of the donors’ policy of encouraging greater participation of the private sector in delivering social sector services, funding was stopped in sectors like population programme.

The participants also observed that vocational training and special education did not receive enough attention during the adjustment period.

Monetary and Fiscal Policies

Participants observed that frequent devaluation of the country’s currency had adversely affected the purchasing power of the common people by fuelling inflation.

According to the participants, the broadening of the base of the indirect taxes such as value addition taxes were negatively affecting the living of the lower and middle income group of the country. They did not find any rational as to why the base of direct taxes was not being increased.

Corruption, Accountability and Political Stability

The majority of the participants viewed of investigating corruption as a crosscutting issue under the SAPRI.

Some participants highlighted the issue of administrative accountability and transparency. According to them, bureaucracy was hindering the development of the country since the bureaucracy lacked accountability. Some participants stressed the importance of political stability and also questioned the integrity of the politicians.

Defence Expenditure

Some participants asked: ‘Why is the World Bank not vocal about the successive increase of military expenditure?’ They were of the opinion of diverting the amount allocated for defence to the social sector by reducing the defence expenditure.

Transfer of Resources

Some participants observed that on the one hand, a huge transfer of rural resources to urban areas was taking place, while on the other, the country's foreign debt situation was also alarming. According to them, the intra- and inter-country transfer of resources was being carried out through foreign aid, technical assistance, and micro credit.

The Chair concluded the session with a vote of thanks to all who attended for their effective participation.

Structural Adjustment Participatory Review Initiative, Bangladesh***A Summary Report on the Regional Consultative Meeting held in
Khulna on Monday, 13 July 1998***

On July 13, 1998, the second regional consultative meeting, set to frame up the research agenda for the Review through involvement of cross-sections of the civil society, was held at the City Corporation auditorium in Khulna, headquarters of one of the country's four greater administrative regions. With the assistance of SAPRI Secretariat, the Khulna branch of Nijera Kori arranged the day-long meeting, spreading over three working sessions. Ninety four locals, including representatives of 33 local organisations of the region, participated in this tripartite collaborative exercise to deliberate on which issues they would like to see addressed through SAPRI. The constructive engagement prioritised issues for the field investigation, benefiting from the exchanges and experiences of a forum of diversity, comprising farmers, labourers, agricultural labourers, NGO workers, teachers, women activists, professionals, small traders, trade union activists, etc.

A summary matrix of the regional consultative meeting held in Khulna is given below:

DATE & VENUE	LOCAL HOST ORGANISATION	AGENDA	PARTICIPATION BY CATEGORY	PARTICIPATION FROM DHAKA
July 13, 1998 Khulna City Corporation Auditorium	Nijera Kori, Khulna	<ul style="list-style-type: none"> ❖ Welcome, introductions, background to SAPRI and its operations in Bangladesh, and Q &A; ❖ Issues for investigation and Research Methodology ❖ Prioritisation of Issues for the field investigation. 	Farmer - 17 Trade Union - 2 NGO - 24 Women Org. - 6 Teacher - 3 Professionals - 9 Business - 3 Media - 14 Local Govt. Representative - 1 Social Worker - 14 <hr/> Total = 94	Mahbulul Karim Khushi Kabir Rakshanda Liaquat Debapriya Bhattacharya Iftekhar A Chowdhury Rashed A M Titumir

Five resource documents in *Bangla* -- the background to and process of SAPRI, its activities in Bangladesh, the issues of SAP, and its experience in Bangladesh, and the Bank's review of its country portfolio -- were distributed for enabling the participants to take part in this innovative process of evaluating structural adjustment programme..

First Working Session

Welcoming the participants, the chair, Kazi Wahiduzzaman, local chapter chairperson of the NGO apex body, ADAB, expressed his sincere gratitude for their attendance, and invited Mahbulul Karim to reflect on the background to the SAPRI, its objectives, global and national structure and the plan of implementation.

Presenting the global and national context, in which the developing countries signed up to the SAP, Mr. Karim dwelt on how a plan for a tripartite review of the adjustment was adopted at the initiative of the new president of the Bank and a group of the US and international NGOs, who recorded their concern about the SAP's detrimental effect particularly on the developing economies. Then, he briefed about the SAPRI's objectives, approach, general methodological guidelines, and the country selection criteria. He informed that both the national and global steering committees – comprising of civil society, governments, and the Bank -- were set up to co-ordinate the initiative. Giving the outline of the process of the Review, he said that the effects of the structural adjustment would be investigated by: (a) organising public fora; (b) conducting field investigation into impacts of certain policies, and (c) summarising the existing literature on the adjustment.

Stating that the situation has worsened rather than improved since the introduction of SAP in Bangladesh, he, however, expressed his optimism about this forward-looking exercise, aimed at identifying changes in policies that could lead to improvements in people's live. Before concluding the briefing, he invited an open, effective interactive participation for setting the issues of the investigation.

Questions and Answers

Issues were raised about the formation of the steering committee, the commitment of the World Bank, the composition of the researchers, and the tenure of the SAPRI. How was the steering committee formed? Would the steering committee, being capital centred, reflect the representation of the rural areas? Why is the government representative present? How willing is the Bank to incorporate findings of SAPRI in its future policy making? Would the beneficiaries of the World Bank maintain the neutrality while evaluating the adjustment policies of the Bank?

The response on the structure and representativeness of the steering committee was that Proshika was selected as lead agency as it was an elected member on the Bank's NGO Consultative Committee. After several round of consultations with different representative organisations and groups of civil society, a fifteen-member steering committee was formed to incorporate as many active groups as possible, including four representatives from trade unions of different political viewpoints, one unorganised sector representative, one agricultural workers' representative, one farmers' association representative, one chamber representative, one representative from women's organisations, two eminent economists.

On government representation, it was revealed that the government nominated three representatives to the national steering committee – the Secretary to the Prime Minister’s Office, Secretary, Economic Relations Divisions, Ministry of Finance and the Director General of the NGO Affairs Bureau. It was added that the Study Director was a nominee of the government to the National Technical Committee.

As to the composition of the researchers and beneficiaries of the Bank, it was said, the process was tripartite and the decisions were arrived at by consensus. Moreover, most of the steering committee members were of independent thinking and some of them were known critics of the SAP.

When asked if SAPRI was a process or a project, the response was that SAPRI was a discreet project, but that it could do the groundwork for continued efforts to widen the participation of the citizens’ groups in policy formulation and adoption.

On the question of the Bank’s commitment, the house was informed that SAPRI’s objective was to produce findings that would be taken seriously and would provide recommendations for policy making.

Second Working Session

In his opening remarks on the research methodology, Debapriya Bhattacharya informed that the investigations would have a strong participatory element as the traditional methods sometimes do necessarily bring forth the reality. He also said that a political economy approach would be adopted to map out the process of SAP in order to understand how the measures under SAP were implemented, who was affected, why and how there were differentiated impacts. He added that the exercise would give equal validity to both the quantitative and the qualitative methods.

With the assistance of the Technical Committee, the National Steering Committee had selected three themes for review after several rounds of consultation. They are: (a) Impact of Agricultural Policy Reform on Landless Labourers and Small Farmers; (b) Consequence of Public Finance Restructuring on the Vulnerable Groups; and (c) Implications of Trade and Industrial Policy Reform for the Small Producers and Labourers. Giving an outline of the issues that might be investigated, the Study Director invited participants’ opinion in the form of hypothesis. He reiterated that the testable hypotheses be finalised through regional consultative meetings and national forum.

Below is the summary of issues raised during the process of consultation:

Privatisation, Loan Default, Interest of Labourers

Most of the participants offered strong opinions about privatisation. According to them, the State Owned Enterprises (SOEs) in the Khulna industrial belt were operating at a snail's pace before privatisation, but the owners laid those off after privatisation. While expressing their experience about the privatisation of the mills, participants observed that the current process of privatisation was increasing the amount of defaulted loan. They felt that the owners were buying the mills at a low price by borrowing money from the banks. After acquiring the mills, the new owners were retrenching the workers and selling the land and other properties, and at one point of time, they were either declaring the industry sick or closing down the operations. Citing an example of a mill, it was stated that the owner reopened the mill by borrowing from the bank following the movement of the trade union. He spent a portion of the money, only to shut down the production after a few days. The participants opined that the process had been increasing the defaulted loans.

Contesting the arguments of the World Bank's projected loss incurred by the SOEs, some participants made their observation using the jab that the Bank's policy of privatisation was like prescribing to cut the head as a cure for headache.

It was said that the privatised mills hardly obey the statutory rights and privileges of labourers. One observed that a great many retrenched workers were yet to be paid the benefits of the 'golden handshake'.

Agricultural Sector

The participants were of the opinion that the contraction of the role of BADC in the distribution of agricultural input impacted negatively on the country's largest private sector. A participant asked: 'Why the farmers had to sacrifice lives to collect fertiliser if the privatised distribution channels were more beneficial to the farmers? According to the participants, the agricultural strategy that was being followed was an anti-farmer one. The privatisation of the agricultural input delivery system, and reduction in the agricultural input subsidy increased the cost of production, outpacing the output price, which is, in turn, rendering the marginal and small farmers to landlessness and polarisation. The participants observed that the excessive use of chemical fertiliser owing to the agricultural strategy's emphasis on modern rice varieties led to decreasing fertility of land. It was mentioned that BADC maintained a balanced strategy of selling of irrigation equipment, but after privatisation, the random sale of pumps and extraction of water has created severe problems like arsenic contamination. They expressed the fear that the unregulated use of natural resources due to privatisation might create strong threat to the environment in future. The participants opined that the formal sector failed to address the issue of the credit requirement, while the interest of the micro credit was high. It was informed that force was used in collection of the micro credit. Some participants stressed on the importance of land reform.

Social Sector

Most of the participants observed that the quality of expenditure on education be studied. They voiced their resentment against the Bank on the issue of rise of the defence expenditure. They asked: 'Why is the World Bank so soft on the increase of defence expenditure?' The participants opined that the use of banned birth control methods in Bangladesh were adversely affecting the women's reproductive health.

Trade Policies, Small Industries, and Globalisation

The country's small and cottage industry, especially the handloom sector, were negatively affected liberalisation of import policies, the speakers commented. They also expressed the fear that the globalisation of the trading regimes and intellectual property rights would bring adverse impact on the economy of Bangladesh.

Employment, Wages

The participants observed that employment was not increasing. The wages in the agricultural and industrial sector were far below the expenses of the living standard. They opined that the Bank's prediction of increase in productivity and wages as a result of market economy was not realised.

State, Governance and Bureaucracy

A dismal picture of the governance and administrative accountability was presented. The bureaucratic complexities were identified as obstacles to development. It was opined that a rigorous change was required in the field of land management.

Corruption and Terrorism

Corruption and terrorism were selected by the participants cross cutting issues in the field investigation.

Regional Problems

Besides the nationwide perspective on sectors, it was stressed in the meeting that regional perspectives were necessary. In this connection they suggested the case of shrimp production, a non-traditional export that created enough tension due to eviction and displacement of population, and through its impact on the environment by increasing salinity of the cultivable land. They also spoke of the mismanagement of embankments and public waterbodies.

Third Working Session

The Study Director presented a list of 15 issues, based on the deliberation on the preceding session. The issues are:

- Corruption and terrorism to be investigated as cross-cutting issues.
- The process of privatisation and its impact, and its relationship with loan default.
- The adverse effect of the contraction of activities of BADC on the cost of agricultural production.
- The negative impact of the liberalisation of imports on the small and cottage industries.
- The cost effectiveness of education, the rationale behind the increase of defence expenditure, and the silence of the World Bank.
- The environmental impact of arsenic contamination, embankment and waterlogging.
- Regional perspective along with sectoral perspectives.
- The role of NGOs in micro credit.
- The detrimental effect of market on wages and employment.
- The adverse consequences of globalisation on intellectual property rights.
- The negative impact the Vested Property Act.
- Fixation of minimum wages for agricultural labourers.
- Forced use of birth control methods and its consequences on reproductive health.
- The qualitative change of the state and political parties.
- Bureaucratic hindrances.

After deliberating on these issues the participants put emphasis on privatisation, agriculture, shrimp cultivation and land reform.

The chair concluded the consultative meeting with a vote of thanks to attendees for their effective participation.

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August, 1998

Structural Adjustment Participatory Review Initiative, Bangladesh***A Summary Report on the Regional Consultative Meeting held in Rajshahi on Monday, 20 July 1998***

The first round of regional consultative meetings before the national launch of SAPRI ended with the holding of the third of this kind at the Caritas auditorium in Rajshahi, headquarters of one of the country's four greater administrative regions. The one-day-meet, intended to share the experiences of broad cross-section of civil society relating to problems with the adjustment, and issues to be selected for the Review, was organised by the regional chapter of the NGO apex body, ADAB, with the assistance of SAPRI Secretariat. Eighty seven participants, including delegates of 61 local organisations -- representing entities such as labour unions, small-farmer associations, women's organisations, environmental and professional groups as well as other people's organisations affected by the adjustment programme and local NGOs working with them -- attended the tripartite collaborative exercise. Spreading over three business sessions, the forum recorded the voices of civil society on key adjustment issues, designated issues for field investigation. The consultation began by an introduction to the background of the process of implementation of SAPRI, followed by the participants' own analysis of adjustment issues in order to prioritise issues for the field investigation in the last session.

A summary matrix of the regional consultative meeting held in Rajshahi is given below:

DATE & VENUE	LOCAL HOST ORGANISATION	AGENDA	PARTICIPATION BY CATEGORY	PARTICIPATION FROM DHAKA
July 20, 1998 Caritas Building	ADAB, Rajshahi	<ul style="list-style-type: none"> ❖ Welcome, introductions, background to SAPRI and its operations in Bangladesh, and Q &A; ❖ Issues for investigation and Research Methodology ❖ Prioritisation of Issues for the field investigation. 	Farmer - 6 Trade Union - 4 NGO - 50 Women Org. - 2 Teacher - 5 Professionals - 5 Media - 7 Local Govt. Representative - 3 Government - 4 Social Worker - 1 <hr/> Total = 87	Manzurul Ahsan Khan Zahid Hossain Debapriya Bhattacharya Iftekhar A Chowdhury Rashed A M Titumir

For initiating each of the sessions, five resource documents in *Bangla* -- the background to and process of SAPRI, its activities in Bangladesh, the design and issues of SAP, impact of certain policies, collected from the past research including

the Bank's review of its country portfolio -- were distributed to the participants, with the letter of invitation.

First Working Session

With the opening remarks of welcome and gratitude for participation, the chair, Afzal Hossain, chairperson of ADAB's regional chapter invited the members of the SAPRI National and Technical Committee to facilitate the consultation by dwelling on the background to SAPRI and its activities in Bangladesh.

Manzurul Ahsan Khan, a Steering Committee member and president of the Bangladesh Road Transport Workers' Federation, in his short introductory remarks presented some key issues of structural adjustment, and the impact of those policies on the country and the disadvantaged section of it, with brief explanations for those. He, however, welcomed the exercise with skepticism.

Welcoming the forward-looking review, the World Bank representative Zahid Hossain reiterated that SAPRI was envisaged to improve understanding about the impacts of adjustment policies as well as about how participation of broad based stakeholders could improve policy formulation process. Stating the recent policy changes brought in the Bank to incorporate the participation of various stakeholders in the implementation of various programmes in the country, he reiterated the Bank's commitment to drawing lessons from the past for an effective design of the 'country assistance strategy.'

Providing a brief global and national contextual background to the developing countries being contracted to the World Bank and the IMF, Debapriya Bhattacharya, the Study Director and Technical Committee member, reflected on the SAP package and the SAPRI. Then, he briefed the participants about the scope, objectives, national and global structure, and the process, phase, and steps of implementation of the Initiative. Stressing on an open, effective and interactive participation, he invited questions, observations and comments from the floor.

Questions and Answers

Participants expressed their skepticism about the commitment of the World Bank. They asked: 'Is this Initiative designed to give a coating to policies or there is scope to discuss on the fundamentals? Is it a continuous process? What is the guarantee that it would return to the grassroots which it previously failed to do in several such initiatives, despite assurances?'

The response to the first question was that the Initiative was without any presupposition and open to any observation.

In response to the question if SAPRI was a process or a project, it was stated that SAPRI was a time bound project, but might be kept operational in any form, should the civil society decide to do so.

According to the plan of implementation of the SAPRI, findings and policy recommendations derived from the field investigation would be presented and discussed at the regional level.

Second Working Session

Initiating the business session on issues of SAP and the research methodology, Debapriya Bhattacharya said that the study would look into the effects of adjustment policies on all societal groups, with special emphasis on understanding their impacts on the disadvantaged and those who had not been heard in the policymaking process. The study would use qualitative and participatory methods as well as political economy and quantitative methods of investigation, he added. He discussed the three broad themes that were selected by the Steering Committee after a great deal of deliberation on the basis of their importance in the development of the country and their relevance to broad-based population groups that were marginalised.

Reflecting on the issues of adjustment and inviting participation from the floor, he first introduced some themes as examples, and pointed out some hypothesised impacts of such policy in the question form. For example, he said that a number of policies were implemented in the agricultural sector. He went on to present the hypothesised impact in the question form: Has the agricultural sector developed due to reform? Has the employment increased? Have the farmers received the fair price? etc.

Below is the summary of issues raised during the consultation:

Political Economic Issues

Participants spoke about an uneven domination in economic, political and international affairs. They also pointed out the current unequal international trade regime, reinforced by the policies of the developed countries and the multilateral institutions. As regards the ownership of the reform process by the political parties, the participants observed that the parties while in opposition had voiced their opposition, and even while in government, privately, they had expressed their helplessness in the face of the Bank's imposed policies. They were of the opinion that policies, suited to the country-society-time-people, should be designed organically by the indigenous professionals. On the role of the state, the

participants questioned: ‘what should be the role of the government, should the role of the state be minimalist? What would happen to the disadvantaged due to contraction of public finance while according to the constitution of Bangladesh the state is pledge-bound to provide the basic needs?’

Agriculture and Rural Economy

According to the participants, the economy could be revitalised by infusing life into agriculture. They opined that rigorous enquiry was needed to find out the impact of the reform measures in this sector as majority of the populace were connected with the sector. Commenting on the negative results of the withdrawal of subsidy from the sector, the participants pointed to a divisive policy in which the prescription of withdrawing subsidy was imposed in the developing countries while subsidy on agriculture was being provided in the developed economies. They questioned as to why a pro-agriculture incentive structure was not developed for the country’s largest private sector, if the policy of SAP was to establish the leadership of the private sector. It was opined that the banks were funding the big defaulters in the urban areas while advancing less than what was being collected as deposits from the rural areas. In order to point out the bias of the state and the Bank against the rural economy and its inhabitants, the participants illustrated a comparative state of the affairs of punitive measures and harassment enforced on small farmers and large-scale borrowers. Being forced by the adverse policy climate, the small and medium scale peasants were increasingly becoming landless, giving rise to absentee landlords and polarisation of land ownership. While the input price was escalating in the one hand, lack of floor price, on the other, was pushing the farmers to vulnerability. Criticising the open market sale operation, the participants argued that the expanded food purchase and storage facilities would have much more effectively contributed to maintaining the price stability of the agricultural produces. The participants observed that the excessive use of chemical fertiliser owing to the agricultural strategy’s emphasis on modern rice varieties led to decreasing fertility of land. It was mentioned that BADC maintained a balanced strategy of selling irrigation equipment, but after privatisation, the random sale of pumps and extraction of water has created severe problems like arsenic contamination. Participants expressed the apprehension that the unregulated use of natural resources due to privatisation might pose a strong threat to the environment in future. The participants opined that the formal sector failed to address the issue of the credit requirement, while the interest rate of micro credit was high. It was informed that force was used in collection of micro credit. Some participants stressed the importance of land reform.

Industrial Sector

The necessity of having an expanded industrial base was stressed in the discussion. Some participants observed that the industrial base was being destroyed through the process of liberalisation and privatisation at the instances of the Bank. Criticising the process of privatisation, participants opined that the industries were being sold

at knock-down prices, and the privatised mills were then again being laid off, resulting in retrenchment of workers, adding to unemployment. The retrenched workers were not finding alternative employment, they complained. Due to liberalisation of import and lack of adequate credit, the small and cottage industries were facing closure, being unable to survive.

Financial Sector

The participants commented that industrial loans were being grossly misused. The issue of loan default and the Bank's apparent soft tone came under fire during the deliberation.

Social Sector

The participants expressed that according to the Constitution, the state was pledge-bound to provide basic needs, but access to education and health by the disadvantaged section of society was being squeezed due to minimalisation of the role of the state. According to some participants, the donors stopped financing population activities till markets for their multinationals were not created. They opined that this market oriented policies of the donors had obstructed the access for the poor, and either squeezed the NGO activities or closed some NGOs. They were of the opinion that there hardly existed any effective safety net within the reform package.

Physical Infrastructure

Some participants questioned the privatisation proposal of profitable grid line of the power sector, pointing out that a separate structure like DESA failed to become profitable, though created on the Bank's advice. They urged the need for rational short and long term use of gas. The participants commented that road communication was being given importance to protect the interest of the multinationals, while riverine transport, though appropriate for Bangladesh, was not paid attention. They criticised the reform of the rail.

Third Working Session

The Study Director grouped the issues into broad sector, based on the deliberation in the preceding session. These are:

1. Political Economy

- Uneven structure in political, economic , and international sphere
- Role of the state and the market
- Corruption, bribery, terrorism

1. Agricultural Sector

- Outpacing the output price by input price
- Subsidy is required. Two distinctive policies are being followed in developing and developed economies:
- Adverse impact due to the reform of BADC
- Floor price and extension of storage facilities are required
- Environmental pollution due to widespread use of pesticide
- Food security extension at the household level
- Increased polarization in agriculture and increased number of absentee landlords and landless people
- Crop diversification.
- Arsenic contamination due to excessive use of ground water
- Loss of bio-diversity.

1. Industrial sector

- Indigenous policy structure for industrial promotion is required.
- Questionable privatisation process
- Special emphasis on small and cottage industry.
- Trade liberation adversely affected the development of the country's industries.
- Negative impact of smuggling.

1. Financial Sector

- Misuse of industrial loan
- Defaulted loan

1. Physical Infrastructure

- Questioning the rationale of privatising the grid line of the power sector, though profitable.
- Rational short and long - term use of gas
- Stress to be given on riverine transport

1. Social Infrastructure

- Need for increased investment in education and health by the state
- Safety nets
- High interest rate of micro credit, and coercive collection of loans
- Misuse of NGO funds

Decisions

It was decided that the broad objective of the research would be to support agriculture to make it profitable, and to render the polarisation of the land ownership ineffective.

It was opined that the focus of research in the industrial sector should be on the effectiveness of the bandwagon privatisation and liberalisation. Importance is also to be given to the credit, technological, and marketing support to the small and cottage industries.

The main thrust of the research in the field of social sector should be to find out what measures have been taken under economic reform to reduce income inequality.

As a regional topic, it was agreed to look into the nature of responses of the World Bank as the largest donor during natural calamities. In this connection the impact of Farrakka Barrage is to be studied. The impact of Barindh Irrigation Project on the farmers was suggested to be studied along with 'Ngonisation' of silk industry.

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September, 1998

Structural Adjustment Participatory Review Initiative, Bangladesh

A Summary Report on the Focus Group Discussion with Women held in Dhaka on Wednesday, 26 August, 1998

The first focus group discussion with women, aimed at listening to the experiences of various sections within a group regarding the adjustment policies and designating issues for field investigation, was held in Women Voluntary Association Auditorium in Dhaka on Wednesday, 26 August, 1998. The one-day-meet was organised by Nijera Kori with the assistance of the SAPRI secretariat. thirty participants-from housewives to labourers, small traders to farmers' activists, university teachers to politicians – participated in the deliberations.

Ms. Khushi Kabir, co-ordinator of Nijera Kori and member of the Steering Committee chaired the discussion. Its co-convenor Prof. Wahiduddin Mahmud represented the Bangladesh Steering Committee with the members Mr. Nurul Islam, Ms Maleka Khan, Ms. Shirin Akhtar and Mr. Saiful Haq. Ms. Rokeya Sultana of Economic Relations Division, Government of Bangladesh attended the discussion while Mr. Syed Nizamuddin, Ms. Nilufar Ahmed and Ms Rakshanda Liaqat were present on behalf of the World Bank. Dr. Debapriya Bhattacharya, Study Director and Member, Technical Committee moderated the discussion. Mr. Rashed A M Titumir, Member, Information Team and Mr. Iftekhar A Chowdhury of the SAPRI Secretariat were also present.

A summary matrix of the focus group discussion is given below:

A Summary Matrix of Participation of the Focus Group Discussion with Women

DATE	VENUE	HOST ORGANISATION	PARTICIPANTS BY CATEGORY	PARTICIPANTS FROM SAPRI
August 26, 1998	Women Voluntary Association Auditorium Dhaka	Nijera Kori	Small producers - 4 Housewives - 2 UP member - 1 Labourers - 10 Farmers - 3 Women Org./NGO- 7 Political workers - 3 <hr/> Total 30	Prof. Wahiduddin Mahmud Mr. Nurul Islam Ms. Khushi Kabir Ms. Maleka Khan Ms. Shirin Akhtar Mr. Saiful Haq Ms. Rokeya Sultana Mr. Syed Nizamuddin Ms. Nilufar Ahmad Ms. Rakshanda Liaqat Dr. Debapriya Bhattacharya Mr. Iftekhar A. Chowdhury Mr. Rashed A. M. Titumir

Prior to the discussion along with the invitation letter, five resource documents in *Bangla* were distributed for enabling the participants to involve themselves in this innovative process of evaluating structural adjustment. The documents are:

- (a) SAPRI: Background, Process and Its Importance

- (b) Structural Adjustment Policies and Bangladesh
- (c) SAPRI Activities in Bangladesh
- (d) World Bank's Country Assistance Review
- (e) Themes and Issues of SAP for Field Investigation

For initiating the focus group discussion, a resource documents based on issues voiced at the regional consultative meetings and titled "Structural Adjustment and Women" was distributed among the participants.

Expressing her sincere gratitude to the participants for their attendance, the chair invited the SAPRI Study Director Dr. Debapriya Bhattacharya to moderate the session. Dr. Bhattacharya gave a brief background to the developing countries being contracted to the World Bank and the IMF for conditional bearing soft loans. Illustrating the SAP package and the situation that led to the formation of SAPRI, the participants were briefed about the scope, objectives, national and global structure, and the process of implementation of SAPRI. It was underscored that SAPRI set out to hear the voices of those who had remained unheard traditionally. Participants were also informed of the methodology of the SAPRI exercise.

He asserted that unlike other exercises or studies, the SAPRI was fundamentally a participatory exercise, in which members of civil society would set the themes and issues to be investigated and hypotheses to be tested in the field. Then he went on to underscore the need for an open, effective interactive participation.

The participants reiterated the decision to consider women related issues as a cross-cutting issue as they felt that the women issue was required to be addressed under each themes. They also opined that women had different roles in the economy and society. The structural adjustment policies impact on women's employment, income and working environment when women act as producers. As the managers of the households, women have to bear most of the consequences of pricing policies initiated under the adjustment design. The participants also observed that as mothers and managers of the households, women had to endure the implications of user charges introduced in the social sector, especially in health and education. They opined that the adjustment policies impacted most adversely on the female-headed households.

Below is a summary of sector-wise opinions expressed in the focus group discussion:

Industrial sector

The participants observed that trade and industrial reform, especially the privatisation drive impacted negatively in many ways. The retrenched female workers stated that they were laid-off before their male colleagues. It was intimated that in some cases, both husband and wife were retrenched. After retrenchment they hardly found alternative employment. Regarding retrenchment in general, the women participants mentioned that it was impacting adversely on the households on two counts. On the one hand, it was squeezing the family income, and on the other, the retrenchment was forcing women members to find some alternative source of income

to fill in the lost income, putting additional toll on the already over-burdened women's lives. While illustrating the plight caused by the retrenchment, some of the participants said that they had to give up education of their wards.

While noting job opportunities created for women by the export-led industrialisation, the women participants spoke strongly about discriminations that women were being subjected to in the workplaces. They cited examples of wage discrimination, preference for employing young unmarried girls and adverse working environment, absence of creches etc. They were of the opinion that these industries did not adhere to workers' rights enshrined by ILO conventions and other statutory rights.

Dwelling on the impact of trade liberalisation, the participants said that thousands of women engaged in traditional cottage industries had become jobless, their industries being wiped out by competition, forced by bandwagon imports due to reduction in protection through withdrawal of tariff. According to participants, women were hit hard by liberalisation of trade as women comprised the main share of work force employed in the traditional cottage and small industries sector.

Agriculture

It was expressed that adjustment policies related to agriculture impacted badly on women. The participants maintained that the withdrawal of subsidies, privatisation of the input delivery system and revoking of price support had rendered the crop sector non-profitable. The women observed that agricultural households were on the brink of collapse. They also expressed their anguish over lessening food for works and test relief. The participants said that expansion of such works, especially in the lean season, might at least save the rural economy from collapsing.

Pricing Policies

The women participants criticised the pricing policies pursued under SAP. They said that liberalisation of prices, devaluation and price hike contributed to a deterioration of women's lives and these policies were telling upon the female households most. As home managers, women stated that expenditure on food consumption had increased manifold and they attributed the dwindling price stability to removal of statutory rationing provision and food storage policies of the government.

Education and Health Sector

According to the participants, a fiscal restructuring had increased families' burden of expenditure. They opined that introduction of user fees and greater emphasis on private sector-led service delivery had eventually escalated the expenditure load of the families in general and the cash-starved fifty per cent poor population of the country in particular. They apprehended that the access to social service would face further squeeze for the poor if these policies were implemented in full.

On reproductive health, the women participants expressed strong by worded opposition to coercive introduction of some contraceptive methods that paid less attention to women's health and was banned in many developed.

Female-headed Households

The participants in the focus group observed that the adjustment design lacked adequate safety net provisions. Lack of safety net facilities had impacted adversely on the poor in general and the female-headed households radically. The participants also opined that these households also received discriminatory treatment in land ownership and land management. The price hike consequentially hit these households, they added.

Need for Paradigmatic Shift

Some participants entirely opposed the current development paradigm. They maintained that the dismal ground reality pointed to the failure of the current hegemony. They thought the reform measures alone were unable to stave off the crisis. They favoured an entire overhaul of the system as they thought that changing the super-structure was not sufficient in case of basic structure remaining in tact.

This line of thought also attributed women trafficking, increase in rape and social insecurity of women to the consumption-oriented character of the market economy.

The chair concluded the focus group discussion with a vote of thanks to attendees for their effective participation.

List of Participants

Sl. No.	Name	Occupation/Organisation
1	Ms. Farida Begum	Small trader/ Nabagram Purbapara Mohila Samity, Dhamrai
2	Ms. Farida Yasmin	Small trader/ Sindhulia Purbapara Mohila Samity, Dhamrai
3	Ms. Sufia Begum	Member, Union Parishad, Chandina, Comilla
4	Mina Sarkar	Nijera Kori
5	Bannya Lohani	Nijera Kori
6	Rezia Begum	Small trader/ House wife, Meber, Nijera Kori
7	Fatima Hossain	Labour, AB Biscuit, Tongi
8	Momtaz Begum	Women Affairs Secretary, Meghna Textiles CBA, Tongi
9	Ms Fatema Akhtar Leena	Labour, Pioneer Pharmaceutical Ltd
10	Ms. Mazeda	Day labourer/ Nijera Kori
11	Ms. Rasheda	Tailoring/Nijera Kori
12	Ms Lutfa Begum	Housewife/ Nijera Kori
13	Ms Hazera Khatun	Agriculture/Suryagram Mohila Samity
14	Ms Hasina Begum	Agriculture/Boaldi Ekota Bhumihin Mohila Samity, Dhamrai.
15	Ms Jhanara	Agriculture/Boaldi Ekota Bhumihin Mohila Samity, Dhamrai
16	Ms. Shrin	Housewife/Buscuit trader/Nijera Kori
17	Ms Rashida Begum	Sewing/Housewife, Nijera Kori
18	Ms Hazera Khatun	Employee, Zeenat Textiles Mills Ltd.
19	Ms Shirin Akhtar	Labour, Zeenat Textile Mills Ltd
20	Ms Zahanara Matin	Labour, Kaderia Textile Mills Ltd
21	Ms Hosneara Begum	Labour, Kaderia textile Mills, Tongi
22	Ms Mazeda	Labour, Tongi
23	Ms Shahnaj Sumi	Bangladesh Nari Progoti Sangstha
24	Ms Laila Arjumand Banu	ADAB
25	Ms Nasreen Akhtar Deena	Sonali Bank Employees Association
26	Ms Hena Das	Communist Party of Bangladesh
27	Ms Rekha Chowdhury	Communist Party of Bangladesh
28	Prof Masuda Rashid Chowdhury	Women for Women/University of Dhaka
29	Prof Mahmuda Islam	Women for Women/University of Dhaka
30	Ms Selima Rahman	Bangladesh Jatiyatabadi Dal

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Structural Adjustment Participatory Review Initiative, Bangladesh

A Summary Report on the Focus Group Discussion with Farmers and Agricultural Workers held in Narail on Sunday, 30 August, 1998

The second focus group discussion with farmers and agricultural workers, designed to hear the experiences and concerns about the adjustment policies and set the issues to be addressed, was held at Narail Town Club on Sunday, 30 August, 1998. In the one day participatory event organised by the Bangladesh Khetmujur Union, 70 locals representing all sections of the rural economy deliberated how adjustment policies had impacted on farms, farmers and the rural economy as a whole.

Mr. Bimal Biswas, President of Bangladesh Khetmujur Union presided over the session. Members of SAPRI Steering Committee, Mr. Saiful Haq, General Secretary of the Union and Ms Maleka Khan attended. Dr. Debapriya Bhattacharya, Study Director and Member, Technical Committee moderated the discussion. Mr. Rashed A M Titumir, Member, Information Team and Mr. Iftekhar A Chowdhury of the SAPRI Secretariat also attended.

A summary matrix of the focus group discussion is given below:

A Summary Matrix of Participation of the Focus Group Discussion

DATE	VENUE	HOST ORGANISATION	PARTICIPANTS CATEGORY	BY	PARTICIPANTS FROM SAPRI
August 30, 1998	Town Club, Narail	Bangladesh Khetmujur Union	Farmers	- 23	Mr. Bimal Biswas Ms. Maleka Khan Mr. Saiful Haq Dr. Debapriya Bhattacharya Mr. Iftekhar A. Chowdhury Mr. Rashed A. M. Titumir
			Agri. Labourers	- 5	
			Students/Farmers	- 5	
			Students	- 9	
			Business/Farmers	- 2	
			Business	- 3	
			Village Docs/Farmers	1	
			Village Doctors	- 1	
			Soc. Workers/NGO	- 3	
			Service	- 2	
			Unemployed	- 1	
			Total		

Prior to the discussion the invitation letter was accompanied by five resource documents illustrating the background to SAPRI, a brief on the design of SAP in Bangladesh, SAPRI activities in Bangladesh, the World Bank's Country Assistance Review and issues of SAP in Bangladesh.

For initiating the focus group discussion, a resource documents based on issues voiced at the regional consultative meetings and titled "Structural Adjustment and Agriculture" was distributed among the participants.

At the outset the chair expressed his sincere gratitude to the participants for their attendance and invited the SAPRI Study Director Dr. Debapriya Bhattacharya to moderate the session. Providing a brief background to events leading to the developing countries contracted to the World Bank and being the IMF prescribed SAP package and formation of SAPRI, Dr. Bhattacharya briefed the participants about the scope, objectives, national and global structure, and the process of implementation of SAPRI. He emphasised that SAPRI set out to hear the voices of those who had not been heard traditionally. The participants were also informed of the methodology of the SAPRI exercise.

Then Dr Bhattacharya presented the key issues in agriculture in the form of questions. He asked, 'Is there any polarisation going on in land ownership? Which class is buying the land? Do the new owners have any relationship with agriculture? What has happened to sellers? Has the availability of inputs increased after privatisation of delivery system? If it has increased, has it increased in proportion to the rise of other things in the market? Have the landless increased? Where are they going? Has the purchasing power increased in number? If the minimum wages for agriculture fixed, would it keep the adjustment between farmers and agricultural workers? Is fertiliser easily accessible after the withdrawal of BADC from fertiliser delivery? Do you find fertiliser adulterated? Has the price of irrigation equipment decreased due to privatisation of irrigation equipment trade? Is the good seed available at-right time? Are the farmers getting 'fair price' as the government introduced crop collection drive has been reduced? Is the Department of Agricultural Extension playing an effective role?

Stressing the difference of SAPRI from other exercises or studies, he invited an open, effective interactive participation from the floor as SAPRI, being a participatory exercise, wanted to record the voices of those who had been left out from the decision making processes.

Below is a summary of the main issues raised in the focus group discussion:

Polarisation of Land Ownership and Land Management

The participants were of the opinion that the current policy regime and the system of land management had been forcing the farmers to become landless. According to them, the structural adjustment policies did not contain measures to address fundamental issues like ownership polarisation; rather the process itself accelerated pauperisation. They observed that absentee landlordism was on the rise. According to the participants, hardly these absentee landlords used their land in farming, creating further crisis in the already land-starved economy. Although the Bank and its 'crony,' the government, spoke of mass well-being in black and white, there existed no specific strategies to reduce landlessness and the process of polarisation of land ownership. They were in favour of a thorough re-distributive land reform.

Terming the land management in Bangladesh anti-farmer and anti-farm, the participants illustrated how the farmers were being harassed by the land

administration. The also spoke about how this legacy of colonial administration encouraged corruption.

The farmers mentioned that land fragmentation had been on the rise. In the absence of appropriate khas land distribution policies, the real landless were not being the allocated khas land which was being leased out to the absentee rich and powerful vested quarters.

Profitability of agriculture

All participants were of the opinion that instead of contributing to profitability in the agriculture sector the policy reforms had rendered the sector a non-profitable one. Showing the heads of production and the costs associated with them, the farmers informed that the input price had outpaced the output price. According to the participants, they were still in farming as they had failed to find alternative sources of income and employment. They opined that the agriculture reform policy aimed at making the agriculture sector competitive had not worked in Bangladesh. The farmers found a peculiar price cycle of agriculture commodities in Bangladesh. Elaborating the situation they said that if the price of a commodity went up, it never nosedive in Bangladesh rather escalates. But, to their surprise, they observed, the reverse happened in their sector. Criticising the Bank's policy failure to recognise and take effective action to reduce domination of the intermediaries, the farmers said that the intermediaries were controlling crop sector markets. Illustrating how the intermediaries dictated the market price, the farmers said that these middlemen raised the price when the output was out of the farmers' hands, leaving farmers with prices far below the cost of production.

Availability of inputs, prices and quality

It was expressed that the agriculture reform measures had adversely affected the availability of inputs, prices and quality. Expressing their discontent at the privatisation of the input delivery system, the farmers informed that the private traders dictated prices either through the formation of guilds or creating artificial crises through hoarding or employing both the tactics. The oligopolistic behaviour of the traders had raised retail prices manifold, leaving a knock-on effect on the profitability of agriculture. The farmers also said that non-availability of inputs in the appropriate time due to hoarding by the private traders was enormously craven on the farmers' lives. According to participants, while BADC was engaged in the distribution of inputs, especially fertiliser, it used to maintain the quality of inputs, but the withdrawal of delivery from BADC (privatisation) has resulted in the absence of a regulatory monitoring of agriculture inputs as shown in the poor quality of fertiliser. They added that the poor quality of fertilisers and pesticides was adversely affecting the soil quality.

Financing in agriculture

The participants criticised the credit policy. Criticising the formal credit institutions' failure to address the issue of credit requirement of the farming community, the participants said that the access to credit in formal institutions had gradually

squeezed, while the interest rate of micro-credit remained exorbitant. It was also observed that coercion was resorted to in the recovery of micro-credit. Terming the commercial and special banks' credit policies anti-farmer and anti-rural economy, the participants stated that the banks were engaged in funding large-scale defaulters in the urban areas while advancing less than what was being collected as deposits from rural areas. They further pointed out the bias through the illustration of the comparative state of affairs of punitive measures and harassment perpetrated on small farmers and the liberal attitude expressed to large-scale borrowers.

They also expressed their anguish about the misgivings that all agricultural loans were written off. They said that the waiver did not benefit the real peasants. They were critical about the Bank's 'double standard' of making much 'noise' about the writing off while showing a liberal attitude towards large-scale borrowers.

Micro-credit came under fire in the discussions. Criticising the coercive tactics employed by the NGOs for loan recovery, they said that the NGOs were only bothered about showing no default rate, but they did want to take into account the seasonal variations and situations of farmers. The farmers added that there was a good many incidents in which some of them had to sell their household items, even their houses, to repay loans.

Marketing of agriculture produce

The participants were of the opinion that the policies aimed at the marketing of the crop sector functioned negatively. According to them, the government collection drive and purchase and storage facilities were required to be extended to the grassroots level. The expansion of these facilities, according to them, could raise the producers' prices. They felt that there should be a fair floor price and that should be declared in advance.

Wages of the agriculture workers and lack of employment opportunities

The participants thought that the real wages in the sector were on the downturn over the years. They demanded the minimum wages for agricultural workers to be equivalent to the price of at least 3.5 KGs of rice.

Referring to the non-availability of work during lean periods, they criticised the policies of reducing public works such as FFW and RRMP, which, according to them, had worked as a deterrent to starvation, though feeble to the actual need.

Modernisation of agriculture and less importance to crop diversification

Acknowledging that modernisation of agriculture has increased the acreage, the participants observed that excessive emphasis on producing high yielding variety rice had resulting in the loss of bio-diversity and extinction of a great many traditional varieties.

They observed that the World Bank's excessive policy importance to making a successful case for attaining food self-sufficiency had not resulted in autarky and promoted monoculture. The farmers strongly advocated policy and price support for crop diversification.

Export Orientation

The encouragement of non-traditional produce export under SAP, had encouraged cultivation of shrimp. According to the participants shrimp cultivation had left several detrimental effects including coercive displacement, increased salinity in lands and deterioration of law and order. The farmers wanted an independent evaluation to look into whether the cost of displacement and increase in salinity overrun the foreign exchange earned. Speaking about the negative income out of shrimp cultivation, the participants wanted it to be addressed with proper policy guidelines.

Failing to control their sentiment the farmers said that the World Bank's policy dictates had lowered the price of jute to such a low level that sometimes they could not but feel like making it their suicidal rope. Due to bearish jute price, the farmers stated that they were forced to leave the jute land uncultivated as other crops did not bring good harvest in the jute growing land.

Insurance

The participants observed that Bangladesh's agriculture was much prone to natural calamities like floods, draughts, etc. Therefore, the farmers demanded government initiatives like introduction of insurance facilities.

Environment

The participants observed that the excessive use of chemical fertiliser owing to the agriculture strategy's excessive emphasis on increasing the yield and using modern varieties led to a decrease in the micro-nutrients of soil. It was mentioned that BADC maintained a balanced strategy of selling irrigation equipment, but after privatisation the random sale of pumps and extraction of water might create severe problems like arsenic contamination. The participants expressed the fear that the unregulated use of natural resources, driven by the profit motive arising out of privatisation, might pose a strong threat to the environment in future.

The Role of the State

The participants in the focus group discussion felt that the successive governments' adoption of the minimalist state approach had impacted adversely on the well-being of most of the country's population including the farmers. They opined pursuance of a reduced state policy would not lead to the attainment of self-sufficiency in food and improvement of the well-being of farmers. They were of the opinion that the public sector could play an effective role in enhancing the profitability of a diversified crop sector. They also placed importance on an effective role of agricultural research and extension services.

Need for Change of the Current Paradigm

Some participants believed that a reformist agenda is not adequate for bringing about necessary changes to stave off the crisis that Bangladesh is currently undergoing. They thought a complete overhaul was required.

The chair concluded the focus group discussion by extending a vote of thanks to attendees for their effective participation.

List of Participants

Sl. No.	Name	Occupation	District
1.	Sadhan Basu	Agriculture & Village Doctor	Narail
2.	Mihir Kumar Biswas	Village Doctor	Narail
3.	Kamrul	Business	Narail
4.	Gokul Chandra Biswas	Teacher	Narail
5.	Sukanta Kumar Adhikari	Village Doctor	Narail
6.	Mohesh Kumar Golder	Business/Agriculture	Narail
7.	Abul Kalam Molla	Agriculture	Narail
8.	Horendra Nath Roy	Teacher	Narail
9.	Dulla Chandra Singh	Teacher	Narail
10.	Nirmal Dolder	Agriculture	Narail
11.	Ratikanta Biswas	Agriculture	Narail
12.	Prufulla Biswas	Agriculture	Narail
13.	Bhakta Das Sarker	Agriculture	Narail
14.	Subodh Kumar Biswas	Village Doctor	Narail
15.	Subodh Barman	Business	Narail
16.	Ram Prashad Basu	Student	Narail
17.	M.M. Abdus Sattar	Agriculture	Narail
18.	Ranjit Kumar Shil	Agriculture	Narail
19.	Joyanta Kumar Mitra	Business	Narail
20.	Saidur Rahman	Agriculture	Narail
21.	Babul Biswas	Student	Narail
22.	Palash Kumar Kundu	Student	Narail
23.	Malay Nandi	Agriculture Workers' Organiser	Narail
24.	Upendra Pramanik	Teacher	Narail
25.	Mustafa Lutfullah	Agriculture Workers' Organiser	Satkhira
26.	Imarat Molla	Village Doctor	Narail
27.	Ranjan Biswas	Agriculture Worker	Narail
28.	Ashok Roy	Agriculture	Narail
29.	Gazi Al Mamun	Student	Narail
30.	Rasel Sheikh	Student	Narail
31.	Amaresh Biswas	Agriculture	Narail
32.	Dulal Krishna Biswas	Agriculture	Narail
33.	Sarwar Sheikh	Agriculture	Narail
34.	Praban Kumar Biswas	Agriculture Worker	Narail
35.	Md. Rafique	Agriculture Worker	Narail
36.	A A Jabber	Agriculture	Narail
37.	Kabir Ahmed	Agriculture	Narail
38.	Chand Mia Sheikh	Agriculture	Narail
39.	Abdur Rahman	Social work	Narail
40.	Solaiman Shikder	Agriculture Workers' Organiser	Narail
41.	Binoy Krishna Biswas	Service	Narail
42.	Gazi Harunur Rashid	NGO Officer	Narail
43.	Jajabar Manir	Unemployed	Narail
44.	Moloy	Student	Narail
45.	Pabitra Kumar Das	Business/Student	Narail
46.	Masudur Rahman Masud	Student/Agriculture	Narail
47.	Akmal Hossain	Agriculture	Narail
48.	Asikuzzaman Bulbul	Student/Agriculture	Narail
49.	Md. Karimul Islam	Student/Agriculture	Narail
50.	Gaziur Rahman	Agriculture	Narail
51.	Md. Asikuzzaman (Raju)	Student/Agriculture	Narail
52.	Al Mamun	Student	Narail
53.	Jakir Hossain	Service	Narail
54.	Asal Molla	Agriculture	Narail
55.	Halima Begum	Agriculture	Narail

Sl. No.	Name	Occupation	District
56.	Alidur Rahman	Student/Agriculture	Narail
57.	Chapala Rani Biswas	Social Work	Narail
58.	Banamali Rani	Agriculture	Narail
59.	Isreil Hossain Monoj	Agriculture Workers' Organiser	Narail
60.	Saiful Hoque	Agriculture Workers' Organiser	Narail
61.	Bimal Biswas	Agriculture Workers' Organiser	Narail
62.	Kazi Hasan Bulbul	Student Organiser	Narail
63.	Palash Ahmed	Student Organiser	Narail
64.	Asir Hossain	Agriculture	Narail
65.	Al-Amin	Agriculture	Narail
66.	Md. Goljar	Agriculture	Narail
67.	Nazrul Islam	Lawyer/Agriculture Workers' Organiser	Narail
68.	Rizia Begum	Agriculture Workers' Organiser	Narail
69.	Dr. Debapriya Bhattacharya	SAPRI	Dhaka
70.	Iftekher Ahmed Chowdhury	SAPRI	Dhaka
71.	Rashed Titumir	SAPRI	Dhaka

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Structural Adjustment Participatory Review Initiative, Bangladesh***A Summary Report on the Focus Group Discussion with entrepreneurs of Small and Cottage Industries held on Wednesday, 2 September 1998***

The third focus group discussion, set to frame up the research agenda for the Review, was held with entrepreneurs of small and cottage industries at Karamajibi Mohila Hostel Auditorium in Dhaka. Eighteen attendees representing almost a dozen segments of the small and cottage industries 33 local organisations of the region participated in this tripartite collaborative exercise to deliberate on which issues they would like to see addressed through SAPRI. The constructive programme, organised by the National Association of Small and Cottage Industries in Bangladesh (NASCIB), prioritised issues for the field investigation, benefiting from the hands on experiences of a forum of diversity, comprising representatives of sectors such as sarees of various kinds, silk and handloom, light engineering, leather and plastic goods, handicrafts, flower, electrical etc. Ms Maleka Khan, Vice President of NASCIB and member of the Bangladesh SAPRI Steering Committee chaired the session. Mr. Syed Nizamuddin, Dr Zaidi Sattar and Ms Nilufar Ahmad represented the World Bank. Dr Debapriya Bhattacharya moderated the session. Mr. Rashed A M Titumir, Member, Information Team and Mr. Iftekhar A Chowdhury of the Secretariat also attended.

A summary matrix of the participation is given below:

A Summary Matrix of Participation of the Focus Group Discussion

DATE	VENUE	HOST ORGANISATION	PARTICIPANTS CATEGORY	BY	PARTICIPANTS FROM SAPRI
Sept. 2, 1998	Karmajibi Mohila Hostel Auditorium Dhaka	NASCIB	Tangail saree	- 1	Ms. Maleka Khan
			Zamdani saree	- 2	Mr. Syed Nizamuddin
			Leather	- 1	Dr. Zaidi Sattar
			Benarasi saree	- 1	Ms. Nilufar Ahmad
			Silk and handloom	- 3	Ms. Rakshanda Liaqat
			Engineering	- 1	Dr. Debapriya Bhattacharya
			Rubber and plastic	- 1	Mr. Iftekhar A. Chowdhury
			Footwear	- 1	Mr. Rashed A. M. Titumir
			Handicrafts	-1	
			Flower	- 1	
			Electrical	- 1	
			NASCIB	- 3	
			Total	18	

Five resource documents in *Bangla* -- the background to and process of SAPRI, its activities in Bangladesh, the issues of SAP, and its experience in Bangladesh, and the Bank's review of its country portfolio -- were distributed for enabling the participants

to involve themselves in this innovative process of evaluating the structural adjustment programme.

Welcoming the participants, the chair expressed her gratitude for their participation and she urged a free and open dialogue. Before proceeding to the consultation, Dr Debapriya Bhattacharya gave a background to SAP and SAPRI. He then stressed how SAPRI valued the participation of the stakeholders.

Below is a summary of the main issues voiced in the focus group discussion:

Trade Liberalisation

The participants felt that the ground reality of Bangladesh was not taken into account while designing the sequencing and pacing of the trade liberalisation policies. They opined that tariff reduction and withdrawal of quantitative restriction had left an adverse impact on the country's nascent industries, by exposing them to an 'uneven' competition. They, however, said that some of the non-traditional export items had benefited from the policy changes.

Increase in Export Base and Production Linkages

The participants observed that although the policy shift was centred on export-led industrialisation, the export base remained narrow in absence of appropriate policies. They said policy failure missed them to tap in abundance of cheap labour in deficient of production linkages. They said the current policy regime failed to allow them to build backward and forward linkages industries.

Tax Structure

The participants were highly critical of the introduction of value added tax (VAT) and its operating procedures, which according to them, led, to huge rentseeking activities by the tax officials.

The small producers expressed their frustration about the duty structure, which they found biased towards import. They informed that import duty on the raw materials exceeded those on finished goods.

Showing the incentive structure enjoyed by the producers of small and cottage industries, the participants found the reversal in Bangladesh and called for change.

Financing

The participants criticised the attitude towards them and the bias against the small and cottage industries in favour of large scale borrowers. They observed that financial institutions needed to cater to the needs of the small and cottage industries. They also

proposed that tripartite initiatives involving the government, the trade bodies and the credit institutions could be formed to lessen debt default and make allocation to the real entrepreneurs. They also suggested that a credit guarantee scheme should be introduced as a good many of them were unable to provide collateral.

Market Expansion

The participants felt that the government was not taking necessary action for market expansion. They said if we were to make the policy of export led strategy to work, the adjustment policies should inbuilt process, following which the government would engage itself in arranging more exhibition, carrying out market studies, and disseminate market intelligence.

Cluster Approach

The participants asked the government to follow a 'cluster approach', pursuance of which, according to them, would contribute to effective use of technology and market promotion. They also expressed their distress at the delay in establishing estates, announcement of which was made by successive governments.

Technological Development

The participants expressed their anguish at the stagnancy of the establishments engaged in technological development. They were of the opinion that government should be more active in the field of technological development by making an alliance with research institutions and trade bodies. They asked for a greater role of BSCIC, BUET and BITECH.

Human Resource Development

They observed that the government required to be effective in preparing a skilled work force. The employers said that it was far from possible to send their workforce on the job training. So, they asked the government to set up vocational institutions, capable of producing trained professionals at an affordable cost.

Procurement Policies of the Government

The participants observed that the neighbouring country's government had asked its institutions to give preferential treatment to products of small and cottage industries. They felt that such a policy should be enforced in Bangladesh

The Role of the State

The participants felt that a strong and effective role of the state was needed in the field of technological development, market expansion and development of physical infrastructure and upgrading skills of the manpower. They were of the opinion that institutions like BSCIC and BTECH needed to be geared up.

List of the Participants

Sl. No	Participants	Occupation/organization
01	Mr. Abul Kas hem	Jamdani Small Industry, Narayangonj
02	Mr. Lal Mia	Jamdani Small Industry, Narayangonj
03	Mr. Niaz Uddin	Northern Leather Industries (Pvt.) Ltd. Dhaka
04	Mr. Golam Shadeq	Business, Dhaka Benarashi Industry, Mirpur, Dhaka
05	Mr. Mosharaf Hossain Mir	Office Secretary, Bangladesh Engineering Industries
06	Mr. Abdur Razzak	Secretary, Owners' Association, Dhaka
07	Ms. Kaleka Khan	Vice President, National Association for Small Cotage Industries of Bangladesh (NASIB)
08	Mr. Nashir Ullah	M/S. Nashir Rubber & Plastic Industries, Dhaka
09	Mr. Saiful Malik	Plastro Mix Industries, Dhaka
10	Mr. Hashimuzzaman	NASIB, Dhaka
11	Mr. Humayun Kabir	Joya Ltd., Dhaka
12	Babu Kalipada Das	Tangail Shari Cotage, Tangail
13	Ms. Shamima Khan Poli	Poli Flours, Dhaka
14	Mr. Abshar Karim Chowdhury	Bangladesh Electrical Manufacturer Association, Dhaka
15	Ms. Sufia Karim	NASIB, Dhaka
16	Illegible	Kanix, Dhanmondi
17	Illegible	Bashtab Enterprise
18	Illegible	

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Structural Adjustment Participatory Review Initiative, Bangladesh

A Summary Report on the Focus Group Discussion with Industrialists held on Thursday, 3 September 1998

The fourth focus group discussion held with industrialists at the Conference Room of the Bangladesh Chamber of Industries on Thursday, 3 September, 1998. Fourteen leading industrialists, representing each subsector, shared their experiences about the policy reforms, voiced their concern on key adjustment issues, and designated issues for field investigation. The consultation began by an introduction to the background of the process of implementation of SAPRI, followed by the participants' own analysis of adjustment issues in order to prioritise issues for the field investigation in the last session. Prof Wahiduddin Mahmud, Convenor, SAPRI Technical Committee, and his team member Dr Atiur Rahman attended the consultation. Mr. Kapil Kapoor, Dr Zaidi Sattar, Mr. Syed Nizamuddin and Ms Rakshanda Liaqat represented the Bank. Study Director Dr Debapriya Bhattacharya moderated the discussion. Mr. Rashed A M Titumir, Member, Information Team and Mr. Iftekhar A Chowdhury of the Secretariat also attended.

A summary matrix of the focus group discussion is given below:

A Summary Matrix of Participation of the Focus Group Discussion

DATE	VENUE	HOST ORGANISATION	PARTICIPANTS BY CATEGORY	PARTICIPANTS FROM SAPRI
Sept. 3, 1998	Conference Room of Bangladesh Chamber of Industries	Bangladesh Chamber of Industries	Industrialists of varied sub-sectors = 14	Prof. Wahiduddin Mahmud Dr. Atiur Rahman Mr. Kapil Kapoor Mr. Syed Nizamuddin Dr. Zaedi Sattar Ms. Rakshanda Liaqat Dr. Debapriya Bhattacharya Mr. Iftekhar A. Chowdhury Mr. Rashed A. M. Titumir

Industrilisation Policy

The participants mentioned that the country require an industrial policy suited to the milieu of the country. They expressed that the cornerstone of that policy should be how the country could attain self-reliance in industrialisation. They opined that Bangladesh should have tailored target-specific policies before opening her doors to free imports. In this regard the industrialists put the example of the neighbouring country, which had opened its frontiers only recently and as a result, its produces had attained the maturity to sustain in the competition. They opined that they were not against the wind of market economy and globalisation, but the industrialists blamed the government for jumping at a time without having sound technological, financial and infrastructural base.

Trade Liberalisation

The industrialists recorded their strong opposition to the pacing and sequencing of reforms in the field of trade and commerce. They were of the opinion that these policy changes were brought about without consulting the stakeholders associated with the industrialisation process. They also felt that policies brought about were not changed in accordance with the objective reality prevalent in the sector. Some of them expressed their fear saying that these policy changes made at the dictates of the World Bank might wipe out the industrial base of the country and render the country import-dependent.

Some of the participants opined that trade liberalisation could be carried out only when the country had a solid industrial structure. They opined that real manufacturing was not possible without having an appropriate physical infrastructure, credit facilities and technological advancement. Due to lack of adequate industrial infrastructure provision, Bangladesh's produces are failing to sustain themselves in the competition. As a result, the massive trade liberalisation has been leaving an adverse impact on the country's industries.

The reduction of tariff rates and withdrawal of quantitative restrictions had negative results, the industrialists added. They also cited the bias of the duty structure in favour of finished imported goods and adversial rate against the import of raw materials.

The industrialists criticised the World Bank's 'divisive policy.' They said that the Bank had failed to maintain the same tariff level in the influential countries, with the result that the poor were more vulnerable.

The industrialists cited specific examples of dumping prices and countervailing duties. They were of the opinion that the Bank was soft in these issues.

Sick Industries

The participants felt that the policies of trade liberalisation had a serious role in rendering a good many industries sick. They thought that uneven competition forced by the process of liberalisation had wiped out the market of many indigenous industries, plunging these units into sickness.

Tax Administration

Criticising the tax structure and the administration, the industrialists said that the administration required a complete overhaul. They found value added tax as a source of rent-seeking.

Monetary and Fiscal Policies

The industrialists said that frequent devaluation of the national currency on the balance had not impacted favourably. Acknowledging that the downward adjustment of Taka had eased the pressure exportables to remain competitive, but it had made imports dearer. They thought that the country should find alternatives to devaluation.

The industrialists said that the cost of borrowing is high in Bangladesh. Questioning the financial sector reform, they asked: 'what had the Bank done to bring the exorbitant interest rate down? Why did the Bank fail to reduce the default rate?'

Government Investment and Incentive

The participants observed that the government had failed to provide adequate policy support to industrialisation. Lack of adequate investment in utilities had left adverse consequences on the country's industrialisation drive. They also felt that the government should come forward in the advancement of technology and export promotion.

List of Participants

Sl. No.	Name	Occupation/Organization
01	Mr. Sharif Afzal Hossain	President, Bangladesh Chamber of Industries (BCI)
02	Mr. Ithrat Hossain	Transcom Electronics
03	Mr. M. A. Sattar Bhuyan	Chairman, BFLL
04	Mr. M. Khairul Alam	Director, Orient Group
05	Mr. Obaidur Rahman	Director, BCIC
06	Mr. M.A. Awal	Chairman, Prime Group
07	Mr. M. Nurul Nabi	Managing Director, Prime Group
08	Mr. Shahan Mia	President, BSTMPIA
09	Mr. A.K.M. Azizur Rahman	Chairman, Sonargaon Textile Ltd.
10	Mr. G.D. Gazi	Gazi Tanks & Gazi Tyres
11	Mr. Niaz Rahim	Director, Rahimafroz
12	Prof. Masuda M. Rashid Chowdhury	Senior Vice President, Bangladesh Handloom Manufactures & Exporters Association
13	Mr. Rajab Sharif	Director, BCIC
14	Mr. Tamijul Haq, Barrister	Haq Group of Companies

*SAPRI Document – 25
October, 1998*

Structural Adjustment Participatory Review Initiative, Bangladesh

***A Summary Report on the Focus Group Discussion with Labourers held in
Dhaka on Thursday, 15 October, 1998***

The first round of Focus Group Discussions (FGD) before the first National Forum of SAPRI Bangladesh concluded with the holding of the fifth of this kind with labourers at the Conference Room of the Centre for Policy Dialogue in Dhaka on Thursday, 15 October, 1998. The date of the Focus Group Discussion with the labourers was shifted earlier as the recent flood had hit most of the working people in the country. The final FGD with the task of framing up the research agenda based on the adjustment related experiences of the industrial and service sector workers, was organised in collaboration with the Trade Union Centre, Bangladesh Road Transport Workers' Federation and Bangladesh Jatiyatabadi Sramik Dal. A total of 33 workers' representatives across the sectors and the country took part in the dialogue, in which they deliberated on how they had been encountering the policy changes brought about under the aegis of the structural adjustment.

Mr. Mahbul Alam of Bangladesh Trade Union Centre chaired the session. Prof Rehman Sobhan, Convenor, Bangladesh Steering Committee and Mr. Manjurul Ahsan Khan, Member, Bangladesh Steering Committee attended the meeting on behalf of the Steering Committee. The World Bank was represented by Mr. Syed Nizamuddin and Dr Reazul Islam. Dr. Debapriya Bhattacharya, Study Director and Member of the Technical Committee moderated the discussion. Mr. Rashed A M Titumir, Member, Information Team and Mr. Iftekhar A Chowdhury of the SAPRI Secretariat were also present.

A summary matrix of participation of the focus group discussion is given below:

A Summary Matrix of Participation of the Focus Group Discussion with Women

DATE	VENUE	HOST ORGANISATION	PARTICIPANTS BY CATEGORY	PARTICIPANTS FROM SAPRI
Oct. 15, 1998	Conference Room of Centre for Policy Dialogue, Dhaka	Trade Union Centre, Bangladesh Road Transport Workers' Federation, and Bangladesh Jatiyatabadi Sramik Dal	Textiles - 5	Rehman Sobhan
			Jute - 2	Manjurul Ahsan Khan
			Tanneries - 5	Syed Nizamuddin
			Garments - 1	Reazul Islam
			Transport - 6	Debapriya Bhattacharya
			Utilities/services - 3	Iftekhar A. Chowdhury
			Match industries - 5	Rashed A. M. Titumir
			Federations - 6	
			=====T	
			otal 33	

Five resource documents in *Bangla* – the background to and process of SAPRI, its activities in Bangladesh, the issues of SAP, and its experience in Bangladesh, and the Bank's review of its country portfolio – were provided to the participants along with

invitation for enabling an effective participation in this innovative process of evaluating the structural adjustment.

Welcoming the participants, the chair paid his sincere gratitude for their attendance, and invited the SAPRI Study Director Dr. Debapriya Bhattacharya to give the background to the SAPRI, its objectives, global and national structure, plan of implementation and moderate the session. After providing an illustration of the SAP package and the background that led to the formation of SAPRI, Dr. Debapriya Bhattacharya briefed the participants about the scope, objectives, national and global structure, and the process of implementation of SAPRI. Giving an outline of issues that might be investigated, the Study Director invited participants' opinions, based on their real life experiences.

Below is a summary of the discussion that followed.

Privatisation is not the only solution

The participants were of the opinion that privatisation of the state-owned enterprises (SOEs) was not *the* solution as expounded by the Bretton Wood Institutions (BWIs). They said that the thrust of the policy should not be on a change of ownership, rather the policies should be designed to enhance efficiency of the entrepreneurs, and dynamism and prospects of employment creation. The workers cited comparative performance of statistics to refute the 'dogmatic theological' view of the World Bank that the privatisation is a sine qua non for enhancing the efficiency of SOEs. Referring to recent pilot exercises conducted by the Dhaka Water and Sewerage Authority (WASA) and the Power Development Board (PDB), the workers claimed that the performance balance sheet invalidate the Bank's ground of counting efficiency only on the basis of ownership. Regarding the bill collection contracting out by the water provider, the Dhaka WASA employees' representative informed that the authorities leased out one zone out of four to workers and contracted out another to a private contractor while the rest was kept by the organisation for a year on pilot basis. It was mentioned that system loss was brought down to 36 percent by the WASA employee-managed project while the loss went further up to 54 per cent from the average pre-contract out system loss of 51 percent in the private sector-managed zone. The loss was lessened to 49 per cent in the two Dhaka WASA - managed zones. But the Dhaka WASA employees were surprised the Dhaka WASA authorities decision extend' private party's contract instead of awarding the zone to the employees as had been agreed earlier by the WASA management. The authorities changed the decision, according to the employees, at the dictate of the World Bank, which yielded to intensive lobbying by the private contractor. The workers further found testimony to their hypothesis, when almost the same phenomenon was repeated in the Power Development Board, in which achievement of the employee-managed project exceeded the target while the private contractor's performance was below the target as fixed on the contracting - out deal. The workers claimed that they would have made further progress, they were provided with incentives that were dished out to the private contractors. Regarding railways, the workers pointed out the failure of the private sector in running some of the lines contracted out to them. The participants stated that being unsuccessful some of the private operators revoked the operation, while some had applied for review of the contract as they failed to earn pre-

contracting revenue. The workers also cited empirical evidence, especially from the post independence period, when industries managed by the workers earned profit.

Admonishing the economists who prescribed privatisation as the sole model of efficiency, workers pointed out that they had been remaining conspicuously silent about the post privatisation state of affairs in the units. The workers asserted that the dreary performance of the privatised units substantiated their argument that privatisation was not the panacea. To buttress their arguments, the workers cited examples of the profits used to be earned by many industries before privatisation, industries which have now been limping after privatisation.

The workers questioned the text-bookish stances of the economists and called for thorough enquiry and new thinking on the basis of the ground reality. According to them, the economists' quest should not be limited to, but go beyond privatisation, and accordingly the process of change to be initiated by the policy makers should not deal with the symptoms but to wipe out the root causes.

Privatisation or Destruction of Industrial Base

Questioning the fundamental position of the World Bank, the participants were of the opinion that the policies that the Bank had been advocating to successive governments were not aimed at increasing the industrial base of the country as demonstrated by frequent closures of thousands of manufacturing units of varied size. The bandwagon pursuance of market economy, coupled with withdrawal of the state against the backdrop of the absence of a solid entrepreneurial class, had been virtually leading the country towards de-industrialisation for making the country a market of other countries. Expressing their apprehension, the workers stated that the day was not far away when the country would entirely be an import-dependent one, should Bangladesh continue to pursue the status quo. According to them, if the World Bank was interested in the industrialisation of Bangladesh, they would have diagnosed the real problems and made strategic planning based on a vision instead of imposing the 'just privatise' policy on the government. If the Bank were serious about Bangladesh's industrialisation, they would have opted for a high-powered Board or Commission for industrialisation rather than force the government to set up the Privatisation Board, they added. According to the participants, the vision of industrialisation should be to increase employment not to make people redundant, but the latter option was adopted in Bangladesh at the dictate of the Bank.

Closure or running at a snail's pace is the fate of an industry after privatisation

Questioning the 'theological' trust placed on the policy of privatisation by the Bank and the process of its implementation by the government, the workers gave examples of dismal performance by the privatised mills in support of their argument that the buyers' motive was all but running the units. The workers claimed that most of the privatised units either had been laid-off or continuing at a very slow pace. They also found serious failings in the current privatization policy as against those followed in the neighbouring countries such as Sri Lanka. Contrary to the practice of the Bangladesh's Privatisation Board, the Sri Lanka's Privatisation Commission first considers whether the bidders have the ability to run the mills to be privatised before

proceeding to further negotiations. The Commission also puts strict condition of no retrenchment after privatisation.

The workers opined that most of the owners bought the mills in order to grab NCB's money sanctioned for purchase of the units. They added that most of the owners had diverted the money to other sectors, primarily to non-industrial activities in which either the gestation period was short or the return was quick. The workers opined that the privatisation process had been augmenting the size of loan defaults. They quipped that the industries in Bangladesh were being rendered "sick" for making the new owners' "healthy".

Imposition of projects and consultancy bribery to reform- minded bureaucrats

Citing examples, the workers stated that the Bank had imposed several projects, to which initially even the senior bureaucrats showed reluctance because of their lack of relevance to the sectors concerned, but such projects were later undertaken due to cross-cutting conditionalities placed on different projects by the international financial institutions.

According to the workers, the Bank had established cronies within the bureaucracy. After retirement, according to the participants, these "reform - minded bureaucrats" were being provided with consultancies. The degree of these "kickbacks", as they put it, depended how best the bureaucrats had served the Bank during their active service in government. They cited some literal examples.

Characteristics of Entrepreneurial Class

The workers expressed strong scepticism about the entrepreneurial class in Bangladesh and found them more tilting towards trading or sectors, which could earn them 'quickie' money. The workers made of these buyers as people wanting to appropriate riches overnight. Showing specific examples of how the buyers or present-day industrialists had employed corrupt means in accumulating their wealth, the participants questioned their motive: how one could expect dedication towards industrialisation from them, given their unscrupulous wealth accumulation process.

The workers stated that many of them had been happy when they learnt about the decision of denationalisation as they were frustrated with the government-appointed inefficient and corrupt managers in many of the units abandoned by foreign owners. The anti-industries activities and greed of the new entrepreneurs were so monumental that some of the entrepreneurs had not only squandered transferable and non-movable wealth of their units, but even eaten up money saved by workers in their provident funds. The ground reality had led the workers to the conviction that the characteristic of the entrepreneur was one of the key factors in advancing industrialisation.

Transparency and selective disclosure of information

The workers accused that the World Bank burdened the public with false information, often even fabricated, to malign the workers' image, through such means as the Bank-sponsored advertisement circulated by the Privatisation Board. According to the

workers, the World Bank engineered image of the workers as the villains of Bangladesh's industrialisation was one-sided since the Bank had never provided the public with information about the strides made by workers in the utilities and other industries.

The participants also opined that they hardly found any transparency in the relationship between the Bank - government and workers.

Limits of export-oriented industries

Referring to the projection of the ready-made garments sector as the success of the export-led industrialisation strategy, the participants observed that people were being fooled with its glitter. The focus group participants compared the workers' prevalent situation in the country's garments factories with that of slavery. Their argument was that the garments sector in the country was buoyant because of the characteristics of international finance capital, which move to sectors from which it could suck in maximum profit, exploiting labourers. Regarding the working environment, safety standards and workers' rights, a garment worker asked: 'Do you know, how much a garment worker is being paid for her service from dawn to midnight? Do you know how many of our female colleagues are being sexually harassed by owners, musclemen and mastans during work or on their way back home usually at midnight?' Illustrating the working environment, the participants described how the owners were violating existing labour laws and depriving the workers from statutory rights and privileges.

Post retrenchment situation of the workers

The participants expressed that their miseries began with the decision of their retrenchment. They, however, said that some of the retrenched workers were misled by the allurements of the 'golden handshake' or termination benefit for voluntary retirement. Some of the participants revealed that they were not at all paid by the authorities. They had filed several legal suits, but the voluntary retrenched workers were not sure whether they would receive the promised amount. Illustrating the plight of these self-retired workers, they said hundreds of them had already died without medical attention. Those who were still alive leading unthinkable lives. One participant informed that in payment days, some of the workers came to their previous offices literally to beg. According to the focus group participants, those who had received the money failed to put the amount in productive ventures, failure in which had brought some of them to the street or untimely death. The participants also informed that most of the retrenched workers could not find alternative employment.

SOE's Loss, Services and Workers' Responsibility

The workers vehemently opposed the notion that the labourers or their so-called militancy were responsible for the losses of the state-owned-enterprises (SOEs). The participants said that it was they who put forward several proposals to the government for making up for the losses. But, according to them, the towing policies of the government and vested quarters within the government did not give proper importance to their proposals, enforcement of which would have rescued the

industries from losses, created, as they claimed, by the inefficient management and high-ups of the government. The worker leaders informed that they entered into an agreement with the government 'at the risk of losing their support from their constituency' that ten best performing jute mills would be selected, five each from the public and the private sectors. The government was only to finance the difference between the average cost of production of these ten mills and the world market price. But loss financing by the government had led to accumulation of debt to a mountainous proportion on the one hand and allowed the management to be as inefficient one could be, on the other.

On the question of the so-called poor services provided by the nationalised commercial banks (NCBs), the workers reacted sharply. Giving comparative statistics of work-load between NCBs and private banks, one participant quipped that the amount of vouchers a branch of Sonali Bank, Local Office processed would surpass all the activities of three to four private banks, taken together. They also said that they had to do many non-banking activities, like bill collection of utilities.

Refuting the World Bank's portrayal of private bank as efficient, the participants argued that the proportion of non-performing loans in private banks was much higher than that of NCBs. They added that NCBs had to perform many socially necessary activities (e.g. collection of utility bills) while their private counterparts acted on the sheer basis of profit.

The Management Failure

The workers attributed the failure in the country's industrialisation and physical infrastructure to the inefficiency of the management and increase in the top-heavy bureaucracy. They blamed the Bank's one-eyed policy under which they were suggesting only retrenchment of workers, while turning a blind eye to the increase in top heavy administration. The workers found the Bank's policy in favour of decentralisation as an eye-wash. Giving examples of railways and NCBs, the workers informed how the top echelons were increased manifold, while the main workforce had been trimmed.

Redesign of the Reforms

The workers were in favour of redesigning the reform process, in which a strategic vision with its locus on increasing industrialisation would be the guiding principle. The participants added that the very essence of the reform would be to make the sectors dynamic, employ more labourers, but just not to privatise SOEs.

The participants observed that the reforms needed to be carried in association with every stakeholder. One of the major reasons of the failure of the current reform process was, according to them, the failure to incorporate labourers in the decision-making process. They felt that every reform process must take labourers on board and give them equal partnership.

STRUCTURAL ADJUSTMENT PARTICIPATORY REVIEW INITIATIVE, BANGLADESH

*A Summary Report on the Focus Group Discussion on “Consequences of
Fiscal Restructuring on Social Development,” held in
Dhaka on Sunday, 10 January, 1999*

A key feature of the SAPRI Bangladesh is its participatory nature which manifested itself in the conduct of three Regional Consultative Meetings (RCMs) and five Focus Group Discussions (FGDs) as a preparatory process leading up to the First National Forum. The First National Forum was held in Dhaka on October 20-23, 1998. The National Forum of SAPRI Bangladesh, as a part of a global exercise involving a network of civil society organisations, the governments and the World Bank, was organised to set the agenda of the review exercise. In the RCMs and FGDs, participants representing a wide cross-section of civil society shared their experiences about the policy reforms, voiced their concern on key adjustment issues, and highlighted issues they wanted to be reviewed under the SAPRI.

The First National Forum was scheduled over two and a half days, starting with the inaugural session in the afternoon of October 20, 1998. Two plenaries and three syndicates comprised the working sessions of the Forum, covering two full days. The first plenary session on “SAP, SAPRI and Bangladesh” held in the morning of October 21, was followed by syndicate discussion on three major clusters of pre-identified issues. The first and second syndicates on “Implications of Trade and Industrial Policy Reforms” and “Impact of Agricultural Policy Reforms” were held in the afternoon of October 21, 1998. The third “Consequences of Fiscal Restructuring on Social Development” which was planned for the morning of October 22, 1998 had to be postponed due to unavoidable circumstances. The second plenary or the wrap-up session was, however, held according to the schedule in the afternoon of October 22, 1998. Participants from across the country including representatives from entities such as labour unions, small farmers, women’s organisation, and environmental and professional groups as well as the present and former ministers, officials from the government and the World Bank contributed to the Forum.

In the backdrop of postponement of the third syndicate titled “Consequences of Fiscal Restructuring on Social Development,” the Bangladesh SAPRI Steering Committee decided to hold an FGD as a preliminary forum with a view to eliciting the views of civil society actors on key issues before they are selected in the Third Syndicate of the National Forum. A total of 41 representatives across the sectors took part in the FGD which was organised by Proshika at its conference room in Dhaka on Sunday, 10 January, 1999.

Prof. Rehman Sobhan, Convenor, Bangladesh SAPRI Steering Committee presided, while Mr. Shahabuddin, Member-Secretary, Bangladesh SAPRI Steering Committee in his inaugural comments highlighted the distinguishing features of the SAPRI exercise. Ms Rokeya Sultana, Deputy Secretary, ERD and a member of the National Technical Committee was present on behalf of the government. Mr. Syed Nizamuddin, a member of the National Technical Committee along with his colleagues Mr. Faruque Ahmed, Ms Milia Ali, Ms Nilufar Ahmed, Ms Scheherzad J Monami Latif, Mr Atiqur Rahman and Mr Humayun Hye represented the World Bank.

Dr. Debapriya Bhattacharya, Study Director and Member of the Technical Committee moderated the discussion. Mr Rashed A M Titumir, Member, SAPRI Information Team and Mr. Iftekhar A Chowdhury of the SAPRI Secretariat were also present.

A summary matrix of participation of the focus group discussion is given below:

A Summary Matrix of Participation of the Focus Group Discussion on Education and Health

DATE	VENUE	HOST ORGANISATION	PARTICIPANTS BY CATEGORY	PARTICIPANTS FROM SAPRI
Jan. 10, 1999	Conference Room of Proshika, Dhaka	Proshika	NGO - 13 Teacher/Academic- 11 World Bank - 7 Other UN Org. - 3 Govt. - 1 Media - 6 <hr/> Total 41	Prof. Rehman Sobhan Ms. Rokeya Sultana Mr. Syed Nizamuddin Mr. Md Shabuddin Dr. Debapriya Bhattacharya Mr. Iftekhar A. Chowdhury Mr. Rashed A. M. Titumir

Resource documents prepared till date by the SAPRI Bangladesh were supplied to the participants along with an invitation for enabling an effective

participation in this innovative process of evaluating structural adjustment. Moreover, for facilitating the FGD a resource document was distributed among the attendees.

The chair invited the SAPRI Study Director Dr. Debapriya Bhattacharya to present the background to the SAPRI, its objectives, global and national structure and plan of implementation. After providing an illustration of the SAP package, Dr. Bhattacharya briefed the participants about the scope, objectives, national and global structure, and the process of implementation of SAPRI. Giving an outline of issues that might be investigated, the Study Director invited participants' opinion, based on their real-life experiences.

Below is a summary of the discussions that followed.

National and International Obligation

The participants observed that the responsibility of education and health was vested with the State by the Constitution of Bangladesh. After reading out Article 17 of the Constitution, they went on to argue that it was the government's constitutional obligation to provide free and uniform education to the citizens without any distinction of religion, caste and creed. The Article reads: "The State shall adopt effective measure for the purpose of – (a) establishing a uniform, mass-oriented and universal system of education and extending free and compulsory education to all children to such stage as may be determined by law; (b) relating education to the needs of society and producing properly trained and motivated citizens to serve those needs; (c) removing illiteracy within such time as may be determined by law." The participants feared that the downsizing of the state, as result of contracting to structural adjustment policies, was contrary to pledges made in the Constitution of providing access to all social sectors and might fail to benefit the disadvantaged section of society.

Some participants found the avowed commitment of the World Bank towards the social sector only nominal. In this connection, they cited the international covenants that Bangladesh signed to ensure basic services to its citizens and the Bank's apathy to include them in its core. Pointing to the UNESCO declaration of allocating eight per cent of GDP and 30 per cent of the budget to education, one

participant asked, “Did the Bank ever extend its muscle to the government to implement the UNESCO policies?”

Allocation to Social Sector

The participants observed that allocation to the social sector in quantitative terms has increased over the years, but they questioned the ratio of incremental expenditure growth to increases in number of educational and health establishments. They pointed out that the allocation failed to match with the inter-temporal structural and demographic changes that the country had witnessed. The participants argued that the improvements in the quality of services in relation to increased allocations curved a downward slope. Referring to an example of medical supply requirements (MSR) of a Thana Health Complex (THC), a participant informed that the government allocation covered only a third of MSR. “Where would the THC get the rest?” - he asked.

Quality of Services

The participants, including those from the international organisations, were of the opinion that the quality of the social sector was much less than expected, and may have deteriorated over time. The degeneration of quality of service delivery had reached such a peak that even the government was showing its growing concern regarding the manifest downward trend of the quality of services in the social sector. A participant informed that for a Bangladeshi student in primary education, the school contact hours were only a meagre 470 hours per year while her counterpart in China expected to enjoy 1200 hours per year. The teacher - student ratio was only 1:70, which was very inadequate, the participants opined. A teacher had to lecture on almost all disciplines, no matter in which s/he was trained in, added the participants.

Access to Services

Some of the participants were of the view that the national statistics needed to be re-examined in order to find out whether there was a real increase in access to services by the rural and disadvantaged population. The participants found dichotomous relationship between the said increased access to social delivery and the rate of increases in the prevalence of diseases. The prevalence rate of communicable diseases such as tuberculosis, diabetes, rheumatism increased during last the three

decades, revealed a public health expert. The participants acknowledged reluctantly the increase in the number of staff, but opined that increase in the numbers of doctors or teachers would not be effective, if supply of services like medicine did not match the demographic changes. Some of the participants felt that government's involvement in providing basic services including curative care needed to be expanded. "No matter how poor the services of THCs and UHCs are, the majority of the poor still depend on the government's allocation. I wonder how would they survive, should there be a squeeze in government's service," a participant remarked.

Disparity

The participants observed that there was disparity ingrained in the social sector amongst rural and urban and government and non-government establishments. Referring to numerous examples in support of their arguments, the participants said that these disparities were crippling the quality of, and access to, health and education sectors. The financing available to social sectors was not evenly allocated. The fundamentals of allocation were not geared towards improving the standards of education; rather, decisions were framed on the basis of whether the establishments were government or non-government. The participants also said that the allocation of educational materials and physical facilities was also tilted towards urban areas at the expense of the villages. As a result, the Constitutional obligation of providing uniform education faltered through unequal access to education. All students were not getting equal education and educational standards were being compromised, the participants observed.

Sequencing of the Reforms

The participants stressed that reform measures were to be designed in a manner so that they suited the indigenous circumstances and initial conditions. They, however, found reform implementation plans contrary to the initial condition prevailing in the country. They said that pacing of the reforms were not always kept in steps with the resource constraints and the economic and social milieu. Referring to the recent reform package related to the health and population sector – Health and Population Sector Programme (HPSP) - coordinated by the Bank, one participant quipped that “ the ship was sailed before it was fully constructed.”

Prioritisation and Sustainability

The participants observed that the dreariness of the social sector originated from the absence of national policies such as health and education policies. They went on to say that the absence of any coordinated indigenous policy led to a lack of prioritisation, which resulted in further worsening of the sectors. The participants said that on donor instances the country embarked on a programme for a period, making it a thrust sector. After a certain period, the government made a shift to another programme, concentrating all its effort on that sector at the cost of the previous sector. As a result, the success achieved in the former sector was neither kept in hold nor advanced. In this connection, some mentioned, the expanded immunisation programme, which according to them, was witnessing a downward spiral after obtaining global recognition.

Alignment of Health and Education Policies with Socio-economic Context

The participants stressed that success in the field of education and health would entirely depend on how effectively the sector strategies were framed suiting the need of the population and their capacity in tapping services in the backdrop of socio-economic contextual reality. In this context, they were of the opinion that the role of the state needed to be enhanced in line with the constitutional obligations. They feared that pursuance of an ‘unbridled free market economy’ would nullify the access of the wards of farmers and labourers to the education and health sectors and urged the state’s active role in widening the access of the disadvantaged to education and health sectors.

Human Resource Development and Wages

The participants unanimously observed that the low salary of the teachers was one of the main reasons barring the improvements in educational standards. They felt that wages offered to teachers were negligible to attract brilliant people in the teaching profession. In this connection, the participants made a comparison of the payments made in Bangladesh and the neighbouring countries, showing a huge differential. The participants identified the lack of teachers’ training as one of the key causes of dismal standards in the schools and colleges.

Corruption, Wastage and Lack of Monitoring and Supervision

The participants observed that government departments engaged in administering education and health sectors were plagued with malpractices and corruption. In the absence of health and education policies, they opined that the system inherited from the colonial legacy created such procedural and administrative mechanisms as encouraged wasteful consumption. According to them, the monitoring and supervisory authorities in the health and administration sector, who themselves lacked training, were more bent on corruption than improving the standards. They also pointed to the degeneration of moral values in the education arena. Some participants opined that the religious education including that imparted in madrasas needed to be modernised and an effective monitoring of quality was required.

Secondary and Tertiary Education

Some participants questioned the World Bank's emphasis on primary education and the gradual meeting of the expenses from increased user charges in secondary and tertiary education. "Where would you get the teachers from, if you want to circumscribe the state's role in secondary and tertiary education?" asked a participant. The participants viewed that some reform measures had put strenuous pressure on the education system. Referring to the female scholarship programme, a teachers' union representative said that non-governmental schools outside the city area, which catered to the most of the secondary education in the country, were afflicted by financial crisis due to the introduction of this new policy. She especially mentioned the girls' schools in rural areas. Due to a lack of emphasis, the participants observed that the number of students taking sciences had been declining, which was creating shortage of science teachers. They said that secondary education was sickened by a lack of teachers trained in respective subjects.

Vocational and Technical Education and Adult Literacy

The participants gave a dismal picture of vocational and technical education. They were critical of the lack of policy support to the sector, which according to them, had the potentials of harnessing skilled labour force, badly required for increasing the productivity of the manufacturing sector in order to acquire a

competitive edge. The participants hurled staunch criticism at the government and donors for failing to increase adult literacy, which, according to them, was standing in the way of making inroads.

Hard-to-Reach

The participants were of the opinion that the reform measures failed to devise ways and means to bring the hard-to-reach groups such as the tribal and coastal population into the service delivery network. These people were being left out from were the basic social service delivery network.

Civil Society and NGO

The participants stressed the need for evolving a coordinated national policy in both the health and education sectors so that the government and the civil society organisations including NGOs working in these sectors could work together for the welfare of the masses.

The participants including some NGO representatives criticised the donors for reducing and/or withdrawing funds from the social sector. They were also critical of the introduction of bidding by the NGOs in social sector projects, which according to some, might force them to be distracted from NGO values and mission, and to behave like private contractors. Some participants were appreciative of the innovative programmes pioneered by NGOs.

Absence of Regulatory Framework for Private Sector

The participants observed that the Bank was increasingly asking the government to redefine its role in the social sector in favour of the private sector without ensuring necessary regulatory framework. The participants expressed their concern about the unbridled mushroom growth of private sector health service providers in the absence of appropriate regulatory authorities, responsible for protecting consumers' rights and maintaining standards.

Element of Competition

A former World Bank official opined that he saw one issue in the social sector, which could drive the sector out of the mess. According to him, the sine-qua-non was the introduction of competition that could ensure the quality of service.

List of Participants

Sl. No	Name of Participant	Organisation
1.	Kazi Rafiqul Alam	Dhaka Ahsania Mission
2.	Syeda Shamse Ara Hossain	Siddeswari Girls' College
3.	Dipankar Dutta	Concern Bangladesh
4.	Rejanul Haque	Daily Janakantha
5.	Shibani Das	Udayan Vidyalaya
6.	A. N. Rasheda	Notre Dame College
7.	Prof Golam Mohiuddin	BUET
8.	Hena Das	Bangladesh Teachers' Association
9.	Scherezad J. Monami Latif	World Bank
10.	Milia Ali`	World Bank
11.	Syed Nizamuddin	World Bank
12.	Dr. Humayun Hye	World Bank
13.	Atiqur Rahman	World Bank
14.	Faruque Ahmed	World Bank
15.	Nilufar Ahmed	World Bank
16.	S C Rana	Community Health Care Project
17.	Rafique Uddin Ahmed	CDS
18.	Dr. Md. Emdadul Haque	CDS
19.	Rounaq Jahan	Columbia University
20.	Dr. Rawnak Khan	Unicef
21.	J.K.Baral	Proshika
22.	Mira Mitra	Unicef
23.	A. K. Masood Ahmd	Unicef
24.	Prof Muzaffar Ahmad	Dhaka University
25.	Sirajul Haque	Proshika
26.	Harun-ur-Rashid	Proshika
27.	A. N. S. Habibur Rahman	Proshika
28.	Naimul Haq	Daily Star
29.	Azizul Islam Bhuyian	Bangladesh Sangbad Sangstha (BSS)
30.	Mustafiz Shafi	Daily Prothom Alo
31.	Sohrab Hassan	Daily Sangbad
32.	Prof. Muhammad Masum	UCEP
33.	Prof Shahed Hassan	Dhaka University
34.	Manjur Mahmud	Daily Star
35.	Rokeya Sultana	ERD, Govt of Bangladesh
36.	Iftekhhar Ahmed Chowdhury	Proshika
37.	Omar Tarek Chowdhury	Proshika
38.	Md. Shahabuddin	Proshika
39.	Prof Rehman Sobhan	Centre for Policy Dialogue
40.	Dr. Debapriya Bhattacharya	BIDS
41.	Rashed A. M. Titumir	Bangladesh Open University