



BANGLADESH PUBLIC POLICY WATCH 2004

INTERIM REPORT

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I. INTRODUCTION`

The *Bangladesh Public Policy Watch* attempts to provide a political economy of the implications of public policies on people, economy and society; the lack of such analysis has contributed to a ruptured knowledge on the dynamics of Bangladesh, adversely affecting lives of the masses.

The *Public Policy Watch*, a modest effort and envisaged to be annual in nature, originates in the backdrop of public policy-making system, which is driven by the creditors' agenda, rooted in neo-liberalism and devoid of policy-based politics by the people's representatives, let alone factoring in the 'voice' of the poor in the planning and implementation process.

The aim of the *Policy Watch* is to **examine development intervention strategies by exposing its underlying paradigms and the impacts on the people**, and to **explore alternative approaches to public policy questions**. It is hypothesised that the incongruence of development aims and project actualities arise from the tensions between competing agendas and understandings of the people and the policy elites. Therefore by exposing the contradictions in these underlying paradigms and consequential impacts we gain insight into the politics of change.

Another objective of the *Public Policy Watch* is to articulate clear understanding on the mainstream orthodoxy, what has come to be known as neo-liberalism. Neo-liberal advisors in the 1980s developed a vision of the ideal country: its economy would be largely self-regulating through open competition between private firms; its public sector would be passive—providing the minimum services necessary to conduct private business efficiently and to protect society's weakest members. The advocates of adjustment had hoped for a trade-off: long-term economic gain in return for short-term social cost. What they did not foresee was that the social structure could itself frustrate the desired economic effect, resulting in permanent intensification of poverty.

The *Public Policy Watch* attempts to transcend beyond orthodox economics has endogenous limitations as it assumes away the interwoven linkages amongst polity, society and economy. The neo-classical economics uses concepts of equilibrium and optimality, though defined with mathematical precision, at best only an approximation of reality. Further, its analytical micro foundations cite explanations in terms of pricing and investment decision within the structure of production function and other matrices for economic activity are thought aberration. The quest for 'harmony' (equilibrium) is unacceptable in the unfolding reality as polity and economy are not divorced from each other; instead interact through the interplay of social forces and the economy is forever in disequilibrium.

For analytical clarity, the *Public Policy Watch*, thus, conceptualises society as an interwoven system consisting of economic, political and social sub-systems, intertwined at every sphere – local, national and global. The societal sub-system entails configuration of classes, which interact with each other in political arena in order to retain control over productive resources in the economic sphere. The political sub-system is reflection of societal sub-system as the dominant class attempts to arrive at or impose a set of collective goals. The economic sub-system actualises goals through production of goods and services. In other words, the societal sub-system defines players, the political sub-system inscribes rules and economic sub-system actualises the system of accumulation.

Therefore, the *Policy Watch* is conceptualised as a vehicle to promote non-orthodox approaches to analysing and addressing the problems of Bangladesh and to integrate people into economic governance for efforts to re-balance institutional arrangements at national and international level and work towards effective national and global economic governance.

This year's *Public Policy Watch* is divided into two parts. The former provides an update on the recent developments of the current fiscal while the latter concentrates on the Poverty Reduction Strategy Paper (PRSP). The *Watch* in the future will attempt to provide a comprehensive coverage in terms of sectors, issues, units and categories.

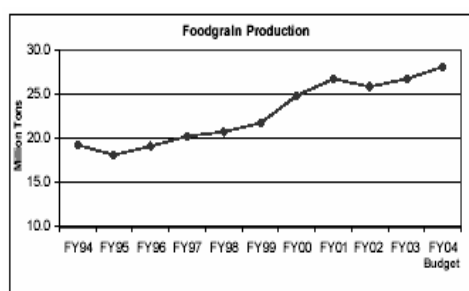
II. STATE OF ECONOMY AND SOCIETY: A TALE OF TWO SOCIETIES

2.1 Recent Economic Developments

2.1.1 Gross Domestic Output

The forecasters are predicting a growth of gross domestic product (GDP) by 5.5 per cent¹ for the current fiscal year, a minor increase over the last year's 5.3 per cent, thanks to **usual yet unappreciated contributors of the economy – farmers, migrant workers and labour-dependent ready-made garments (RMG).**

A projected good grain harvest, benefiting from favourable weather, is the main contributor in maintaining the growth rate. The total food grains output in FY-2004 is projected to 281.01 lakh metric tonnes (MT), about 5.3 percent higher than the 266.95 lakh MT produced in the previous year. The outlook is premised upon favourable reports of good aman harvest estimated at 117.4 lakh MT compared with 111.2 lakh MT produced in the previous year.²



The migrant workers sent home remittances to the tune of US\$2503.30 million during July-March, 2003-04, up by US\$256.15 million or 11.40 percent compared to US\$2247.15 million during the same period of the preceding year.³

Annual and monthly trends in remittances (In million US\$)

	2000-2001	2001-2002	2002-2003 ^R
<i>Annual remittances</i>			
	1882.10	2501.13	3061.97
	(-3.45)	(+32.89)	(+22.42)
<i>Monthly remittances</i>			
Month		2003-2004 ^P	2002-2003
July		258.80	250.09
August		227.68	235.00
September		248.30	243.25
October		308.18	243.42
November		245.41	259.63
December		289.69	229.87
January		357.06	275.58
February		256.32 ^R	234.62
March		311.86	275.69
July-March	2003 - 2004	2503.30	2247.15
		(+11.40)	(+24.09)

*Note: Figures in brackets indicate percentage changes over the corresponding period of the previous year. P = Provisional
R = Revised*

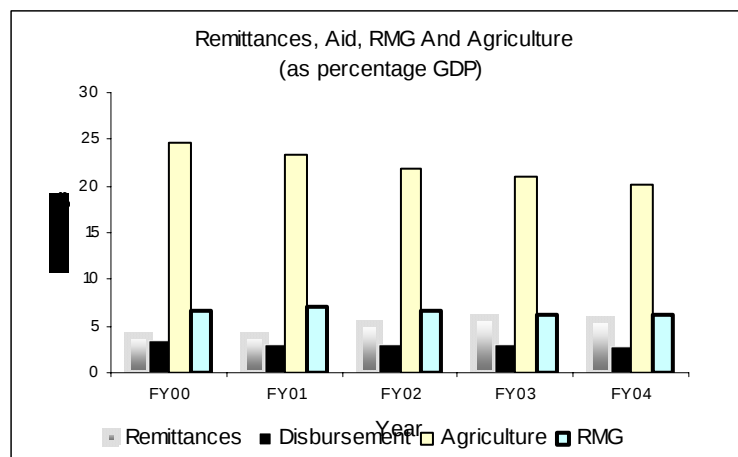
¹ This is an announced figure by the Bangladesh Bank and the international financial institutions (IFIs). The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in its report *Economic and Social Survey of Asia and the Pacific 2004*, however, predicts a 5.7 percent growth, up from the government's own target of 5.5 percent.

² FPMU, Ministry of Food.

³ Bangladesh Bank Monthly Economic Indicators

The export sector has been dominated by the RMG, the assemblage industrial chain, in which only value addition gained in the country comes from labour. The labour-added sector brought home to the tune of US\$ 2275.44 million during July-February, 2003-04, increased by US\$ 182.80 million or 8.74 percent compared to US\$ 2092.64 million during the same period of the preceding year. During the same period, earning from knit-wear rose to US\$ 1318.15 million, up by US\$ 264.35 million or 25.09 percent compared to US\$ 1053.80 million during the same period of the preceding year. If the figures are compared in volume terms the increase is higher - 12.61 per cent for RMG while 36.02 for knit-wear. Exports of chemical products, frozen food, leather, tea, agricultural products and carpet also recorded some increase. On the other hand, exports of jute goods (excluding carpet), raw jute and handicrafts came down during the same period

Despite their enormous contribution, the farmers, migrant workers and RMG labourers, evidently there is differentiation in terms of rights and voice in influencing policy-decisions. During the fiscal years FY-2000 – FY2004, the average share of remittances, RMG, agriculture and aid as percentage of GDP is 5.04, 7.81, 22.18 and 2.99 respectively.

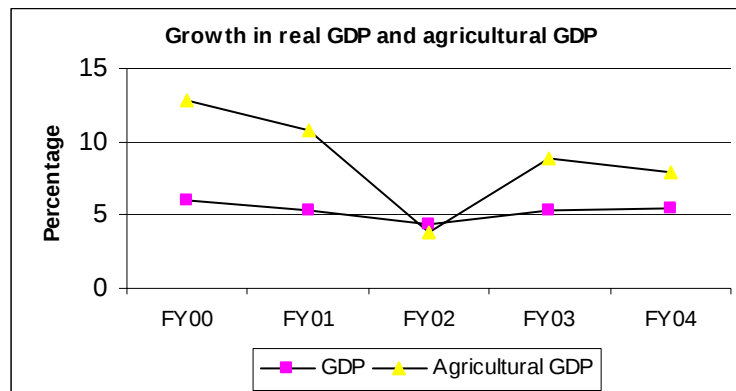


With as little contribution of three percent of GDP has given the donors sway over the policy making calls for unearthing the dialectic relationship. The attitude originates from a symbiotic relationship between the local elite and the aid cartel. The relationship consequentially and interdependently touch on the nature of the domestic dialectic and the process which has led to establishing a social class of intermediary bourgeois, who have engaged themselves to eternalise the system at the expense of independent development. The process has led to formulation and conducts of economic policy by donors with the bureaucracy in the negotiating process putting their signature on the dot. **The absence of political authority also stems from the fact that the ruling elite, established through rent dished out by the aid cartel, have converged to the neo-liberal thinking for their own interests associated with the existing global political system.**

The asymmetric relationships thus have marginalised the issues and concerns of the creators of wealth of country – farmers, migrant workers and RMG labourers and remain disfranchised, having virtually no command over the decision making. The process continues to rein in unabated as the unsung heroes neither have organised platform nor do they have political clout.

Despite the **agriculture's** resounding contribution to the economy, the sector was first fell prey to donor's reform agenda. **The budgetary allocation has declined over the years as all types of subsidy were withdrawn from agriculture sector after 1985,** following the dictates of the World Bank and IMF as the country contracted to structural

adjustment.⁴ In fiscal 1977-78, the allocation was 22.5 percent of the total budget but it has come down to only 2.5 percent in the current budget. The government provides only 0.4 to 0.5 percent of the agriculture production a year as domestic support to the agriculture sector, though WTO/GATT Agreement on Agriculture allows *de minimis* level of 10 per cent.



The lead economic ministry also lends a deaf ear to the farmers' cause. Agriculture ministry sought to triple the current farm subsidy of Tk 300cr for the next fiscal year. The finance ministry did not accept the proposal for Tk 1,000cr subsidy, but it decided to form a committee with representation from both ministries. The finance ministry, the main window through which the aid relationship is channelled, is reportedly of the opinion that subsidising diesel would lead to wastage and misuse that can not be prevented in Bangladesh, but the cost of rice production is high because of irrigation cost - the cost is 51 dollars per hectare in Bangladesh, which is 32 dollars in India and only 18 dollars in Thailand.⁵

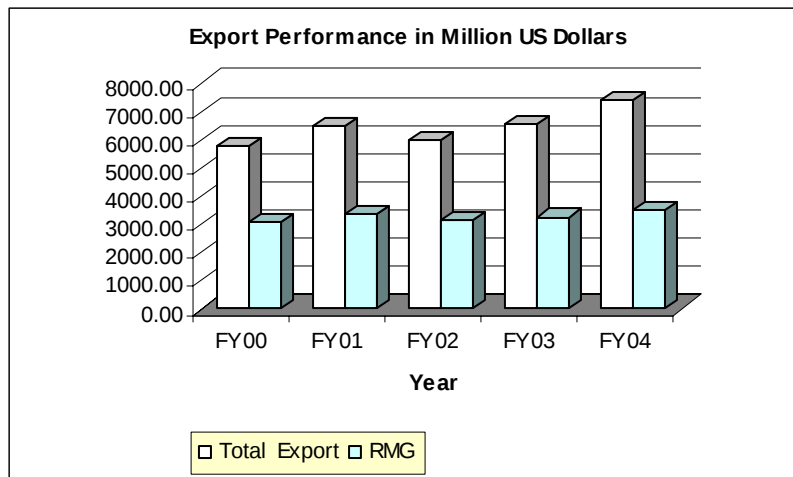
Due to abolition of price parity among urea, TSP (triple super phosphate) and MP (murate of potash), in accordance with donors' advice, the prices of TSP and MP have doubled compared to urea, which acts as a disincentive to applying balanced doses of fertilizers, resulting in degradation of soil fertility. The price of urea fertiliser rose by 2.1 percent in February 2004 from February 2003. Over the same time, the price of potash rose by 31.83 percent, TSP by 17.97 percent and DAP by 7.36 percent. This disproportionate price hike has led the farmers to refrain from using potash, TSP and DAP and to use urea excessively, causing huge damage to farmlands.

Lack of farmer centred public policy has started to run over the farmers' main resource – soil fertility. The one-sided policy of mono-culture associated with the cultivation of high-yielding variety (HYV) of rice has resulted in alarming depletion of soil nutrients in most of the 7.85 million hectares of arable, posing a threat to agricultural growth. Research conducted by the Soil Resource Development Institute (SRDI) shows an acute deficiency of nutrient nitrogen in most arable lands and various degrees of deficiency of nutrients like phosphorus, potash, sulphur, boron and zinc. The depletion of nutrients, especially nitrogen, has resulted in comparatively low production of crops and consequent rise in production cost.

The ruling elite has reaped much of the benefit from the labour-propelled RMG industries, but successive governments have taken no statutory steps on the low wages women receive, sex discrimination in terms of wage levels, long working hours and unfriendly working conditions in factories, lack of enforcement of minimum wage standards, unsafe workplace conditions, lack of appointment letters for employees, no provision for housing facilities, no weekly holidays, poor transportation facilities, no right to form trade unions, no enforcement of maternity leave and benefit provisions, lack of childcare facilities on the premises, and no protection against physical and mental abuse by employers.

⁴ Equally opposite picture is observed in the advanced industrialised countries who are members of the aid cartel. For example, farmers in the USA are now given 45 cent to produce crops worth one US dollar while in the EU the amount is 35 cent (OECD, 2000).

⁵ <http://www.thedailystar.net/2004/04/13/d4041301055.htm>



Garment factories in recent times have virtually become death trap for their workers in case of fire or other accidents. Over the last 14 years, around 300 workers were killed and about 1500 injured in 35 accidents in garment factories in the capital, including the victims of the latest incident on Monday, according to newspaper reports.⁶

The migrant workers' remittance has either surplused or balanced the balance of payment of the country, but their plight from journey to uncertainty, harsh working conditions, to ambivalent return at best have received indifference from the dictatorial ruling elites. The government has taken pride in establishing a new ministry for the expatriates. There are several covenants like the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families ("Convention") was adopted to recognize and remedy the many violations of basic rights experienced by migrant workers. The Convention provides migrant workers with protection from slavery and servitude; protection from threats and intimidation, equal rights to overtime; hours of work, weekly rest, holidays with pay, safety, health, and termination; and the right to join unions. Migrant workers' rights in the workplace are protected under various other international instruments. Article 7 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) also provides migrant workers with the right to "[s]afe and healthy working conditions." Additionally, the ICESCR provides migrants the right to fair wages, and the right to join and form trade unions. But it is beyond reasonable doubt that most of this rights remain rhetoric, the government has hardly been seen to fight for the migrants' causes.

On a fundamental note, it is true that economic growth, by increasing a nation's total wealth, enhances its potential for reducing poverty and solving other social problems, but history offers a number of examples where economic growth was not followed by similar progress in human development. Instead growth was achieved at the cost of greater inequity, higher unemployment, weakened democracy, loss of cultural identity, or overconsumption of resources needed by future generations.

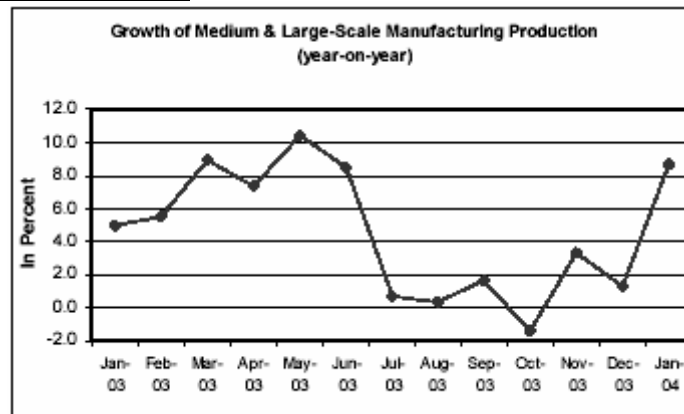
The above analysis points to the fact that creators of wealth have been languishing in the margin. The spawning of democratic governments in recent decades is said to come up with progress. But the **people – the unsung heroes - who contribute to the nation building**, as our preceding analysis have shown, **have little voice in the policies and decisions that shape their lives.** Increasingly, **the rules governing the fate of the majority of the people, economy and society are made by a powerful minority** who dictates the economy. This minority alliance of transboundary elites – politicians, bureaucrats and donors – **imposed their interests as collective goals of the majority and maintains a system of accumulation which inherently creates differentiation and polarisation.**

2.1.2 Manufacturing

The manufacturing sector, according to official analysis, rebounded as indicated by the turnaround in manufacturing exports, imports of industrial raw materials, and expansion of industrial credit. However, recovery is not reflected in the quantum index of large and

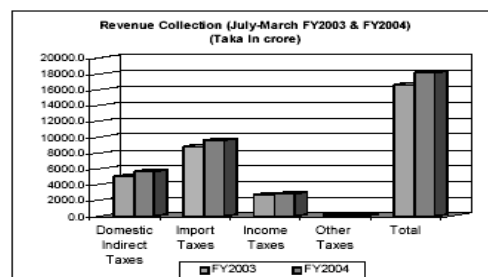
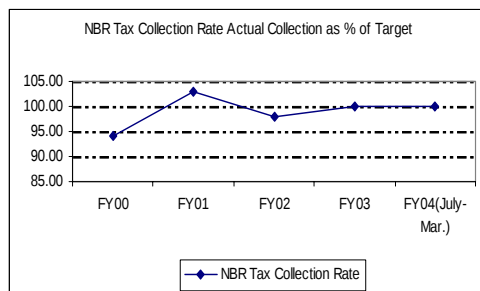
⁶ <http://www.thedailystar.net/2004/05/06/d4050601066.htm>

medium scale industrial products compiled by the Bangladesh Bureau of Statistics (BBS). This quantum index for the first seven months of FY2004 shows only 2.1% growth over the same period of the previous year.



2.1.3 Tax Administration

Revenue collection fell short of the target by 3.1% during the first nine months of FY2004, though the collection increased by 9.2% over the same period of FY2003. **The fiscal system remains regressive** and has failed to evolve a system corresponding to the level of income, pointing to a bias in the system as direct tax system remains narrower while the revenue is generated coercing all rich and poor alike to pay at an identical level mainly increasing the net of VAT



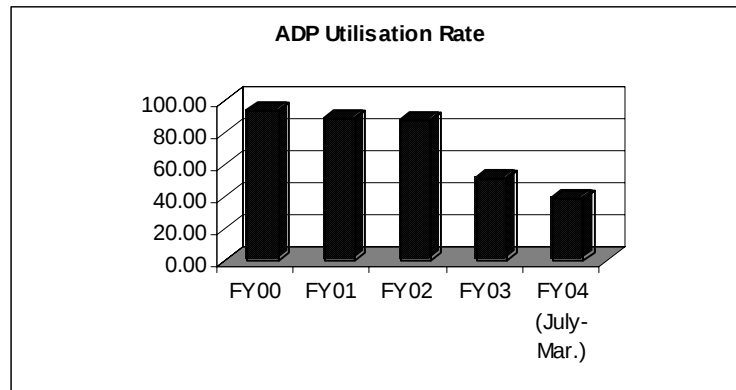
The fiscal system has the ability to put a dent on the inequalising factors, but successive governments have never made a concerted effort.

The country has a low revenue-GDP ratio of 10.4% in FY2003 (tax-GDP ratio being 8.3%), which is low even by regional standards. There is no denying for a substantial improvement of revenue collection by implementing coordinated systemic, procedural and administrative reforms of both direct and indirect taxes. This is essential for increasing public investment to crowd-in greater private sector activities and realise the economy's growth potentials. More domestic public resources are needed to provide better quality public services.

2.1.4 Capital Expenditure

In the first nine months of the current fiscal, only 45 percent of the annual development programme (ADP) (Tk. 9090 crore) have been utilised -- 49 percent of local currency (5751 crore Tk) and 39 percent of project aid (Tk. 3339 crore). **Project aid has been used less this financial year because of added conditionalities of donors and the new procurement policy.** Like the previous years, the planning ministry, reportedly, has proposed downward revision of the ADP, slashing it by Tk 1,366 crore due to slow implementation and

poor flow of project aid from development partners.⁷ The revised proposal increased the local currency component of the ADP by Tk 117 crore such that the component will account for Tk 11,933 crore of the total amount while the project aid component will be slashed by Tk 1,484 crore and brought down to Tk 7,000 crore. Project aid was reduced by Tk 156 crore in rural development and administration, Tk 31 crore in water resources, Tk 16 crore in industry, Tk 266 crore in electricity, Tk 68 crore in energy and Tk 285 crore in transport. Every year, the government chalks out an ambitious ADP and revise due to poor implementation. In the last 13 years, the maximum ADP utilisation occurred in 2001 when Tk 16151 crore was used. **Capital expenditure has a direct bearing on the livelihood of rural population, slashing down may have serve the donors' one-sided policy of maintaining 'fiscal sustainability', but will have direct consequences on the people of marginalised section. More importantly, the poor disbursement of aid also points to emptiness of donors rhetorics such as efficiency and minimal conditionalities**



2.1.5 Trade Balance

Trade balance recorded a larger deficit of US\$906 million during July, 2003-January, 2004 compared to the deficit of US\$776 million during July, 2002-January, 2003. Current account, however, recorded a larger surplus of US\$680 million during July, 2003-January, 2004 against the surplus of US\$638 million during the same period of the preceding year due mainly to larger current transfers, emanating from remittances sent by migrant workers.

2.1.6 Capital Market

The General index of the Dhaka Stock Exchange at the end of February, 2004 stood lower at 953.81 compared to 961.18 at the end of January, 2004. **42 percent securities have gone down below their face value**, reflecting a dismal state of the secondary market. As many as 111 companies and mutual funds, out of the total 260 listed in the country's two stock exchanges, are experiencing such a low level in their share prices.

2.2 Education

Right to education has not only been promised through the Constitutional directives but also through numerous international Covenants in which Bangladesh is a signatory. Many of such promises carved out in different education policies and programmes, as the Innovators' study⁸ contends, have fallen through, becoming rhetoric rather than reality in the education sector since policy changes and resultant programmes neither originate from, nor are designed with, stakeholder participation nor independent of the donors, limiting their acceptability and undermining their efficacy. **The education system, as the report elucidates, is elitist and systematically exclude many significant groups of people.** So far all policy changes have predominantly focused horizontal expansion for increasing access, while **the exclusion, according to the study, is rooted not only due to disquiet of access but also on concerns**

⁷ <http://www.thedailystar.net/2004/04/20/d4042001022.htm>

⁸ Titumir, R A M and Hossain, J (2004), *Encountering Primary Education – Primary Education Policy Watch*, Dhaka: The Innovators and Samabesh.

of equity, relevance and social structure, thereby relentlessly jeopardising the credibility of public policies. The report demonstrates that top-down elitist system of education, originally laid down according to policies and framework of colonial administrators, has been in operation with only minor changes and has created **many tensions points as regards access, equity, relevance and structural dimensions of education, and in effect has acted as a vicious circle of injustice.**

Fundamentally, the observed inequalities in access to school, attendance, quality of teaching and learning outcomes—perpetuates income and social inequalities. Poor children attend poor schools, have less opportunity to complete their basic education, and perform below their counterparts in private schools, as suggested by a good many studies.

Reportedly, like most of the developing countries, misallocation of resources, inefficiencies and lack of accountability are prominent attributes of the organisational structure of education.

2.2.1 University Education

The share of budget allocated for public university has gone down over the last 10 years despite a 60 percent rise in enrolment. The University Grants Commission, the buffer through which public money is channelled, in its annual report records that Tk 291.24 crore was allocated for higher education out of Tk 3,802 crore education budget in fiscal 2002-03 or 7.66 percent while the public coffer allocated Tk 143 crore was set aside for public universities, representing 8.14 percent of the total education budget of Tk 1,756 crore representing 8.14 percent of the total education budget of Tk 1,756 crore in 1993-94. Consequentially, the share in national budget has nosedived to 0.75 percent from 0.78 percent over the said period. The inflation adjusted figure would provide an ominous picture.

The system of allocation showed the similar pattern, in which salary and infrastructure eats the main chunk while allocation for research and development remains scanty, putting a kill on the standards of education. The report notes salaries and other allowances for teachers and employees consume 72 percent of the budget while 16 percent is spent on maintenance and other expenditure, leaving a mere 12 percent of the budget for books, journals, educational equipment and research.

The public universities continue to resemble the national confrontational politics and the administration turns around with the change in the national government.

The government, in pursuance of the World Bank's *Education Sector Review*, has been advising the universities to adopt income-generating measures from their own resources.

Benefiting from the private-centred strategies of successive government there has been a mushroom growth of private universities, concentrating on two to five subjects, with part-time teachers from the public universities and accommodated in rented house, are no better than, what is publicly dubbed, 'glorified coaching centres.'

2.2.2 College Education

The establishment of a separate university to affiliate college education from the erstwhile three public universities, together with political expediency has led to a proliferation of colleges offering masters and honours levels of education, putting a heavy toll on the standards of education. The burgeoning growth of higher education at college level has taken place without the collegiate rule, sufficient teachers, infrastructure, and state-of-the-art examination and monitoring system.

None of the 102 colleges with honours and masters' courses affiliated under the National University (NU) has the required number of teachers, concedes the National Education Commission in its report submitted to the Prime Minister. The affiliating rule of the

NU prescribes for eight teachers for each honours discipline and 12 for a master' level subject. There is a shortage of 5,061 teachers -- professor, associate professor, assistant professor and lecturer -- at the 327 government colleges under the NU.

The *Education Commission* conducted a survey to map out the current state of teaching. It notes that hired faculties take majority of classes while a good many teachers are engaged in private tuition. Almost 85 percent teachers of science subjects, 65 percent of commerce, 45 percent of social science and 20 percent of humanities are engaged in private tuition.

The *Survey* of the Commission also paints a bleak picture of attendance of students in classes: some 91 percent students sit final examinations without the required class attendance of 75 percent. Only 9 percent students attend minimum classes needed to remain regular full-time student, reveals the survey of 48 degree and postgraduate colleges in the six divisions.

Lack of infrastructural facilities has a knock-on effect as students are deprived of 40 percent classes due to lack of examination halls in many colleges since classes routinely remain suspended during the examinations. On average, eight examinations take place in an academic year. The report says honours and master's classes were held on only 105 days on average in a year in 48 colleges as opposed to the requirement of at least 200 days a year.

2.2.3 Primary Education

Successive governments and donors have boasted of increased access to primary education, yet 20 per cent of school-age children are currently outside primary school and 30 per cent normally drops out.

Public investment in education in Bangladesh as a share of GDP was possibly lowest in South Asia, despite increased allocation in education.

Bangladesh has only one teacher for every 57 students, the lowest among 22 South and East Asian countries, according to a UNESCO (United Nations Educational, Scientific and Cultural Organisation) study. The UNESCO says there is one teacher for every 21 students in primary schools in East Asia, compared to one for every 40 in South and West Asia.

Inadequate infrastructure and shortages of teaching staff in both the public and private schools of the country blunt the prospect of ensuring a quality education in the elementary level, states *National Education Commission* in its report. The report said the number of primary schools is inadequate in comparison with that of students. The school buildings are built unplanned with insufficient classrooms and other facilities like toilets, playground and so on. The commission also noticed a scarcity of safe drinking water for the students. Besides, in most of the schools, classroom environment is not congenial due to lack of reading materials and necessary furniture, it added.

There has been expressed concern on the role being played by the donors in the formulation of PEDP II and restrictive nature of participation by the citizenry. The citizen's networks have also voiced their concern with regard to NPA.

While the gross enrolment rate in the primary school of the children of the poor family is estimated 84.6 percent, the figure for the non-poor is found 100.5 percent. It shows that the gross enrolment of the poor children is much less (15.9 percent) than that of the rich children. The gross enrolment varies from boys to girls and rural to urban areas. The children of the poor and non-poor family enrol in the primary school at the percentage of 84.9 and 101.1 respectively in the urban areas while the figure is stumbled on 84.6 percent and 100.4 percent respectively in the rural areas. Accordingly, **the children who are born and grow up in the poor family are more excluded from the primary school in both urban and rural areas**. While the boys and girls of the poor family enrol in the primary school by 82.0 percent and 87.5 percent respectively, the figure is presented by 100.3 percent and 100.8 percent respectively for the children of non-poor family.

Urban-Rural Enrolment Disparity by Poverty Status, 2000

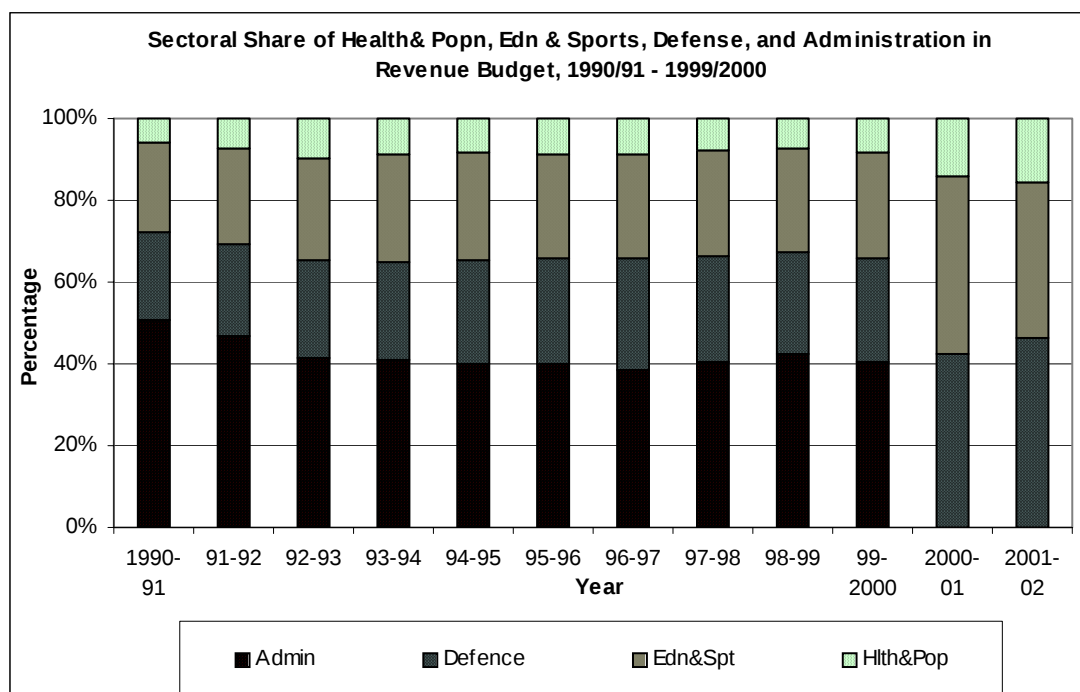
Group	Gross Enrolment Rate								
	Urban			Rural			Total		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Poor	81.2	88.8	84.9	82.1	87.3	84.6	82.0	87.5	84.6
Non Poor	104.8	97.3	101.1	99.1	101.8	100.4	100.3	100.8	100.5
Total	93.5	93.3	93.4	88.6	92.7	90.6	89.4	92.8	91.1

Source: BBS 2001, World Bank 2002.

It has been said that education is power. A quick review of curriculum manifests that **the schools tend to teach history and civics in ways that seemingly glorify the wars and tyrannies, and whitewash institutionalised transgressions.** Arguably **typical schooling trains students to conform, comply, and accept the voice of authority** without question. In general, this represents: the more stratified the society, the more authoritarian the schools.

2.3 Health

An examination of the macro allocation of resources flows to the health sector including the inter-sectoral distribution of these resources show that general administration⁹ dominates the budget allocation while the defence, education and sports, together moving in parallel. Sectoral budget allocation to health and population has increased from 4.47 per cent in 1990-91 to a peak of 6.05 in 1996-97 and then, showed a declining trend to the tune of around five and a half per cent after the 1997-98 onwards. During the second part of the 1990's revenue spending in the health sector has slipped into seventh position from the earlier position of sixth.



Source: Titumir et al,

⁹ There are several line items in the budget for each ministry while the documents contain ministry-wise allocation. General administration comprises the civil bureaucracy, excluding line ministries, such as MOHFW, Education, Defence etc.

The second national health accounts survey demonstrates that **overall investment in health remains low, at less than \$12 per capita, with less than \$5 coming from the public purse.** Government is providing a decreasing proportion of overall health expenditure and overall expenditure falls a long way short of the levels required to provide comprehensive health services.

In terms of indicators, child malnutrition is amongst the highest in the world, with 600 to 700 children dying from malnutrition-related causes every day while maternal mortality rate is amongst the highest outside of Sub-Saharan Africa. Close to 60 percent of the under-five children are underweight and more than half are stunted. Of the pre-school-age children, more than 54 percent or about 95 lakh are stunted and 56 percent are underweight. Around 45 percent children are born with low birth weight (below 2.5kg). Several studies also show that Bangladeshi children suffer from high degrees of micronutrient deficiencies, particularly of vitamin A, iron, iodine and zinc. Extreme malnutrition also continues to haunt the country's women. More than 50 percent of them suffer from chronic energy deficiency and studies suggest there has been little improvement in women's nutritional status over the past 20 years.

Total fertility rate (TFR) has reached a plateau in spite of an increasing contraceptive prevalence rate of 4 per cent in 1994 to 54 per cent in 2000. 50% of the girls are married before the age of 19 and the median age of first marriage in 1990 was 15 with an insignificant increase to 16 after a decade (BDHS 1999-2000). Only 44 per cent of the rural population has access to sanitation facilities. The provision of water is facing challenges in the form of unsafe arsenic levels in ground water.

Child mortality is much higher (95 per cent) for the poorest quintile than the richest. The proportion of skill attendance for child delivery is below 1.5 per cent for the poorest households, compared with 22 per cent for the richest households: the equity gap is one of the highest in the world. Large gender disparity continues to exist.

Bangladesh health sector has undergone reforms, primarily initiated by last health sector programme (HPSP) which ended in December 2003. The reform programme is consistent with the prescriptions enshrined in the World Bank's World Development Report of 1993, titled 'Investing in Health.' The Bank advocates a restructuring of health systems in line with its neo-liberal free-market ideology. It recommends a combination of privatisation, cost-recovery schemes and other measures that tend to place health care out of reach of the poor. Arguably, with the World Bank's invasion of health care, **comprehensive primary health care (PHC) has effectively been shelved.**

Alternative approaches to health financing, another common component of reform programmes, have also promoted privatisation, which instead of serving as an instrument for change has frequently become an end in itself. Growth in private health care has often resulted in: the shifting of costs to households by increasing cost sharing; in priority setting decisions about the choice of services (or packages of care) to be publicly funded; and in the creation of competing private insurance schemes and informal payment mechanisms. Because of differential ability to pay, all these new financing approaches undermine equity-oriented health policies. This suggests that **privatisation is based on ideological commitment rather than sound evidence of its effectiveness.**

The donors prescribe that the new Health, Nutrition and Population Sector Programme (HNPSPP) needs to consider MOHFW's role beyond service provision. The donors advise that the HNPSPP will need to specify how MOHFW can commission services from the private sector and NGO providers, and might better regulate provision by the private sector and introduce user fees. But evidence shows contrary that public sector has always been the prime service provider. The poor also benefit from the sector.

The benefit incidence analysis (BIA) conducted by the HEU of the MOH&FW reveals that benefits to the poorest income quintile exceed those to the richest suggesting that attendance at the public health facilities in the country are generally pro-poor. The survey results suggest that use of services at upazila level and below is dominated by the bottom two

quintiles. The poorest 40 percent of the population accounts for 53 percent of use at these levels. (Begum et al, 2001). The exit survey conducted as background to the 1999-2000 Public Health Expenditure Review by the HEU of the MOH&FW (Begum et al, 2001) also found out that utilization of public primary care facilities, reflected in attendance rates, suggested that the lower income groups primarily use these services. The bottom quintile accounts for more than 35 percent of visits while the richest group accounts for only 14 percent. However, the process of accessing care was found inequitable, because the poor was found to wait longer and pay more for services.

The definition and control of health care by medical professionals has resulted in its commodification—its configuration as a product, which can be sold or exchanged for profit. The commodity nature of health care has resulted in an overwhelming emphasis on the curative aspects and a stunting of the preventive and especially the promotive aspects, since the former are more likely to be purchased in the face of acute illness and the latter are perceived as less needed due to the less direct and less immediate impact on current health problems. The dominance of the curative aspects has been reinforced by a number of factors. These include, most importantly, the health care industry, the education of health professionals and new and influential approaches to developing cost-effective health interventions.

The second national health accounts survey brings testimony to the above observation. The survey reveals that **70 per cent of health expenditure in Bangladesh is out of pocket, with 50 per cent of this expenditure being spent on buying drugs and pharmaceuticals.**

The giant Health and Population Sector Programme (HPSP) has fallen far short of achieving its major goals, including curbs on high rates of maternal and child mortality, in its five-year life-span. Abating malnutrition also took centre stage in the Tk 11,419 crore programme the health ministry launched in July 1998. More than 95 percent of the deliveries still take place at home aided only by untrained birth attendants. Safe delivery, especially in rural areas, is still a far cry. Under-five child mortality rate also remains very high with an estimated 700 children dying a day, mostly from respiratory tract infections, diarrhoea and pneumonia.¹⁰

50 percent of the couples do not practice FP in Bangladesh, according to the status of performance indicator of health ministry. Use of contraceptive pills is confined to 23 percent, injection 7.2 percent, traditional method 10.3 percent, intra-uterine device (IUD) 1.2 percent, Norplant 0.5 percent and sterilisation 6.7 percent

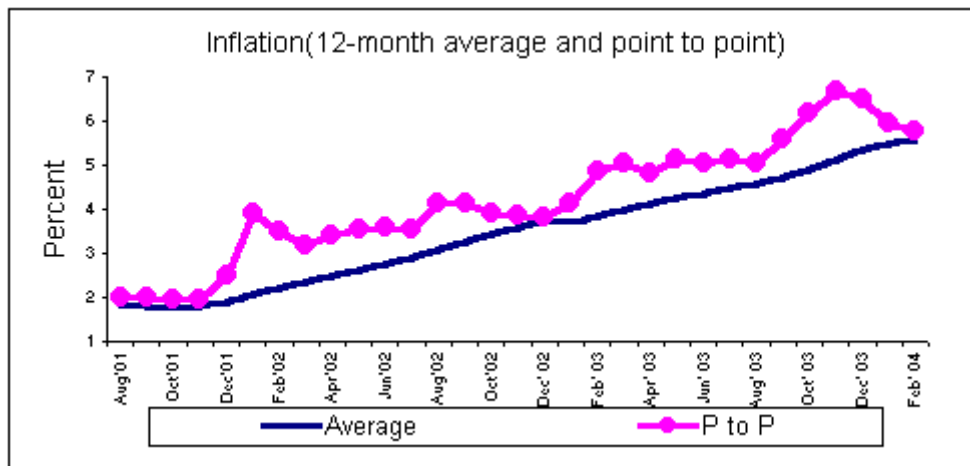
Extending essential service package (ESP) to the poor and the most vulnerable through about 11,000 community clinics (CCs) was another major component of the programme. Over 85 percent of CCs built at a cost of Tk 279 crore remained unused for the last three years allegedly for being constructed during the rule of the previous government. The health ministry launched an alternative project at a cost of Tk 280 crore. Forty new structures have already been constructed under the new scheme, Strengthening of Existing Union Health and Family Welfare Centres, which plans to set up 738 buildings, making a serious drainage of public resources.

2.4 Livelihood

2.4.1 Cost of Living – Inflation

The annual rate of inflation (on the basis of 12-month annual average CPI, 1995-96=100) increased to 5.58 percent at the end of February, 2004 from 4.38 percent at the end of June, 2003.

¹⁰ <http://www.thedailystar.net/2004/01/03/d4010301033.htm>



Cost of living went up 10.48 percent in 2003 due to soaring prices of consumer goods and services including house rent, according to the annual report of Consumers Association of Bangladesh (CAB). The CAB report said prices of commodities shot up 4.84 percent and blamed the government for its failure to control the price hike of essentials. The report said the government's decision to hike up prices of public utilities and transport fares at the behest of the World Bank and International Monetary Fund has also made life difficult for consumers in general. CAB reported a price hike of 5.41 percent for rice, 6.06 percent for flour, 6.89 percent for oil, 19.36 percent for eggs and an average of 6.92 percent for onion, garlic and other spices.

Annual Report 2003 of the International Chamber of Commerce-Bangladesh (ICC-B) stated that the government failed to rein in the prices of essentials as it took temporary and ad hoc measures instead of long ones.¹¹ The price situation remained under pressure throughout the year and deteriorated of late, the report observed, saying in some cases prices of a few essentials rose because of high prices in international market. The government efforts to curb price spiral saw little success due to short-term measures, the report said.

2.4.2 Unemployment

Unemployment which has gone up despite the economic reforms carried out over the last decade. **Joblessness increased by 3.3 percent a year throughout the nineties and has had a crippling effect on the economy.** The *South Asia Human Development Report 2003* has found that 8.4 percent of the male labour force remains under-employed while this is true about a staggering 71.2 percent of the female workers.

From 1990 to 2001, unemployment in Bangladesh increased by 3.3 percent a year. During 1995-2000 annual growth rate of labour force was 2.6 percent and employment only 1.6 percent.

According to the Labour Force Survey of Bangladesh Bureau of Statistics in 1999-2000, 32 percent of the total workforce in Bangladesh is under-employed, meaning working less than 35 hours a week. The survey finds 8.4 percent of the male labour force as underemployed, while a massive 71.2-percent female remains underemployment.

2.4.3 Poverty and Inequality

Poverty remains at unacceptably high levels in Bangladesh. The level of human development is very low as the country ranks 132 on the HD index. **The poverty has remained so pervasive that the country entered the new millennium (2001) with the same number of people living in poverty i.e. 62 million as in 1991-92.**

There is clear evidence that **personal income inequality in Bangladesh has increased during the market reform period.** Income inequality in Bangladesh rose considerably during the last decade, particularly in urban areas. The HIES data suggest that

¹¹ Annual Report 2003 of the International Chamber of Commerce-Bangladesh (ICC-B)

inequality in the distribution of private per capita expenditures, as measured by the Gini coefficient, increased from 0.259 in 1991-92 to 0.306 in 2000. Most of the observed increase in inequality took place during the first half of the nineties. In part, the rise in inequality over the decade reflects increased fragmentation and inequality of landholdings, as well as higher premiums enjoyed by the segment of population fortunate enough to have relatively better skills and education. Urban inequality increased much more than rural inequality during this period. Decomposing the national Gini coefficient by sector suggests that the increase in the national Gini was due not only to rising inequality within sectors, but also to rising inequality between the urban and rural sectors.

Trends in Inequality: Gini Coefficients

	Upper Poverty Line			Lower Poverty Line		
	1991-92	1995-96	2000	1991-92	1995-96	2000
National	0.259	0.302	0.306	0.272	0.315	0.318
Urban	0.307	0.363	0.368	0.311	0.369	0.370
Rural	0.243	0.265	0.271	0.251	0.267	0.275

Source: World Bank (2002)

2.5 Factors Shaping Two Societies

Inequalities within the country have been widening to levels seldom before witnessed. Unemployment, landlessness, loss of assets, and deprivation are increasing in a widening share. At the same time absolute number of people living in poverty has not made any perceptible change. Such indications are not an accident, but the consequence of the way in which structures of ownership, production and distribution of the wealth have been systematically changed over the last two decades.

Reducing the role of the state and increasing that of market forces, irrespective of their social and long-term economic costs, were at the centre of the new model of economic growth. This was accompanied by the triumph of the ideology of individualism, competitive wealth-seeking and conspicuous consumption. Along with the decrease of community values has become the undermining of public initiatives and institutions, especially those that serve and protect the interests of the poor. In this ideology, public intervention and institutions are seen as necessarily inefficient and wasteful, and markets the best way to both economic growth and overall development. Economic growth, it was maintained despite extensive evidence to the contrary, would trickle down to the less fortunate and thus result in overall development.

The formal or semi-formal social contract between states and society are increasingly unravelling, and being replaced by more diffuse arrangements.

States are growing weaker, and state institutions are less able to fulfil basic responsibilities in areas that encourage individual empowerment such as education, health, nutrition, land redistribution and welfare. As states weaken, power is being transferred to institutions that ignore the social implications of their actions, while at the same time responsibility for absorbing the damage is being passed to non-governmental agencies or to communities and families that have themselves been so weakened that they are in no position to respond but to be subsumed.

Letters to Editor¹ Bangladeshi Oligarchs

I could not believe my eyes when I read the number of luxurious cars sold at the capital in the last two years since their arrival in Bangladesh. In a country where 35% of the population live below the poverty level and with just \$360 per capita income, I wonder where these new oligarchs come from. Is that a sign of overall prosperity, or rather a sign of growing income disparity between the rich and the poor? Is it possible for any one with a sound mind to believe that Bangladesh made so much progress in some fifteen years (since "liberalisation") that people can now afford to buy luxuries that cost at least 150 times more than the country's per capita income? What is the source of this mountain of wealth? At a time when we are all talking about corruption in the government establishments and those who are linked with them, why should this so called 'businessmen' oligarchy escape from finger pointing?

In fact, there is no doubt that these oligarchs are the by-products of the nation's position as the 'Number One' corrupt country in the world, so we must not leave them alone.

Chowdhury Mohibul Hassan,
London School of Economics & Political Science
(LSE)

Political parties have become more diffused and fragmented, while the mainstream parties have converged to the neo-liberal ideology.

Trade Unions are being eroded—suffering from changes in working patterns, coupled with confrontational politics. Thus, employers are finding it easier to avoid dealing with trade unions and are dealing directly with individual workers.

NGOs are increasing their influence and have been engaged in service delivery while at the cost of their social mobilisation activities.

While many national institutions are being weakened, forcing communities and families to take on added burdens; other institutions are enjoying much greater freedom—without any commensurate increase in responsibility. This is especially true for *transnational corporations (TNCs)*, which now control 33% of the world's productive assets, but only employ directly or indirectly 5% of the global workforce.

Education inequalities in access to school, attendance, quality of teaching and learning outcomes—perpetuates income and social inequalities. Poor children attend poor schools, have less opportunity to complete their basic education, and perform below their counterparts in private schools.

Corrupt officials siphon off wealth from public and private sources, and discourage investment by those who fear profits will be stolen.

Tax evasion continues to remain unabated, undermining one of the key government tools for wealth redistribution by denying governments adequate resources to alleviate poverty and assist development. Unrecorded or informal economies have grown, further reducing national tax bases and feeding criminal organisations that grow up around the informal economies.

The pressures of global competition have led employers to adopt more flexible labour policies and work arrangements with no long-term commitment between employer and employee.

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III. PRSP – THE MYSTIQUE OF PARTICIPATION AND MAZE OF SOLUTIONS¹²

The Bretton Woods twins - the World Bank and the International Monetary Fund –announced a new policy instrument – the Poverty Reduction Strategy Paper (PRSP) in September 1999. All countries applying for concessional World Bank finance or IMF Poverty Reduction and Growth Facility (PRGF) loans are required to produce a PRSP, initially though conceived as a means of ensuring that resources freed up by debt relief were spent on poverty. These papers, as outlined by the Bank and Fund, are tailored to contain country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs. They are supposed to be developed in a participatory way, drawing on consultations with people living in poverty, and involving a range of organisations actively engaged in poverty reduction and development action.

Bangladesh, as is well-known, has been exposed to a plethora of advice and assistance from its development partners. The World Bank has been playing the lead role amongst the donors in shaping Bangladesh's development strategies. The current policy regime has its roots in the Bank sponsored structural adjustment reforms (SAR) or "Washington Consensus," which is grounded in the 'neo-liberal market framework'.

The launch of the PRSPs is a tacit admission by the Bank and the Fund that two decades of stabilisation and structural adjustment have failed to dent on poverty. Even though, an examination of the poverty reduction strategies enunciated in the PRSPs and I-PRSPs so far completed suggests that these programmes are almost a similar package if not identical with the neo-liberal conviction that liberalisation and openness hold the key to rapid and sustained growth, which in turn would work out poverty reduction. The priority measures under PRSP includes areas of macroeconomic and adjustment policies and poverty, agricultural policy, industrial and trade policy, institutional reform, governance and corruption, and health and education. The conventional macroeconomic policy measures have been incorporated with the belief that macroeconomic stability is essential for growth. References to broad commitments on "open financial systems", "liberalised foreign exchange markets", and "market-determined exchange rates" are common in PRSPs. Trade policy is underscored by the orthodoxy that a liberal trade regime is beneficial to the poor. The same applies in case of sectoral policies.

On the other end, in various parts of the country, poor people suggested that altering access to resources and services (land, rivers, forests, credit, education, health, housing etc.), enhancing employment opportunities and wage level, reducing vulnerability to floods and other disasters, eliminating corruption in gaining access to government services and provisions will have greater potential for eliminating poverty. People also demanded honouring of their constitutional right to information and right to participate in decision making on development strategies and distribution of benefits. Drawing from their experience in working with the people, groups suggested that measures suggested in the IPRSP do not address root causes of poverty. NGOs working with indigenous peoples and ethnic minorities, women, differentially abled people, and other vulnerable people found that IPRSP was devoid of opportunities to lift these groups out of poverty

3.1 National Ownership and Participation

An assertion of the PRSPs is country ownership and participation, broad-based participation by CSOs, the stakeholders and the poor in the design and implementation of poverty reduction programmes in each country. Since I-PRSP and PRSP must be approved by the IMF and World Bank, circumcising the prospect of being nationally owned though the PRSP is intended to ensure 'national' ownership or buy-in of government and citizens. Moreover, **the PRSPs are being developed in the context of obtaining debt relief under the HIPC initiative or PRGF loans, means that in most cases their content reflects the priorities of the Bretton Woods Institutions.**

¹² This part draws on Titumir, R A M (2004) *PRSP – The Mystique of Participation and the Maze of Solutions*, forthcoming book; Titumir, R A M (2003) "Opening Avenues: PRSPs and Structural Transformation," – paper presented to an international conference organised by AA Pakistan in Islamabad; and Titumir, R A M (2002), "The Saga of PRSP: Penned in a Pegged Perspective, Bangkok: ActionAid Asia.

Other professed aspect of PRSPs is a focus on 'participation'. In the 'new' approach announced by the World Bank and IMF, civil society is being offered a part in shaping and implementing national anti-poverty strategies. The link between the provision of support either for development or for balance of payments purposes and the adoption of the PRSP approach implies that the consultation process that leads up to the PRSP is not completely a voluntary phenomenon rather a 'process conditionality.'

Government of Bangladesh is actually trying to meet both ends by trying to remain popular to both the donors and the people of Bangladesh. They at first tried to prepare a PRSP in a hurried manner before the Paris Consortium meeting of donors and to give it a resemblance of bottom up participation they hired BRAC to arrange twenty-one dialogues. On that thin basis the consultants were asked to prepare a draft PRSP. Subsequently the name "PRSP" was dropped and the Government circulated a draft re-titled "Bangladesh: A National Strategy For Economic Growth, Poverty Reduction and Social Development" for discussion. Meanwhile the government remains tight-lipped about national five year plans though the country has been run for two years without such plans and have created a so called focal point in the GED of planning commission to prepare a 3 year rolling investment programme on the basis of funds available from the donors for the I-PRSP targets.

As in most countries, in Bangladesh too, national development plans and sector strategy plans involve very limited or no participation of people in its preparation. Thus, preparation of IPRSP without consulting people is not much of a deviation from prevalent practices. Participation has by and large been limited to inviting prominent and well-resourced NGOs to offer their perspectives on pre-prepared documents. Unions, workers' organisations, farmer and fisher groups, women's groups, indigenous peoples, medical associations, academics and even peoples representatives have not been included in the process. Most PRSP consultations have yet to involve local populations in devising strategies for nationally meaningful development plans, or in monitoring the impacts of past policy reforms and programmes. Moreover, participation has not extended to financial programmes and macroeconomic planning. Thus, **Government has approached participatory PRSP processes with a minimalist attitude, in many cases dictated by constrained circumstances of the process conditionality of consultation in the formation of a PRSP. Government appears to interpret 'participation' as virtually synonymous with 'consultation'.**

Besides WB/IMF officials and consultants, government bureaucrats connected with the PRS process appear to be the only well-informed actors in this process. Civil society and the poor are not engaged at the level where they can claim ownership. One cannot presently claim country-ownership for the process itself.

3.2 Solutions Advocated

3.2.1 Openness, Economic Growth and Poverty

Many mainstream economists lose no opportunity for spreading the gospel¹³ truth that, (a) openness enhances economic growth, and (b) economic growth always reduces poverty. Actually, both are doubtful propositions. On openness enhancing economic growth, **there is now a considerable amount of careful work which shows that across countries there is not much of a relationship between openness and the economic growth rate.**¹⁴ Most of these studies use aggregative cross-country data. But micro-studies within a country also show only ambiguous and mixed evidence on the link between openness and the economic growth rate of a country.¹⁵

¹³ Bardhan, Pranab (2000), "Social Justice in the Global Economy," ILO Social Policy Lecture, University of the Western Cape, South Africa, 1-6 September 2000.

¹⁴ See, for example, Ann Harrison and Gordon Hanson, "Who gains from trade reform? Some remaining puzzles", *Journal of Development Economics*, June 1999; and Francisco Rodriguez and Dani Rodrik, "Trade policy and economic growth: A skeptic's guide to the cross-national evidence", April 1999, unpublished

¹⁵ See, for example, Ann Harrison and Ann Revenga, "The effects of trade policy reform: What do we really know?" NBER Working Paper no. 5225, 1995

World Bank response and rebuttal

The World Bank economists attempt to show on the basis of empirical evidence that (1) post-1980 'globalisers,' or developing countries that undertook greater shifts in favour of a more open trade than others in the period from early 1980's to the late 1990's, have experienced greater increases in per capita income than others; (2) more generally growth of share in gross domestic product is positively associated with increases in the growth in average income, and (3) there is no systematic tendency for the share of national income captured by the bottom quintile of the income distribution to change as per capita national income grows (Dollar and Kraay, 2001). The first two claims are intended to support the view that "trade liberalisation leads to higher growth of average incomes" while the third claim is intended to support the view that "growth of average incomes increases the incomes of the poor proportionately." The World Bank paper suggests that one of the surest ways for less developed countries to alleviate poverty is therefore to pursue policies of trade liberalisation.

There has been a lot of literature in response to Dollar and Kraay (2001). These contended forcefully that presented that arguments and evidence presented by Dollar and Kraay are flawed. They have shown that both the findings of Dollar and Kraay as well as their interpretation of results are plagued by a number of serious problems. Nye, Reddy, and Watkins (2002) is one of such rigorous studies.

Imagined histories of trade policy

A closer look at the history reveals a very different story: all of today's developed countries did not practice free trade and *laissez-faire* industrial policy as its domestic counterpart but promoted their national industries through tariffs, subsidies, and other measures. **The UK and the USA were in fact often the pioneers and frequently the most ardent users of interventionist trade and industrial policy measures in their early stages of development.** Most of the rest of the world was forced to practice free trade through colonialism and through unequal treaties; the obvious exception to this was the USA, which maintained very high tariff barriers even during this period. Moreover, these countries preach free trade; yet maintain a system of differential rules of international trade. Overall, Northern countries retain trade barriers that cost developing countries US\$700 billion a year in lost income. This is some fourteen times the amount that poor countries receive in aid. Furthermore, the recent emergence of high performing countries is as much triumph of *dirigisme* as of carefully fostered private enterprises.

Average Tariff Rates on Manufactured Products for Selected Developed Countries in Their Early Stages of Development (weighted average; in percentages of value)¹

	1820 ²	1875 ²	1913	1925	1931	1950
Austria ³	R	15-20	18	16	24	18
Belgium ⁴	6-8	9-10	9	15	14	11
Denmark	25-35	15-20	14	10	n.a.	3
France	R	12-15	20	21	30	18
Germany ⁵	8-12	4-6	13	20	21	26
Italy	n.a.	8-10	18	22	46	25
Japan ⁶	R	5	30	n.a.	n.a.	n.a.
Netherlands ⁴	6-8	3-5	4	6	n.a.	11
Russia	R	15-20	84	R	R	R
Spain	R	15-20	41	41	63	n.a.
Sweden	R	3-5	20	16	21	9
Switzerland	8-12	4-6	9	14	19	n.a.
United Kingdom	45-55	0	0	5	n.a.	23
United States	35-45	40-50	44	37	48	14

Source: Bairoch (1993), p. 40, table 3.3. in Chang, 2003

Notes:

R= Numerous and important restrictions on manufactured imports existed and therefore average tariff rates are not meaningful.

1. World Bank (1991, p. 97, Box table 5.2) provides a similar table, partly drawing on Bairoch's own studies that form the basis of the above table. However, the World Bank figures, although in most cases very similar to Bairoch's figures, are *unweighted* averages, which are obviously less preferable to *weighted* average figures that Bairoch provides.

2. These are very approximate rates, and give range of average rates, not extremes.

3. Austria-Hungary before 1925.

4. In 1820, Belgium was united with the Netherlands.

5. The 1820 figure is for Prussia only.

6. Before 1911, Japan was obliged to keep low tariff rates (up to 5%) through a series of "unequal treaties" with the European countries and the USA. The World Bank table cited in note 1 above gives Japan's *unweighted* average tariff rate for *all goods* (and not just manufactured goods) for the years 1925, 1930, 1950 as 13%, 19%, 4%.

Revisiting a Success Story of International Restructuring: The Bangladesh RMG

The increase in exports of Bangladesh readymade garments (RMG) and employment of women workers in the sector has been portrayed as a success story of trade liberalisation.

The international restructuring of the garment industry is a product of the international division of labour. The rising cost of labour in advanced industrialised countries drove their production processes to relocate to low-cost labour locations in the South. Like other labour-intensive products the ready-made garment (RMG) industry moved to East Asia in the 1960s, under an environment of active government support for export-oriented manufacturing. The systematic crisis of the prevailing system led to desperation between the search for ever-cheaper sources of labour and the rising level of import penetration in the markets of developed country. The corporatist sway over policy-making led to the adoption of the Multi-fibre Arrangement (MFA)¹ in 1974. The MFA was designed to regulate exports of textiles and clothing from the developing world in the interest of 'orderly trade' through quantitative restriction or quota (not a free trade, but a distorted one) so that developing world cannot penetrate the developed world more than the decided levels. Faced with quota system, the East Asian Newly Industrialised Economies (NIEs) has to move up the buyer-driven chains, from the mere assembly of imported inputs (traditionally associated with export processing zones) to a more domestically integrated and higher value added form of exporting known as full package supply or OEM (original equipment manufacturing) production, and beyond that to original brand name manufacturing (OBM), and the labour-intensive part of the RMG industry were relocated at the lower end of the chain, like Bangladesh. The captive market on the one hand and the cheap labour, the engine of making profit, on the other led to the reallocation.

There are studies that demonstrate the positive impact of RMG employment on women. Concerns have, however, been expressed over the low wages women receive, sex discrimination in terms of wage levels, long working hours and unfriendly working conditions in factories, lack of enforcement of minimum wage standards, unsafe workplace conditions, lack of appointment letters for employees, no provision for housing facilities, no weekly holidays, poor transportation facilities, no right to form trade unions, no enforcement of maternity leave and benefit provisions, lack of childcare facilities on the premises, and no protection against physical and mental abuse by employers.

Fundamentally, the international restructuring of the garment industry, founded on the premise of low cost labour, encouraged the growth of demand for female labour, while declining household budgets led to an increase in the supply of job-seeking women in Bangladesh.

The rising share for women in the labour force is sometimes referred to as the '*feminisation of labour*.' Although women are entering the labour market in increasing numbers, their employment is concentrated in a relatively small number of 'female' areas and occupations which tend to attract lower rewards and wages. Guy Standing (1989) has hypothesised that the increasing globalisation of production and the pursuit of flexible forms of labour to retain or increase competitiveness, as well as changing job structures in industrial enterprises, favour the "feminisation of employment" in the dual sense of an increase in the numbers of women in the labour force and a deterioration of work conditions (labour standards, income, and employment status).

A great deal of critical feminist scholarship says that the 'comparative advantage of women's disadvantage' (Arizpe and Aranda, 1981) explains why women are preferred in labour-intensive industries like RMG. The disadvantageous cultural construction of the female labour force in terms of nature and inheritance works to the advantage of the manufacturers. They say that the "nimble fingers" (Elson and Pearson, 1981) of young women workers and their capacity for hard work facilitated the recruitment of women for unskilled and semi-skilled work in labour-intensive industries at wages lower than men would accept, and in conditions that unions would not permit.

These women workers transfer their submission of patriarchal authority from family patriarch to the capitalist patriarch (Safa, 1990; Salaff, 1981).

Global accumulation, as the driving force of the world-system, not only hinges on class and regional differences across economic zones, it is a gendered process as well, predicated upon gender differences in the spheres of production and reproduction. In an era of economic globalisation, the pressure for greater competitiveness through lower labour and production costs encourages the demand for and supply of female labour.

Source: Titumir, R A M (2003), "*Spinning the Chain, Lost in the Queue International Restructuring and Bangladesh Women Garment Workers*", Dhaka: Nari Uddug Kendra (NUK), 2003

Systematic rigged trade regime

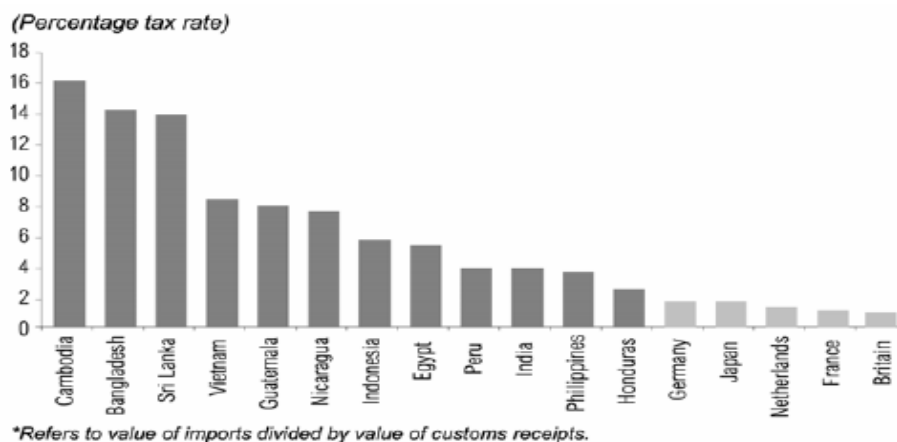
Northern governments point their low average tariffs as an example of their commitment to open markets. The logic of putting the focus on protection in developing countries ignores the crucial contextual questions of how a host of parallel policies, promoted by developed countries, makes it more difficult for their poorer trading partners to move towards lower tariff regimes. In fact, **the US places far higher tariffs on the least developed countries than the EU, with an average of 13 per cent compared to 2 per cent. Moreover, America subjects a far higher share of manufactured imports from poor countries to tariff peaks in excess of 15 per cent, principally because of the high level of import taxes applied to textiles and garments. This helps to explain why revenues collected by the United States on imports from Bangladesh are roughly equivalent to those collected on imports from France, even though the latter are some twelve times larger.**

When it comes to market access, tariffs do not tell the full story. One area where frustration is high relates to non-tariff barriers to trade. It is possible to view these “technical barriers to trade” — such as product content and packaging requirements, mandatory labelling, sanitary and phyto-sanitary measures — as more serious impediments to the trade of products from developing countries than duties or quotas. This is because failure to meet these standards effectively bars developing countries from trading in those markets.

In addition to tariffs, developing country exporters face a bewildering array of prohibitions, seasonal restriction and technical barriers, not to mention potential legal hurdles. Between 1995 and 2001, the US launched 255 anti-dumping cases; almost two-thirds of the total were directed against exporters in developing countries.

A multilateral system has to be based on the perception among its members of the shared benefits. Once the large membership feel that the system demands only “give” from their side without any possibility of “take”, the system is bound to be unstable. This inherits from no forward movement in the round for ensuring that the WTO accommodates the needs expressed by developing countries calling for meaningful, effective and binding of Special and Differential Treatment (S&DT).

Figure – 3.1: Effective tax rates on imports into the US: selected countries (2002)



3.2.2 Privatisation

PRSP policy matrices list a range of privatisation processes. These include: *corporatisation*, or the transformation of a state-owned enterprise (SOE) in line with a corporate set-up; *equitisation*, or the transformation of government ownership into “shares” that can be sold to the private sector; *liquidation*, or the abolition of an SOE, and; *sale, lease,*

divestiture and contracting out. Concerns over the restructuring of state sectors are not limited to employment, although impacts on employment are particularly visible. The motivations behind such restructuring are to recast the state's role in the economy and reconfigure control over national resources. Such restructuring is also always accompanied by other policies that seek to prioritise the functioning of 'markets' above all else.

Privatisation is the most tangible manifestation of the withering of the state required by the Washington Consensus. The policy has been gaining ground since the early 1980s (Cook, 1997). About 70 per cent of all structural adjustment loans made during the 1980s contained a privatisation component (Cook and Kirkpatrick, 1995). The privatisation also comes in the wake of crisis in public ownership.

Bank's empirics on privatisation

The World Bank has been adept in using methodologies of analysis that ensure privatisation emerges in a strong positive light. Criteria of judgement, selective use of data, analytical sleight of hand, and over-aggregation of the issues are among the typical analytical tools that need to be critically highlighted. At the end of the 1990s, there has been little shift in these dimensions of World Bank analysis of privatisation. First, the Bank applies rules and criteria ensuring that almost every outcome is a positive manifestation of the benefits of privatisation. For example, privatisation is deemed beneficial if enterprise performance improves after ownership change. If enterprise performance deteriorates and bankruptcy follows, this is also a beneficial result as it demonstrates the fact that the enterprise was not viable and was being propped up by the state (Campbell-White and Bhatia, 1998).

Second, the Bank manipulates the labour implications of privatisation in particular. Some enterprises reduce employment after privatisation, often because of high staffing levels in public enterprises. The Bank commonly differentiates between reform of the public sector and privatisation, arguing that the former is responsible for lay-offs and not privatisation (Campbell White and Bhatia, 1998). This is an artificial distinction to give privatisation a better press. In reality the two are part of the same process of public sector reform. For whatever reason, in many cases employment is reduced after privatisation and account needs to be taken of this. This is a real negative outcome of the policy representing a significant social cost. It cannot glibly be assumed that vigorous informal sectors will soak up labour shed by the enumerated, privatised sector. The closest the Post-Washington Consensus literature comes to taking this seriously is Stiglitz's (1999) critique of shock therapy in Russia.

Third, Bank literature (e.g. *Bureaucrats in Business*) tends to impose an unrealistic public/private dichotomy on the analysis of enterprise and economic performance (Bayliss, 1998, 2001a, 2001b.). Stiglitz does delve deeper into country specific circumstances with less rigid emphasis on the public/private dichotomy, for example in his comparison of China and Russia. He states that there is a need to examine the development of institutions and social networks (Stiglitz, 1998). Nonetheless, the terms of the discussion remain extraordinarily vague. Fourth, the Washington Consensus adopts an aggregate approach treating all transactions and enterprises as homogenous. In reality, the term privatisation covers a spectrum of transactions from sale of 100 per cent equity to leasing assets. Likewise, privatisation covers a huge range of enterprises from utilities to monopolies to small-scale enterprises. The factors affecting the performance of this range of enterprises varies widely.

Evaluation of privatisation is fraught with methodological difficulties – not least the question of the counterfactual. One conclusion of the empirical literature is that the public and private sectors contain both the best and the worst performing of enterprises. The only real policy advice that can emerge is to adopt a case specific approach.

The number of mills in Bangladesh is diminishing at the rate at which they are being denationalised. There were 78 cotton mills, and now most of them are closed. There are 18 government owned mills, out of which 16 are still running. Out of 54 privatised ones no one is running and had seen their demise while in private ownership.

3.2.3 Governance

The PRSPs are vocal about the political economy of governance and growth. The idea that market economies depend crucially on effective state institutions and state capability to create and enforce growth enhancing "rules of the game" or "incentives" underlies the current interest in "good governance

However, **little attention has been paid to the political processes underlying the power and legitimacy a state requires enforcing rights and extracting and mobilising the resources required to sustain development and growth.** The failure to incorporate power and politics into issues of governance is evident in the “governance paradigm”. State capacity has been viewed largely as a “technical” exercise in administrative reform (raising wages of civil servants, more training, greater meritocracy).

The neglect of power and distributional aspect of institutions means that adequate explanations of the variations in state capacity to extract and mobilise resources is simply missing. This is because mainstream economic models of politics do not incorporate power into the processes of bargaining over the maintenance and changes in rights and institutions (Dahlman, 1980; Papandreou, 1994: 209-227, Bates, 1995).

An analysis of the I-PRSPs and PRSPs undertaken by DFID in June 2001 suggests that issues such as political participation, democratic consolidation, and national security were absent from the governance agendas, while more attention was paid to macroeconomic environment, public expenditure management, and decentralisation (Casson and Grindle, 2001). Similarly, the World Bank–IMF Joint Staff Assessments, while recognising the centrality of governance to the success of the strategy, did not deal with issues of political participation or democratic consolidation. Rather, the assessments focused on issues of public expenditure management.

The adoption of the ‘good governance’ model is a defensive strategy to forestall a perceived crisis of the neo-liberal paradigm through the co-option of a critical discourse. Rather than being a transformative and progressive move, Schmitz argues, the neo-liberal paradigm was ultimately protected by shifting attention from international systemic factors, such as “adverse conditions, unfair markets or inappropriate economic reforms,” to the local “lack of proper institutional capacity to manage the necessary processes of adjustment” (Schmitz, 1995).

3.2.4 Corruption

Corruption is a new buzzword in the development scene, and accordingly has taken a prominent seat in the PRSPs. From being the scarcely regarded topic of specialist academic tracts it has been promoted to “the largest single inhibitor of equitable economic development,” according to James Wolfensohn, President of the World Bank.¹⁶ From being a subject to be avoided as “taboo,” (Kaufmann (1996), it is now a subject to be funded with a U.S.\$ 7.5 million budget for financial year 1999 at the World Bank Institute (Tesh (1999). Corruption has been defined as an economic concept whose root causes, “weak institutions.. and specific government policies,” (WB, 1997b:12) such as regulation, can be addressed by “specific economic and institutional reforms” (Gray and Kaufmann (1998:21). The very definition chosen replaces “public power”, used for example by Transparency International, with “public office,” thereby limiting the focus to abuse of a specific position rather than more general abuse of the public trust (WB, 1997:8 and TI, 1999:3).

Not only is the “political” excluded from active consideration; it is also constructed as inferior to the economic view. The Bank has developed a limited and antagonistic conception of politics which is reflected in its treatment of the problem of corruption. Where the Bank does in principle recognise that “corruption ... has a political dimension and reflects the way power is exercised in a country,” WB (1997b:5) it has a highly circumscribed definition of “the political.” It is based on an institutional understanding of the distinction between “bureaucratic” and “political” corruption according to the formal status of the actors: political corruption, therefore, involves parliamentarians and other elected politicians. This ‘type’ of corruption is seen as beyond the Bank’s scope (1997b:10). **By not acknowledging a wider conception of politics (i.e. struggles over the maintenance or change of power relations) the Bank veils the fact that its own interventions in the activities of states, which it defines as purely economic, also have great effects on the power structures of these states** (Mwale (1997).

¹⁶ Washington Post, Nov. 10, 1999, p.39

3.2.5 Poverty definitions and estimates

Poverty is a peripheral concept in economics¹⁷, without any independence from what is measured, i.e. the shortfall in a monetary indicator. **The orthodox approach to the identification of poverty and to policy formulation is rather messy: on the one hand, there is acknowledgement of its multidimensionality, in practice, on the other, the monetary approach mostly retains its dominance in descriptions and analysis, both nationally and internationally.** Laderchi, et al (2003) provides a systematic understanding of the limitation of the mainstream understanding on poverty. According to them, the *universality* of the definition of poverty triggers incompatibility. This emanates from the compatibility of application of definitions and measurement indicators applied in one type of society to other societies, without serious modifications, or even at all. Secondly, the definition and subsequent measurement would follow which of the methods: '*objective*' or '*subjective*'. Most statements about poverty suggest objectivity: i.e. it is implied that there is a certain reality 'out there' which poverty statistics would capture. The related question is who is making the value judgments: are they made implicitly by the researchers or statisticians who are measuring poverty? To which extent are these understood and shared by other stakeholders, for example, through the political process, or through a participatory process involving the poor themselves? The third, a crucial question is related to the process of differentiating the poor from the non-poor through the use of one (or several) *poverty lines*. This brings forth two interconnected issues – one concern with the justification for choosing any such line, the other pertains to the extent upon which the poverty line is defined as relative to a given context or is intended to reflect some absolute standards of deprivation. A fourth issue involves the *unit* over which poverty is defined - this is partly a question of whether poverty is defined at the level of the individual or the family, and also a matter of the geographical unit of analysis. The fifth problem arises from the pervasive question of dealing with *multidimensionality*. The monetary approach bypasses the issues by assuming that the monetary metrics either captures the essence of deprivation, or proxies all other deprivations. While the monetary approach has benefited from significant methodological developments in terms of measurement, these technical adjustments require numerous value judgements. Despite their apparent "scientificity", the dominant methodological approach for estimating poverty – monetary approach – is open to question – an example is the recent debate on the one dollar a day poverty line. (Reddy and Pogge 2002; Ravallion 2002).

It has also been emphasised that this mainstream approach is fundamentally addressed to *individual* achievements; social interactions and interdependences are considered only from the mechanical point of view of appropriately scaling household resources to take into account different household structures. The value judgements thus form an intrinsic aspect of much of the methodology – for example, about what should constitute an essential consumption basket. Many other such aspects of the methodology are performed "externally", i.e. the involvement of poor people themselves remain exogenous.

"Livestock" notion of poverty

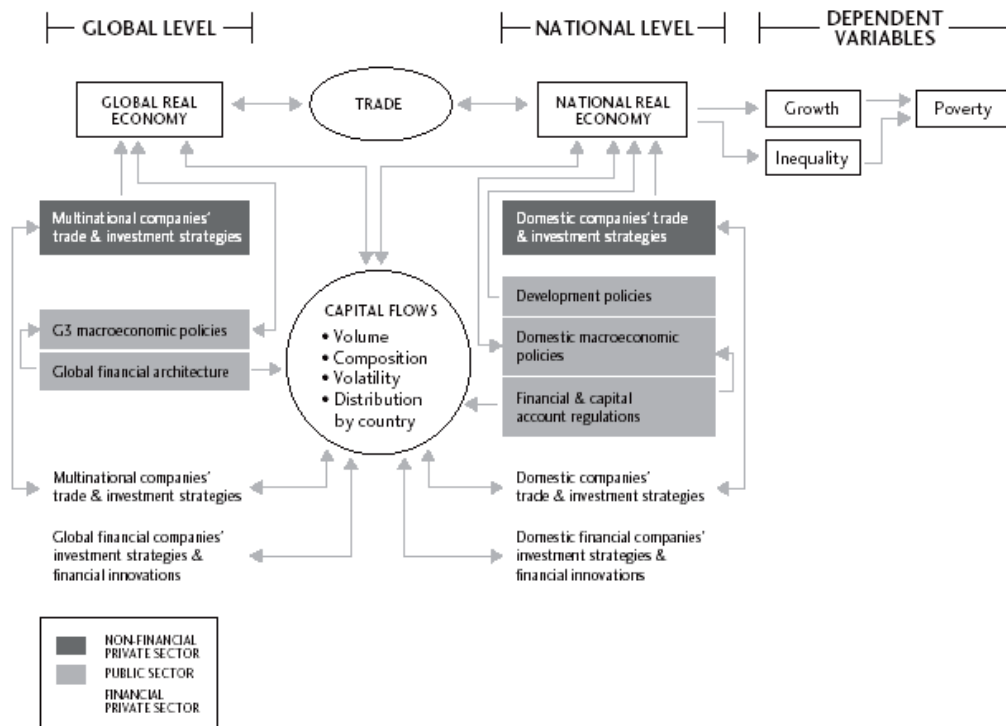
The conventional measure of poverty is, thus, based on a set of presumed "basic needs" of life, an absolute measure that ignores human aspirations and misery derived from one's relative material status in society. Such a concern for poverty alleviation in a minimalist, and static sense amounts in effect to a concern for barely *maintaining the productivity of labour of the ordinary people*, as if they are nothing but "livestock" to be fed and sheltered to yield returns for the privileged in society! From the point of view of rigorous accounting this "livestock" notion of poverty provides only for *maintenance* of "human capital", and the real question of distribution, or right to a share, of social income comes in fact *after* this provision (Rahman 2000). **Universalization of this notion of poverty and of a concern for "poverty alleviation" only in this maintenance sense signifies the ideological triumph of capitalism on a global scale.** And the underprivileged themselves are being

¹⁷ Though there are examples of authors who have used some definition of poverty as an explicitly economic category (e.g. Lipton's work on ultra-poverty, or Dasgupta's version of the efficiency wage theory) such conceptualisations have not been absorbed in the core of mainstream economists' poverty analysis (Laderchi, 2000).

manipulated to internalise this ideology by being christened as "poor" notwithstanding the human qualities they possess (Rahnema and Bawtree, 1990).

Poverty trap

The accumulation and concentration of capital on the one hand and pauperization on the other hand leads to political instability and conflict, and disfranchised State capacities, all in their own turn serve to reinforce generalized poverty directly and indirectly. An interrelated complex of international trade and finance relationships is reinforcing the cycle of generalized poverty and economic stagnation which is, in turn, reinforcing the negative complex of external relationships.



3.3 Immediate Agenda: Towards the Redistributive Path

Stewart, (2000) reviews the connections between income distribution and economic growth. It finds that the **Kuznets hypothesis (1955)¹⁸ that income distribution worsens as levels of income increase is not at all strongly supported by the evidence**, while growth rates of income are not systematically related to changes in income distribution. On the contrary, evidence is accumulating that more equal income distribution raises economic growth. Bourguignon concludes: "If there is any parabolic relationship between income inequality and GDP per capita across countries... it is probably very weak and unstable over time... [and] longitudinal data ... seem to suggest that there is much freedom in the way distribution in a given country may change over time" (Bourguignon, 1995: 47). Deininger and Squire (1998) also find 'virtually no support' for the Kuznets hypothesis. Despite its fragile empirical foundations – made even more so by the recent increase in inequality in developed countries – the Kuznets curve has been widely accepted, and sometimes used as an excuse, for taking no action on income distribution, on the assumption that the natural laws represented by Kuznets will unavoidably be realized. Empirical work on growth (as against levels) of per capita income, however, shows *no* relationship between growth rates and inequality (Ahluwalia, 1976); and recent work confirms this (Bruno, Ravallion and Squire, 1995;

¹⁸ Kuznets argued that income distribution was generally relatively more equal at low levels of income in the early stages of development, became more unequal as development proceeded, and finally a reverse move took place so that income distribution became more equal again as countries approached the levels of incomes of the developed countries. The work of Kuznets, and others, identified correlations between levels and growth of per capita income and income distribution.

UNCTAD, 1997). In fact we can observe countries in each of the four possible quadrants representing combinations of growth and changes in income distribution, as shown in table . The conclusion, then, is that growth is 'distribution neutral', i.e. it does not necessarily lead to either a worsening or an improvement in income distribution, and may be consistent with either. Structural factors and policy stances determine countries' experiences.

Growth and distribution in different economies

	High growth	Low growth
Distribution worsening	Brazil (1960s to early 1990s); Pakistan (1970–1985); China (1980s); Thailand (1970s and 1980s); Botswana, 1970s	Post-Soviet Russia; most eastern European countries, 1980s; Mexico 1980s; Kenya 1980s; Ethiopia 1980s; Guatemala 1970s and 1980s
Distribution improving	Indonesia (1973–1993); Malaysia (1970–1990); Taiwan Province of China (1950–1980); Republic of Korea (1950–1980); Mauritius (1980s and 1990s)	Sri Lanka (1960–1970); Cuba; Colombia, 1980s; Morocco (1970–1984); Trinidad and Tobago (1970s and 1980s)

Source: Demery et al. (1995); Chu et al. (1999).

The sensitivity of poverty to growth depends on a country's income distribution; for example, a 1 per cent growth rate of GDP leads to a 0.21 per cent reduction in poverty in Zambia, if distribution is unchanged, compared with a 3.4 per cent reduction in Malaysia (Sen, 1995). There is also considerable evidence that the distribution of income has a significant influence on the rate of growth, with more equal societies growing faster than less equal ones. Moreover, the average health status of a society depends on its income distribution, to that countries with more unequal distributions experience lower life expectancy (Wilkinson, 1996). The very large number of studies finding gives confidence in the existence of a positive relationship between equality and economic growth – and certainly refutes the prior and opposite conclusion. Whatever the mechanisms – still subject to investigation – there is broad agreement on the empirical evidence, which shows that more equality is associated with higher economic growth.

Even within the 'income' paradigm of welfare, one needs to extend this to include future income (e.g. by adding current asset distribution). But alternative approaches to well-being suggest the need for concern with one, other, or all of the following: the distribution of social income (i.e. goods and services provided by the State) as well as private income; distribution of capabilities or functioning; of basic needs goods and services; or of human development achievements. A broader approach to distribution is needed, whether it is a matter of assessing distribution in a society from the perspective of well-being, or from that of investment (i.e. the impact of current distribution on growth).

The distribution of income is the outcome of complex economic processes. Individuals' incomes depend on their incomes from assets and from their own current activities. Income from assets is a function of asset ownership and the rate of return on assets; and income from current activities depends, similarly, on quantity of, and returns to, employment (or self-employment), the returns to employment normally being a function of the individual's level of education and skills. For an economy as a whole, income distribution then depends on asset distribution, distribution of human capital, and returns on each (Stewart, 2000).

The major element required to introduce and effectively implement a redistributive strategy in any country is the construction of a broad political coalition for poverty reduction. The task of this coalition would be the formidable one of pressuring governments for redistribution policies, while neutralising opposition to those policies from groups whose self-interest rests with the *status quo*. How such a political coalition might come about is specific to each country

Turning to specific measures for redistribution, perhaps the most important determinant of the effectiveness of the various measures and specifics of each redistribution strategy is the structure of an economy. This structure will depend on the level of development, which will to a great extent condition the country's production mix, the

endowments of socio-economic groups, the remuneration to factors, direct and indirect taxes on income and assets, prices paid for goods and services, and transfer payments. These elements of the distribution system are initial conditions that delineate the scope for redistributive policies.

Table below provides a summary of the discussion, with poverty-reducing measures listed by rows, and the three categories of countries across columns. The table indicates that for the 'redistribution' countries, **a redistribution of current income and assets is the most effective means of poverty reduction, and the methods to achieve this are feasible.** For the 'redistribution with growth' countries, the measures for redistribution of current income and assets are less feasible, but instruments to achieve the more modest goal of redistributing the growth increment would be feasible. Finally, most redistribution instruments would not be feasible, or only to a limited degree, for very low-income countries; but for these countries, a growth strategy with no redistributive mechanisms may be the most poverty-reducing path.

This discussion indicates that implementing **an agenda of redistribution involves major problems, but these problems should not be exaggerated.** In many countries they might prove no more intractable than the problems associated with implementation of other economic policies. An effective orthodox monetary policy is difficult to implement if a country is too small or underdeveloped to have a bond market. The absence of a bond market leaves the monetary authorities unable to 'sterilise' foreign exchange flows. Similarly, replacing tariffs by a value added tax would be a daunting task in a country whose commerce was primarily through small traders. Lack of public sector capacity would limit the ability to execute a range of so-called supply side policies: privatisation, 'transparency' mechanisms, and decentralisation of central government service delivery (van der Hoeven and van der Geest 1999). The multilateral agencies have recognised these constraints to adjustment programmes, and typically made the decision that constrained implemented was preferable to non-implementation. The same argument can be made for a redistributive growth strategy: to achieve poverty reduction, it might preferable to implement re-distributive growth imperfectly than to implement the status quo imperfectly.

Feasibility of redistribution instruments by country category

Redistributive instrument	Redistribution of current income and assets (middle-income countries)	Growth with redistribution policies (middle- and most low-income countries)	Growth without redistribution policies (very low-income countries)
Progressive taxation	Yes	Yes, for some countries	No
Transfer payments	Yes	Yes, for some countries	No
Consumer subsidies	Yes	Yes	Yes, for some countries
Public job schemes	Yes	Yes	No
Land reform	Yes, but not always relevant	Yes	No, for most countries
Education and health	Yes	Yes	Yes
Infrastructure and public works	Yes	Yes	Yes

Source: Dagdeviren, H, R. van der Hoeven and J. Weeks (2001) *Redistribution Does Matter: Growth and Redistribution for Poverty Reduction*, WIDER Development Conference on Growth and Poverty, Helsinki: WIDER.

This new agenda would be based on three analytical generalisations: **(a) that greater distributional equality provides a favourable 'initial condition' for rapid and sustainable growth; (b) that redistribution of current income and assets, or redistribution of an economy's growth increment is the most effective forms of poverty reduction for most countries; (c) the mechanisms to achieve the redistributions are feasible for most countries; and (d) the administrative costs of these mechanisms are highly unlikely to cancel out the gains in poverty reduction.** These generalisations imply that the new agenda could focus upon specific policies and instruments of redistribution, with the goal of substantial reductions in urban and rural poverty in the medium term.