

*DRAFT*

**REPORT ON THE  
FIRST NATIONAL FORUM OF  
SAPRI, BANGLADESH**

*March, 1999*

**STRUCTURAL ADJUSTMENT PARTICIPATORY REVIEW INITIATIVE  
BANGLADESH**

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## **EXECUTIVE SUMMARY**

The first National Forum of the Structural Adjustment Participatory Review Initiative (SAPRI) Bangladesh was held on October 20-22, 1998 at the auditorium of CIRDAP, Dhaka. The third syndicate of the First National Forum of Bangladesh SAPRI on “Consequences of Fiscal Restructuring on Social Development” which was originally planned for the morning of October 22, 1998 had to be postponed due to unavoidable circumstances and was finally held on February 17, 1999.

The forum was organised to set the agenda of the review exercise, aiming at improving understanding of the impacts of the World Bank sponsored structural adjustment policies and seeking ways of enlisting the participation of civil society in future policy-making. SAPRI is a global tripartite initiative involving a network of civil society organizations, the governments and the World Bank.

The Bangladesh Forum, spanning over three plenaries and three syndicates recorded voices of cross-section of civil society on key adjustment issues, and designated issues in a participatory fashion for the forthcoming research phase designed to evaluate structural adjustment policies (SAP). Participants from across the country including representatives from entities such as labour unions, small farmers, women’s organisation and environmental and professional groups as well as present and former ministers, officials from government and the World Bank contributed to the Forum. The first plenary session on “SAP, SAPRI and Bangladesh” began in the morning of October 21, before focusing the three major clusters of issues, identified in the prior Regional Consultative Meetings (RCMs) and Focus Group Discussions (FGDs), through three syndicates. The first and second syndicate on “Implications of Trade and Industrial Policy Reforms” and “Impact of Agricultural Policy Reforms” were held in the afternoon of October 21, 1998 while the third “Consequences of Fiscal Restructuring on Social Development” was planned for the morning of October 22, 1998, and later held on February 17, 1999.

For ensuring a widespread participation in the country-level forum, an elaborate methodological approach was followed. Prior to holding the First National Forum of SAPRI Bangladesh, three RCMs and five FGDs were organised. Later, another FGD was organised before holding the third syndicate. More than 600 civil society representatives from a wide cross-section of society participated in these RCMs and FGDs. Three one-day RCMs were

held at Chittagong, Khulna and Rajshahi, headquarters of three of the country's four greater administrative regions. Five of the six FGDs were organised at Dhaka, while the fifth one was arranged at Narail.

In order to facilitate an informed debate by the forum participants a resource document titled *Towards Demystifying a Process: The Structural Adjustment Policies in Bangladesh* was prepared by Dr Debapriya Bhattacharya and Rashed A M Titumir. A second document by the same authors entitled *In Search of Unheard Voices: A Pre-Study Consultation Exercise on Structural Adjustment Policies in Bangladesh* was also distributed amongst the participants which contained the results of the consultations – RCMs and FGDs – and the issues that emerged from them. Issues capturing the analyses of the mini-forum participants were presented in the beginning of each syndicate.

### **The Inaugural Session**

With the Convenor of Bangladesh SAPRI Steering Committee, Professor Rehman Sobhan in the chair, the inaugural session of the First National Forum of Bangladesh SAPRI was attended by Mr. Shah A M S Kibria, Finance Minister, Government of Bangladesh as chief guest. Opening statements were made by Professor Wahiduddin Mahmud, Convenor, Bangladesh Technical Committee, Mr. Pierre Landell-Mills, the outgoing World Bank Country Director, Mr. Kamal Malhotra, Regional Coordinator and Member, SAPRI Global Steering Committee, and Dr Qazi Faruque Ahmed, President of Proshika, lead organization of SAPRI Bangladesh.

The speakers in the inaugural session viewed that any reform program must be owned by the society and that the stakeholders must be consulted before implementation.

The Finance Minister stressed the importance on reviewing the results of the SAPs in order to know how the stakeholders fared during reforms. He said that reforms must be owned by the society and that spontaneous support of the people was essential. The Minister of Finance seemed to suggest that there was a need for SAPs. He, however, said that reforms were not implementable, if such reforms lacked local ownership. "Reforms are generally perceived to be attempting at changing institutions, methods, procedures and practices in a country for the good of the country. In other words, reform is basically an attempt at improvement," said Kibria.

Professor Rehman Sobhan pointed out that most of the recent commentary around the world had been drawing attention to the lack of local ownership over the reform process and the importance of good governance in influencing the outcomes of the reforms. “Unless reforms are grounded in a process of consultation with those at the receiving end of the reform process and emerge out of a political consensus built up within the political mainstream of the country, such reforms, however worthy they may be, may prove difficult to implement or if implemented may not be sustainable,” he added. Prof Sobhan warned that the institutional credibility of the World Bank as well as that of its reform-minded President would be compromised, “if the Bank were to ignore those conclusions originating from SAPRI which challenge their conventional wisdom, by treating this as an essentially academic exercise and continue with business as usual.”

Prof Wahiduddin Mahmud related the emergence of the SAPRI with the recent rethinking on the orthodox neo-liberal ideas of structural adjustment. He said that there was a “growing realisation that there often exists a wide gap between policy ideas and actual practice, that the quality of institutions and governance does matter, that the ownership of reforms is important, and that the sustainability of reforms requires forming effective political coalitions.”

Emphasising the greater inclusiveness in the process Mr. Pierre Landell-Mills said that the participation of relevant line Ministries and Government agencies which were involved in the design and implementation of the policies and programmes, will be particularly critical to the success of the exercise. He also underscored the participation of relevant groups such as consumers. He reiterated the Bank’s commitment to this exercise, a commitment, according to him, clearly made by Mr. Wolfensohn in his meeting with the SAPRI members in Dhaka.

Mr. Kamal Malhotra stressed the need for institutionalising a national tripartite mechanism such as the National Forum. “I believe that this is a reasonable expectation for a maturing democracy such as Bangladesh and I hope that the Government of Bangladesh and the World Bank – and, dare I say it, the IMF– will agree to institutionalise this mechanism for continuing dialogue on economic policy reform issues well into the future,” added Mr Malhotra.

Dr Qazi Faruque Ahmed provided the background to the SAPRI's genesis in Bangladesh. He also spoke of the importance and its relevance for the country's long-term democratisation process. He said that SAPs had left an adverse impact on the general people, particularly on the women and the disadvantaged of the society.

### **The First Plenary: SAP, SAPRI and Bangladesh**

For setting the context of the National Forum, the first plenary was aimed at providing the background to basics of SAPs, supporting policies, and the macroeconomic and sectoral objectives of those policies. The format was crafted in a fashion so that the participants were informed of the SAP package and the background that led to the SAPRI exercise. It was also intended that the participants would be informed of the scope, objectives, national and global structure, and the process of implementation of SAPRI.

The session was chaired by the Convenor of the Technical Committee, Prof. Wahiduddin Mahmud. The chief guest was Mr Saifur Rahman, a Member of Parliament and a former Finance Minister of the Government of Bangladesh for two terms during the SAP period. The World Bank was represented by Dr Lyn Squire, Director, Development Policy while Mr Kamal Malhotra spoke on behalf of the global network of civil society organisations. Mr Giash Uddin Pathan, Director General, NGO Affairs Bureau, Prime Minister's Office, Government of Bangladesh also spoke. Dr Debapriya Bhattacharya, Study Director, Bangladesh SAPRI delivered the key note speech on the SAP, SAPRI and Bangladesh.

Mr Saifur Rahman started his deliberations by raising fundamental questions such as: "why do the World Bank and IMF exist? What is their relevance? What is the World Bank's right to become a knowledge based institution when its advice and that of IMF in the current Asian crisis has been so horribly misguided and damaging?"

He said that many of the reform programmes had been aborted in mid-course because of a lack of ownership as, according to him, those policies had largely been conceived in Washington DC. Terming the Fund-Bank prepared Policy Framework Papers (PFPs) as "most mischievous papers", he said that these documents containing the list of reform plans were entirely prepared by the twins, adding that the government would rest with nothing but signing the papers and pledging for implementation. He criticised the assumptions of the

reform measures and found fundamental flaws in that about market. “In Bangladesh, the market is weak and ignorant, unintelligent and uninformed. .. We did not get the magic of the market .. The market economy is not delivering the expected services.”

Dr. Lyn Squire, Director, Development Policy of the World Bank focused on three questions, which according to him, have come up without exception in many meetings on SAPRI around the world, that he had participated in. Then he responded surrounding the questions: Why has the World Bank embarked on this exercise? What steps is the World Bank taking to support SAPRI? What does the World Bank see as the outcomes of the exercise?

Mr. Kamal Malhotra, Regional Coordinator and member of the Global Steering committee spoke on the challenges and tensions that the Global Civil Society Steering Committee (GCSC) encountered in more than two years since SAPRI kicked off in 1996.

Dr Debapriya Bhattacharya provided a thorough history of SAPs in Bangladesh, its outcomes and assessments made by the Bank, the Fund and independent institutions. While discussing the genesis of the policy based lending, he informed that the experience of policy reform as part of aid conditionalities is not new in Bangladesh. He mentioned that all but the initial import program credits, totaling 13 during 1972-1986 period, contained conditionalities, addressing sectoral, macroeconomic and institutional reforms. Dr Bhattacharya then briefed the meeting about the main points of the three regional meetings and five focus group discussions. He also informed that skepticism had been expressed about the Bank’s commitment to SAPRI. He presented the three key hypotheses, suggested by the participants, for endorsement:

- Has the industrial capacity and employment experienced a growth following the introduction of SAP? What has its impact been on small producers and workers?
- Has the profitability of the crop sector increased subsequent to the reform measures implemented under SAP? What has their implications been for small/marginal farmers and landless laborers?
- Has the users’ cost of quality education and health care services reduced due to changes brought about by the SAP? What has their consequences been for the vulnerable groups?

Dr. Bhattacharya ended his presentation indicating two ‘fatal failures.’ These were: lack of indigenous ownership of the reform agenda and undercutting development prospect of the country.

In the discussion that followed the presentation, the participants opined that the current policy regime had failed to create employment needed to sustain the economy as the ratio of employment to employable population miss-matched. The participants also alleged that the Bank sponsored policies were not aimed at creating employment, rather, according to them, they increased unemployment.

Some participants asked as to why the World Bank had never consulted the poor in designing policies, despite the fact that they constitute the majority of the population. They said that policies were charted in the name of the poor, but hardly they were being consulted.

### **First Syndicate: Implications of Trade and Industrial Policy Reform**

Following a precursor laid in the first plenary, the first of the three issue syndicates began in the afternoon of October 21, 1998. The chief guest for the first syndicate was Mr. M K Anwar, Member of Parliament and former Minister of Commerce, Government of Bangladesh. Mr. Nazrul Islam Khan, General secretary of the Bangladesh Jatiyatabadi Sramik Dal, a federation of the laborers affiliated to the main opposition party, BNP, chaired the session. The session was co-chaired by Ms Maleka Khan, Vice President, National Association of Small and Cottage Industries in Bangladesh (NASCIB).

Criticizing the privatization centered policies of the BWIs, the participants said that the thrust of the policy should not to be on changing the ownership, but to be designed on the basis of operational efficiency, dynamism of the entrepreneurs and prospects of employment creation. The workers cited comparative performance statistics of privately managed enterprise and laborer-run services to establish their argument. They offered examples of two recent pilot exercises conducted by the Dhaka Water and Sewerage Authority (WASA) and the Power Development Board (PDB). The workers claimed that the performance balance sheet rejected the Bank’s pedagogical belief in the efficiency of private ownership.

Participants said that privatization of the jute sector had led to a decline in gross production by 50 per cent and a waste of the Bank loan. It was informed that the government, heeding the Bank’s prescription, shut down 18 mills, laid off 20, 000 workers and financed

the losses. The workers asserted that even if half of that amount was spent to modernize this sector through infusing new technology, the country could have had a sound industrial base instead of an ailing sector.

The participants came down heavily on the Bank for its failure in recommending appropriate policies relating to industrialization and privatization. They criticized the Bank for its incapacity to diagnose the real problems in the manufacturing sector. They were also critical of imposing the 'just privatize' policy on the government. According to the participants, the vision of industrialization should be to increase employment, not to make people redundant, but the latter was being practiced in Bangladesh at the instance of the Bank.

The participants were of the opinion that the responsibility for a failed project should be shared by the Bank. "What was its accountability and responsibility when its advice was proved to be wrong and its project failed? Who would bear the burden?" asked the participants.

The entrepreneurial class in Bangladesh was considered by the participants to be one of mercantile nature. Some of the participants named the buyers of the privatized entities as anti-people, who overnight wanted to appropriate riches. They went on to show specific examples of how the buyers of the privatized enterprises or present-day industrialists had employed corrupt means in accumulating their wealth. The participants questioned their motive: how could one expect dedication towards industrialization from them, given their wealth accumulation process?

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

The workers vehemently opposed the notion that the laborers or their so-called militancy were responsible for the losses of the state-owned-enterprises (SOEs). Denying the argument, the participants said that it was them who put forward several proposals to the government for making up for the losses. The workers' leaders informed that they entered into even such agreements with the government for the improvement of the manufacturing sectors, at the risk of losing their constituency for the improvement of jute sector. Ten best performing jute mills would be selected, five each from the public and private sectors. In the

rest of the mills, the government would only finance the difference between the average cost of production of these ten mills and the world market price. But, to their surprise, the government has been financing at actual, which had to accumulation of debts of mountainous proportion on the one hand and let the management be as inefficient as one could be, on the other.

The workers attributed the failure in the country's industrialization to the inefficiency of the management and the increase in superstructure-leaden bureaucracy. They blamed the Bank's one-eyed policy under which they were suggesting only retrenchment of workers, while turning a blind eye to the increase in top heavy administration. The workers found the Bank's policy in favor of decentralization as an eye-wash.

The participants added that the essence of the reform would be to make the sectors dynamic, employ more laborers, but just not to privatize. The participants observed that the reforms needed to be carried out in association with every stakeholders. One of the major reasons of the failure of the current reform process was, according to them, the failure to incorporate laborers in the decision making process.

### **Second Syndicate: Impact of Agricultural Reform**

The syndicate, held in the late afternoon of October 21, 1998 was chaired by Advocate Rahmat Ali, Member of Parliament and former President of Bangladesh Krishak League, a farmers' organisation affiliated to the ruling Bangladesh Awami League and co-chaired by Mr. Saiful Haq, General Secretary of Bangladesh Khetmajur Union, a left-leaning agricultural workers' union. Begum Matia Chowdhury, Member of Parliament and Minister of Food and Agriculture attended the syndicate as chief guest.

Presenting the results of the FGDs and RCMs, Dr. Bhattacharya informed that the participants had suggested a rigorous enquiry to ascertain why the profitability of the crop sector had recorded a decline. He briefed the syndicate about input-output price parity, withdrawal of subsidy from agricultural inputs, privatisation of the input delivery system, reduction of public procurement, quality standards of fertiliser, seed and pesticide, use of chemical fertiliser and land fertility, crop diversification, and change in the land ownership pattern and tenancy reforms.

Centring her theme on adjustment with a human face, the Food and Agriculture Minister Begum Matia Chowdhury said that a government accountable to the people could not accept the prescription in any form which in the process of implementation turned out to be a monster. According to her there was scope of bargaining with the Bank, but enough bargain was not attempted and the then government had yielded to conditions unsuited to Bangladesh. She felt that reform measures in agriculture had led to suffering as a whole.

Stressing a strong and effective role of the government, especially because of the majority farmers in Bangladesh being owners of small holdings and their weak financial condition, the Minister said that government was required to protect the small, marginal and even the medium scale farmers.

The minister said that agriculture had suffered since SAPs were introduced in Bangladesh and so the government had decided to provide subsidies a decision which the Bank did not to agree. "What is the use of government, if it does not come forward to help in times of crisis?"-she asked. Criticising the donors' double standard about withdrawal of subsidy in the loan recipient country like Bangladesh and maintaining it in the home countries, she asked: "Why do they shout when we give subsidies to ours?"

The participants opined that they had nothing to add after the substantive speech delivered by the Agricultural Minister. While seconding the minister the participants voiced their demand for retaining subsidy in the agriculture sector and necessary government interventions.

The participants opined that policy making was confined within the powerful, not between powerful and the powerless. The Bank's policies are formulated by powerful elites, who hardly had any connection with the grassroots. The participants observed that marginal farmers were being rendered landless because of the policies pursued under SAPs. They suggested that the *gram parishad* be vested with the power of designing the plan and implementation for the improvement of the village economy.

Suggesting a strong role of the government in the agriculture sector some participants argued that the government should provide low priced agricultural loan, purchase produces in order to ensure fair prices to the farmers and increase activities of agricultural extension services. Some participants opined in favour of reforming the agriculture market, with a view to increasing the access by the farmers in terms of selling the produce and buying the inputs.

They suggested that efforts were needed to salvage the agricultural market from the grasp of the middlemen.

The lack of ownership of the reform was again talked about in the syndicate and the World Bank was asked to apply structural adjustment to itself, internally.

### **Third Syndicate: Consequences of Fiscal Restructuring on Social Development**

The third syndicate on “Consequences of Fiscal Restructuring on Social Development” of the First National Forum of Bangladesh SAPRI was held in Dhaka on February 17, 1999. The syndicate was chaired by Mr. Manjurul Ahsan Khan, President, Bangladesh Sarak Paribhan Sramik Federation, a left-leaning transport workers’ union and a Member of Bangladesh SAPRI Steering Committee. Dr. M A Malek, Political Advisor to the Prime Minister, Government of Bangladesh addressed the gathering of diversity - service providers and consumers – as chief guest, while former State Minister for Planning, Dr. A Moyeen Khan, MP was present as special guest. Prof. Rehman Sobhan, Convenor, Bangladesh SAPRI Steering Committee made concluding remarks while Mr. M Shahabuddin, Member-Secretary of Bangladesh SAPRI Steering Committee gave the address of welcome. Dr. Debapriya Bhattacharya, Study Director and a member of Bangladesh SAPRI Technical Committee presented issues relating to adjustment and social development to the participants in National Forum.

A resource document by Dr. Debapriya Bhattacharya and Rashed A. M. Titumir entitled “**Adjustment and Social Development: Issues and Concerns**” was provided to all participants in the National Forum for helping them to have a more informed debate. This document provides detailed information on Bank/IMF’s policies and projects in Bangladesh, trends in public expenditures with disaggregation, progress and challenges facing social development and the concerns expressed in the SAPRI consultations.

The participants called for realignment of policies taking the socio-economic context into consideration, building on transformation agenda based on local capacity, to widen access to quality social sector services in the field of education and healthcare provisions.

While making his concluding remarks following the day-long deliberations by the stakeholders, Prof. Rehman Sobhan said that the country’s health and education had been pushed to a fallen state because of the apathy of the ruling class. “How a system can flourish

or be made efficient when its rulers have abandoned it? How could they know about the system to design an efficient delivery mechanism, when they themselves never use the system?” Health and education can not be left to the market alone because it would go out of the reach of the general masses. Dr. S A Malek in his address as chief guest said that the previous governments had swallowed several reform programmes just to get loans without considering their merits. Reforms should be formulated and implemented taking the stake of the poor into consideration.

Dr. A Moyeen Khan, MP and a former Minister for Planning while speaking as special guest said the contractionary policies of the SAP package benefited the rich and wealthy class of society at the cost of the poor. Terming the SAP package an instrument of “economic colonialism”, he said that pursuance of such policies at the dictate of the Bank and Fund would not lead the country to break the vicious cycle but rather reinforce it.

The participants reckoned that the responsibility of education and health was vested with the State by the Constitution of Bangladesh and the country’s health and education system was a national system. They argued that it was the government’s constitutional obligation to provide free and uniform access to social services and it should not be left to the market by redefining the role of the state in tandem with the adjustment. The participants feared that the downsizing of state, resulting from contracting to structural adjustment policies, was contrary to pledges made in the constitution of providing access to social sector and might fail the disadvantaged section of society.

Acknowledging the increase in expenditure in quantitative terms, the participants questioned the ratio of incremental expenditure growth with respect to increases in demographic shifts and number of educational and health establishments. The participants said that the allocation made is so insufficient that, for example, the government allocation covered only a third of medical supply requirements of Thana Health Complexes.

The participants opined that the quality of the social sector deteriorated over time. The teacher student ratio is 1:70, making it all but learning, the participants opined. A teacher had to lecture on almost all disciplines, no matter in which s/he was trained in, added the participants.

Some of the participants asked for re-examination of statistics in order to find out whether there was a real increase in access to services by the rural and disadvantaged

population. The participants found a dichotomous relationship with the said success of increased access to social delivery and the rate of increases in prevalence of diseases.

The participants observed that there was a disparity engrained in the social sector amongst rural and urban and government and non-government establishments, and senior-junior service professionals. The participants said that these disparities were crippling the quality of, and access to, health and education sectors. The financing that was made to social sectors was not evenly allocated. The fundamentals of allocation are not geared towards improving the standards of education rather it was urban and elite centered.

The participants found reforms implementation plans contrary to the socio-economic condition prevailing in the country and imposed top-down. Referring to the recent reform package relating to the health and population sector – Health and Population Sector Program (HPSP) - coordinated by the Bank, participants observed that the pacing and sequencing of the reforms were not done according to the prevailing condition.

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

The participants observed that government departments engaged in administering education and health sectors were plagued with malpractices. They also pointed to the degeneration of moral values in the education arena.

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

The participants expressed their concern about the unbridled mushroom growth of private sector health service providers in the absence of any appropriate regulatory authorities responsible for protecting consumers’ rights and maintaining standards.

## **Second Plenary: Wrap-up**

Dr. Muhiuddin Khan Alamgir, State Minister for Planning, Government of Bangladesh was the chief guest while Prof. Rehman Sobhan chaired the second plenary and concluding session. Ms. Zakia Akhtar Chowdhury, Secretary to the Prime Minister, Mr. Tony Avirgan of SAPRI's global secretariat, Ms. Khushi Kabir, Coordinator, Nijera Kori and Mr. Andrew Mason were designated discussants. Dr. Debapriya Bhattacharya provided a summary of the key issues that had emerged for further study and research from both the previous regional and focus group consultations and the October 20-22 National Forum.

## **Confirmation and Validation of Hypotheses**

The forum ended with a tripartite threshold consensus that a home-grown reform agenda is needed for accelerated development. Participants in the National Forum underlined that the current economic reforms had an "orphan status" since no one appeared to own them and an extensive review of the schemes was required, involving government, civil society, NGOs and stakeholders at the grass-roots levels.

Presenting the findings of the Forum, Dr. Bhattacharya outlined a number of ingredients, which were fundamental to a home-grown agenda. These included the commitment of a variety of stakeholders (government, public representatives such as parliamentarians and politicians and citizens groups), greater transparency and access to information and accountability, genuine scope for institutionalised public participation, incorporation of local government in policy formulation and indigenous capacity to build and develop a Bangladesh agenda.

The participants also called for the structural adjustment of the World Bank as well for becoming sensitive to the contextual reality of Bangladesh than it had traditionally been and showing a higher accountability for programme outcomes than it had in the past. There was also a greater role for the Bank in ensuring a more level playing field in the current global order.

The participants confirmed the key hypotheses that he had presented in the First Plenary. He also presented the key issues that were discussed in the plenaries, the syndicates and the consultations.

## **Closing Remarks**

The plenary then moved into the closing session. State Minister for Planning Dr. Muhiuddin Khan Alamgir said that his government was forced to accept the Bank-Fund sponsored reform agenda because those were signed earlier by his predecessors. He, however, noted that the present government was accumulating strength to oppose any impositions and prepare agenda endogenously.

Zakia Akhtar Chowdhury, Secretary, Prime Minister's Office said that the government responded positively to the global SAPRI exercise to have a clear understanding of effects of the reform measures in order to minimise the potential negative impacts of the measures particularly on the poor and disadvantaged group.

Khushi Kabir, Coordinator of Nijera Kori said that one of the most important elements of SAPRI was that it would consider the people's opinion who usually remained left out in policy making. She suggested that issues relating to women should be considered as a cross-cutting adding, "we should not keep the women issue as a footnote or in some lines in the concluding part." She also called for a thorough examination of the effect of shrimp cultivation on the people's lives and the environment.

Tony Avirgan of the SAPRI global secretariat said that the Bangladesh Forum really had voices from the grassroots.

Andrew D. Mason of the World Bank said that the critical challenges following this Forum would be among others, to determine how robust the different pieces of information were and in what ways the different pieces of the puzzle fitted together.

Professor Rehman Sobhan concluded by reminding the World Bank and government in particular that great expectations had been created amongst citizens as a result of SAPRI which was not just another research study or exercise. He urged them to take the outputs of this exercise seriously or else face a further loss of credibility and integrity amongst civil society and the electorate.

## INTRODUCTION

The first National Forum of the Structural Adjustment Participatory Review Initiative (SAPRI) Bangladesh was held on October 20-22, 1998 at the auditorium of CIRDAP, Dhaka. The forum was organised to set the agenda of the review exercise, aimed at improving understanding of the impacts of the World bank sponsored structural adjustment policies; and seeking ways of incorporating the participation of civil society in future policy-making. SAPRI is a global tripartite initiative involving a network of civil society organisations, the governments and the World Bank.

The SAPRI concept emphasises holding o a series of public fora (both at national and international levels) backed up by a wide-range of exchanges with stakeholders to guarantee that a broad range of civil society groups participate in the review exercise. It seeks, in particular, to facilitate the participation of those, who have traditionally been excluded from decision-making, in the assessment, deliberations, and research on structural adjustment programmes (SAPs).

The Bangladesh Forum, spanning over six business sessions, recorded voices of cross-section of civil society on key adjustment issues, and designated issues in participatory fashion for the forthcoming research phase, designed to evaluate structural adjustment policies. Participants from across the country including representatives from entities such as labour unions, small farmers, women's organisation, and environmental and professional groups as well as present and former ministers, officials from government and World Bank contributed to the Forum.

### *Purpose*

The purpose of the opening national forum was threefold. First, it began the public dialogue about adjustment, and its multiple impacts involving citizens' groups, government and Bank officials. Second, the information, perspectives, and analyses presented at the Forum by civil society and those emerged from the following discussions with the government and the Bank officials are envisaged to reflect in the final results of the country exercise. Finally, the Forum was geared towards selecting issues for the research part of the exercise.

The National Forum may also be viewed as part of the ongoing process of consultations. This creates an occasion to take account of views on the structural adjustment process and their expectations from SAPRI by bringing together top level policymakers and political leaders in Bangladesh along with senior representatives of the World Bank. The SAPRI initiative, however, may well be seen as the first major research initiative organised by the civil society, which is, *ab initio*, designed to involve stakeholders in assessing policy agenda.

### ***Preparatory Work***

The Bangladesh SAPRI Steering Committee, comprising the civil society, the government of Bangladesh and the World Bank, followed an elaborate methodological approach prior to convening the National Forum and defining the issues. For ensuring a widespread participation in the Forum, the Steering Committee felt that a series of preliminary forum be organised to give voice to stakeholders on all key adjustment issues as a process leading up to finalising the research agenda. The Committee sided with a strong preference to the popular sectors, organisations and groups those have consistently been left out from providing input to the formulations of adjustment policies.

Accordingly, three Regional Consultative Meetings (RCMs) and five Focus Group Discussions (FGDs) were organised before holding the First National Forum. More than 600 civil society representatives across the sectors and organisations representing farmers and agricultural groups, labour, women, small business, industrialists, media, NGOs and others participated in these RCMs and FGDs, aimed at recording the adjustment related experiences of a broad cross-section of civil society and framing the research agenda. Usually spreading over three business sessions, the RCMs and FGDs sought to capture the unheard voices of the disadvantaged section of the society on key adjustment issues, and the issues, which they wanted to see being addressed in the research component of SAPRI. Three one-day RCMs were held at Chittagong, Khulna and Rajshahi, headquarters of three of the country's four greater administrative regions. Four of the five FGDs were organised at Dhaka, while the fifth one was arranged at Narail.

The consultation usually began with an introduction to the SAPRI process, followed by the participants' own analyses of the effects of policy changes. Finally attempts were

made to prioritise the issues for the field investigation from the issues raised during deliberations. It was stressed in every meeting that unlike other studies on SAP, the SAPRI was fundamentally a participatory exercise, in which members of the civil society would set the themes and issues to be investigated and hypotheses to be tested in the field.

Five resource documents in Bangla – the background to and process of SAPRI, its activities in Bangladesh, the issues of SAP, and its experience in Bangladesh, and the Bank’s review of its country portfolio – were distributed to the RCM participants for enabling them to involve in this innovative process of evaluating SAPs. For initiating the FGDs, in addition to five resource documents, an issues paper for each FGDs, based on the issues voiced at the RCMs, was circulated along with the amongst the participants.

### ***Participation***

The participatory nature of SAPRI distinguishes it from many other earlier attempts to understand the impacts of SAPs. While deciding upon the participants at the opening National Forum, the Bangladesh Steering Committee tried to maintain participation as broad-based as possible. Priority was given to representatives of those civil society organisations, government institutions, Bank offices that are affected by and/or deal with the adjustment measures. The civil society representation was predominantly drawn from the popular sectors, as it is the peoples’ input that is at the core of SAPRI. The local Bank office sent a list of government officials, Bank staff and other representatives including business and academics for invitation to the Forum and suggested on the composition of the forum.

The National Steering Committee, comprising the government, civil society and the Bank, decided upon the chairs and guests of the proceedings. In selecting the chairs and guests, a balance between the tripartition and representative ness of groups was maintained. The forum also attempted to keep up the representation of politicians of most colours, including ministers of the present and past governments and members of parliament (see table below).

The constructive engagement benefited from the exchanges and experiences of a forum of diversity, comprising farmers, labourers, agricultural labourers, academics, NGO workers, teachers, women activists, professionals, small traders, trade union activists, government officials, ministers, Bank officials, etc. Over 300 people participated in the

sessions. There was no seating room for both the inaugural and closing sessions and a number of participants had to stand through them. The summary table below showed that sectoral representatives dominated the lists of participants.

**A Summary Matrix on the Participation in the First National forum of Bangladesh SAPRI**

DATE	VENUE	PARTICIPANTS BY CATEGORY (INCOMPLETE)
October, 20 – 22, 1998	Auditorium of the Centre on Integrated Rural Development in Asia and the Pacific (CIRDAP), Dhaka	Labourers - 45
		NGOs - 34
		Academic/Professionals - 28
		Donors incl. World Bank - 24
		Media - 21
		Farmers - 19
		Small Industries - 13
		Women Organisations - 12
		Government - 11
		Large Industries - 9
		Former and current Ministers- 9
		Others - 6
<hr/>		Total - 229

The table below shows the composition of the designated speakers, keeping up the spirit of the tripartite nature of the exercise and the balance between the politicians of most colours in Bangladesh.

**October 20, Inauguration of the First National Forum of Bangladesh**  
**1998** *SAPRI*

Chair: Prof Rehman Sobhan, Convenor,

SAPRI Bangladesh Steering Committee

Statements: Prof Wahiduddin Mahmud, Convenor,

SAPRI Bangladesh Technical Committee

Mr. Pierre Landell-Mills, Country Director

World Bank Bangladesh Office

Mr. Kamal Malhotra, SAPRI Global

Network

Dr Qazi Faruque Ahmed, President, Proshika

(Lead Organisation in Bangladesh)

Chief Guest: Mr. Shah A M S Kibria, Hon'ble Minister

for

Finance GoB.

**October 21, 1998** *First Plenary: SAP, SAPRI and Bangladesh*

Chair: Prof. Wahiduddin Mahmud Convenor,

SAPRI Bangladesh Technical Committee

Presentations: Dr Lyn Squire, Director, Development  
Policy, WB

Mr. Kamal Malhotra, SAPRI Global

Network

Mr. Md. Giash Uddin Pathan, DG NGO

Affairs

Dr Debapriya Bhattacharya, Study

Director,

SAPRI Bangladesh

*First Syndicate: Implications of Trade and Industrial  
Policy Reforms*

Chair: Mr. Nazrul Islam Khan, General  
Secretary,

Bangladesh Jatiyatabadi Sramik Dal

Co-Chair Ms Maleka Khan, Vice President,  
NASCIB  
Chief Guest Mr. M K Anower, MP, former Minister  
for  
Commerce, GoB

*Second Syndicate: Impact of Agricultural Policy Reform*

Chair: Advocate Rahmat Ali, MP, former  
President

Bangladesh Krishak League

Co-Chair Mr. Saiful Haque, General Secretary,  
Bangladesh Khetmujur Union

Chief Guest Begum Matia Chowdhury MP, Minister  
for Food

and Agriculture, GoB

**October 22, 1998**, *Second Plenary: Wrap-up*

Chair: Prof Rehman Sobhan, Convenor,  
SAPRI Bangladesh Steering Committee

Chief Guest: Dr Muhiuddin Khan Alamgir, State  
Minister for

Planning and Science & Technology

Summary: Dr Debapriya Bhattacharya, Study Director  
Remarks : Ms Zakia Akhtar Chowdhury, Secretary to  
the

Hon'ble Prime Minister, GoB

Ms Khushi Kabir, Nijera Kori

Mr. Tony Avirgan, SAPRI Global Network

Mr. Fred Temple, World Bank Country

Office

Mr. John Synclair, Alternate ED, World  
Bank HQ

Mr. Andrew Mason, World Bank HQ

Vote of Thanks:

Mr. Shahabuddin, Member Secretary,  
SAPRI

### ***The Format***

The Bangladesh SAPRI Steering Committee in its meetings deliberated on the possible format of the opening national forum and approved the schedule (annex - ). It decided that the first plenary, following the inaugural session, would listen to representations of different sides of the coalition on the adjustment programmes, along with a delivery on SAP in Bangladesh in order to get a background to the basic facts about the SAP.

The Forum was scheduled over a two and half day, starting with the inaugural session in the afternoon of October 20. Two plenaries and three syndicates comprised the working session of the Forum, covering two full days.

The first plenary session on *SAP, SAPRI and Bangladesh* began on the morning of October 21, before focusing the three major clusters of issues, which were identified in the prior RCMs and FGDs, through three syndicates.

The first and second syndicate on *Implications of Trade and Industrial Policy Reforms* and *Impact of Agricultural Policy Reforms* were held in the afternoon of October 21, 1998 while the third on *Consequences of Fiscal Restructuring on Social Development* was planned for the morning of October 22, 1998.

Each syndicate began with an illustration policies of SAP package related to the syndicate. The Study Director presented to the National Forum attendees the issues. The introductory presentation included issues that the mini-forum participants had prioritised.

The third syndicate has had to be postponed for the hartal (strike), called by the main opposition party, the Bangladesh Nationalist Party (BNP).

Nevertheless, the second plenary or the wrap-up session, intended to highlight and summarise the key issues which have been identified for the study phase of the SAPRI were

held according to the schedule, with even standing room being scarce despite the hartal that morning.

### ***Resource Documents***

In order to facilitate an informed debate by the forum participants a paper titled **Towards Demystifying a Process: The Structural Adjustment Policies in Bangladesh** was prepared by Dr Debapriya Bhattacharya and Rashed A M Titumir. The paper provided basic information related to SAPs in Bangladesh from the original documents of the World Bank and the International Monetary Fund. Till date access to these documents has only been restricted to the highest officials of the Ministry of Finance, unlike the ‘grey cover’ policy documents prepared by the Bank, which could be accessed by researchers, who have contacts within the Bank. The resource document tried to inform of the Bank’s and Fund’s own assessment on Bangladesh’s economy in the context of implementation of SAP. This was intended to apprise the members of the civil society how the Bretton Woods Institutions (BWIs) evaluated the impacts of their own policy package. Although there exists a dearth of rigorous analysis on SAP in Bangladesh, the paper attempted to inform about independent assessments on the impacts of SAPs in Bangladesh. The paper, however, was intended only to inform the members of the public, not to validate the analyses contained in those assessments. The major information of the paper was presented in the first plenary of the National Forum as prelude to the Forum.

A second document by the same authors entitled **In Search of Unheard Voices: A Pre-Study Consultation Exercise on Structural Adjustment Policies in Bangladesh** was distributed amongst the participants which contained the results of the consultations – RCMs and FGDs – and the issues that emerged from them. Issues identified in the document, capturing the analyses of the mini-forum participants, were presented in the beginning of the each syndicate.

A third document in Bangla was circulated amongst the participants that captured the information contained in the above two documents.

## **THE INAUGURAL SESSION**

### ***The Format***

With the Convenor of Bangladesh SAPRI Steering Committee, Professor Rehman Sobhan in the chair, the inaugural session of the First National Forum of Bangladesh SAPRI was attended by Mr. Shah A M S Kibria, Finance Minister, Government of Bangladesh as chief guest. Opening statements were made by Professor Wahiduddin Mahmud, Convenor, Bangladesh Technical Committee, Mr. Pierre Landell-Mills, the outgoing World Bank Country Director, Mr. Kamal Malhotra, Regional Coordinator and Member, SAPRI Global Steering Committee, and Dr Qazi Faruque Ahmed, President of Proshika, lead organisation of SAPRI Bangladesh. Dr A K M Masihur Rahman, Secretary, Economic Relation Division, Ministry of Finance was expected to represent the government. The chief guest, the current Minister of Finance, however, presented the government's overall view on the SAPs.

### ***Discussion***

The speakers in the inaugural session viewed that any reform programme must be owned by the society and that the stakeholders of these programmes must be consulted before implementation. The opinions expressed at the first national forum of SAPRI were set diagonally opposed to how the SAP had been implemented in Bangladesh and other countries.

The Finance Minister stressed the importance on to review the results of the SAPs and to know how the stakeholders fared and experienced during reforms. He said that reforms must be owned by the society and that spontaneous support of the people was essential for having sustainable impact of the reform measures..

The Minister of Finance seemed to suggest that there was a need for SAPs and there was nothing wrong with them. "Reforms are generally perceived to be attempting at changing institutions, methods, procedures and practices in a country for the good of the country. In other words, reform is basically an attempt in improvement," said Kibria. He, however, asked "Why should reform be controversial?" The sitting Finance Minister's himself responded to the question saying that some of the reforms were not seen as reflecting the wishes of the people, as being driven by the donors, or as being imposed from the

outside. He emphasised that the success of a reform effort is conditional on the people accepting it as their own.

Strongly voicing for the reform in areas such as labour market and financial sector, Kibria said, “if tomorrow, for example, if the World Bank and the IMF ceased to exist, I do not want that but if it was so, even then we have to carry out these reforms.” According to him, these reforms, like stopping the losses of the state-owned enterprises (SOEs), are to be carried out not for the interest of the donors, but for national interest. The finance minister emphasised on reforming the financial sector for the national interest and called for changes in the public perception for endorsing the reform measures. “If the perception is that the financial sector reform is what the IMF has told us or the Bank has told us, I think this will be mistake. There has to be a consensus within the country that these irregularities – the corruption, the misuse of power – that led to the filth of the financial sector as it is today must be corrected. So again, the motivation for reform must come from within the society,” he added. In this connection, the Finance Minister came down heavily on the trade union (TU) activities and said that the TUs had lost their credibility because of the way they function here. “Trade-unionism is associated with a lot of difficulties we experienced today in the economic field, said the Finance Minister. “It is an absurd thing that a particular bank, for example, has five or six bodies representing the workers and all of them seek the right to negotiate with the management. And naturally it leads to all kinds of corruption and misuse of facilities and some are the problems that we all know about the banking sector.”

About the sick industries Kibria said those units which became sick because of management failure or lack of customers should be allowed to die peacefully, but the finance minister found a moral responsibility for the government for those which had fallen sick because of drastic changes in policies.

Departing from SAPRI, the Finance Minister used the opportunity to criticise local economists, who had been critical of devaluation of the Bangladesh currency, Taka in that week. Kibria argued that imports were now cheaper, because of the Asian crisis and the recent 3 per cent devaluation was much less than the 10-20 per cent drop in the US dollar dominated prices of Bangladesh’s key imports from East Asia.

Kibria concluded by saying, “in the years ahead, the government will maintain its effort to complete the structural reforms that have been initiated in the past and which will be initiated now.”

In his address as the chair of the opening session, Convenor of Bangladesh SAPRI, Professor Rehman Sobhan pointed out that most of the recent commentary around the world had been drawing attention to the lack of *local ownership* over the reform process and the importance of *good governance* in influencing the outcomes of the reforms. Prof Sobhan said “unless reforms are grounded in a process of consultation with those at the receiving end of the reform process and emerge out of a political consensus built up within the political mainstream of the country, such reforms, however worthy they may be, may prove difficult to implement or if implemented may not be sustainable.”

Professor Sobhan felt that the evaluation of the reform process needed to originate in a consultative process involving the victims/beneficiaries of the reform process rather than out of self-serving exercises initiated by the progenitors of these reforms. “Such a consultative process will serve the valuable political purpose of helping the policymakers to fine tune the reform process or even redirect it in line with the concerns of its citizens. Such a practise is not only sound politics within a democratic system but represents an important aspect of the good governance needed to ensure effective implementation of the reforms,” added Sobhan. According to him such system of evaluation is methodologically thorough as he pointed out that “the impact of reforms is not just a matter of inductive logic and crunching numbers but needs to explore the complexity of human motives and concerns.”

Providing guideline to the SAPRI exercise, he said that the SAPRI exercise was not just an academic exercise but was designed to influence the policy agendas of Bangladesh and other countries of the developing world. He felt that the SAPRI’s success would be determined by its ability to pioneer creative research methods through genuine participatory processes and its eventual capacity to make unchallengeable diagnoses of the cost, benefits and eventual outcomes of the reform process. “Such an exercise must be sufficiently robust in its conclusions to persuade our policymakers, where appropriate, to reinforce or redirect our reform efforts in a direction consistent with the felt needs of the people of Bangladesh,” he added.

He said that the civil society were to be made aware of what reforms in Bangladesh are all about as majority of the stakeholders were not consulted while designing the reforms, but the reforms have impacted on them. The reform impacted inter alia on farmers through their impact on input subsidies, on workers through their impact on privatisation of state enterprises, on consumers through their impact on prices, on users of public utility and social sector services through pricing and allocative decisions. According to Prof Sobhan, the SAPRI exercise needs to contribute to a process whereby citizens recognise their own responsibility in holding the government accountable for the design and consequence of these reforms. "The GOB should thereby be persuaded that their accountability for the outcome of these reforms lies not just to their development partners but even more so with those who elected them to public office in the expectation that the government would improve their conditions of life," he added.

Prof Sobhan warned that the institutional credibility of the World Bank as well as that of its reform-minded President would be compromised, "if the Bank were to ignore those conclusions originating from SAPRI which challenge their conventional wisdom, by treating this as an essentially academic exercise and continue with business as usual."

According to Prof. Sobhan the civil society remain the final custodian for ensuring that the outcomes from the SAPRI exercise are given full attention by the government, parliament and citizens of Bangladesh and through their global network hold the World Bank accountable for their commitment to the SAPRI process. He opined that the SAPRI's intended purpose could not be served by mere completing the study, "but must remain an ongoing process of assertion by civil society of their right to be informed and involved in the policymaking process. If we do our job right then SAPRI should constitute a turning point not just for Bangladesh but in the global policy discourse on economic reforms."

Emphasising on the role of institutions, governance and politics, the Convenor of Technical Committee, Professor Wahiduddin Mahmud said the 'one-size-fits-all' approach to policy reforms is unlikely to work, particularly when a country has already past the initial phases of reforms. Prof Mahmud defined reform as a process of learning-by-doing, where looking at the actual reform outcomes are at least as important for policy makers as understanding the *ex ante* rationale for reforms. Prof Mahmud linked the timing of the SAPRI process with the recent rethinking on the orthodox neo-liberal ideas of structural adjustment. He said that there was a "growing realisation that there often exists a wide gap

between policy ideas and actual practice, that the quality of institutions and governance does matter, that the ownership of reforms is important, and that the sustainability of reforms requires forming effective political coalitions.”

Terming the SAPRI as a two-way process, he said that policy analysts could have more insights into the ground-level realities, while the stakeholders and people at large could be better informed about the logic and rationale of reforms through the SAPRI process. He felt that such an approach could better connect research with practice, theory with experience, analytical objectivity with popular perceptions and aspirations.

Dwelling on the research methods to be followed in the SAPRI, he noted that a participatory approach to reviewing structural adjustment is not a substitute for solid hard economic research on the subject. One needs to be aware of the many pitfalls in drawing conclusions about policy reforms from opinion surveys or from consultations with interest groups. Economic policy reforms and their outcomes often involve inherently complex and inter-linked processes; and uninformed discussions on these often give rise to many popular economic fallacies. In fact, one of the SAPRI's goals should be to identify and dispel these popular fallacies, while at the same time benefiting from the popular wisdom that exists. According to Prof Mahmud, the outcomes of reforms can be ideally assessed only by looking at the counterfactual, which is not easy because of many extraneous factors working simultaneously with the reforms. The logic of the counterfactual itself is not always commonly understood, so that it is often difficult to perceive that certain outcomes may have happened *in spite of*, and not *because of*, certain policies. Well-organised but narrow interest groups may strongly oppose certain policy reforms, the potential beneficiaries of which are either non-existent or too numerous to be able to perceive or articulate their case. Many policies for common good, such as those for higher tax mobilisation, may be unpopular because of the so-called 'isolation paradox' influencing individual preferences. An initiative like the SAPRI should in fact aim at promoting the kind of public awareness that acts as a deterrent to the government's taking a 'populist' stance in policy reforms.

Prof Mahmud, however, said that conventional approach to studying the implementation and impacts of reforms may ignore some ground-level realities as well as miss many 'human' aspects of reforms. “For example, it is one thing to look at the statistical evidence of the *net* increase in employment due to the restructuring of industrial incentives,

and it is another thing to follow the livelihood patterns of those labourers who are actually displaced by such restructuring,” he said. According to him the strength of SAPRI is that it should be able to bring to light many such issues that may be important to people’s lives but remain neglected in the evaluation of reforms.

Terming offering of policy advice to a government as a “tricky” business, the outgoing Country Director of the World Bank, Pierre Landell-Mills said that it is doubly hazardous when the advice is part of a programme of substantial financial assistance. “As it is always possible for those assisted to believe in retrospect that they were 'forced' by necessity to accept the advice in order to have access to the resources they so badly needed. This hazard is all the greater because it is very difficult to know with certainty what the outcome might otherwise have been if the reforms were not pursued,” he added. The reforms were sometimes painful and politically costly since economic reforms have generally been undertaken when countries were already experiencing economic crisis, the World Bank official acknowledged. He also conceded that governments had tended to be poor at consultation and the Bank too in the past did not engage in broad-based consultation, and “it is only in recent years that we have made a lot of progress in this area.” “Consequently, policy making in the context of structural adjustment has generally taken place in an atmosphere of much distrust. These problems are made all the more troubling by the complexity of the issues, a weak understanding of the processes at work, and the likelihood that actions taken will be politically contested.” Therefore, he felt that reviewing together candidly what has happened, and trying collectively to understand the causes and learn from these experiences should be a healthy and instructive process.

Emphasising on the greater inclusiveness in the process, he said that the participation of relevant line Ministries and Government agencies which were involved in the design and implementation of the policies and programs will be particularly critical to the success of the exercise. He also underscored the participation of relevant groups such as consumers. He reiterated the Bank’s commitment to this exercise, a commitment clearly made by Mr. Wolfensohn in his meeting with the SAPRI members on a boat near Dhaka last October. Of particular interest will be the views of the “silent public” -- the poor and the disadvantaged groups whose voices are not often heard in the policy process.

He informed that stakeholder participation and consultation have become increasingly part of the design of government projects the Bank have been supporting. In this connection, he mentioned about recent projects such as the Fifth Health and Population Project, the Arsenic Mitigation Project and the Rural Roads and Market Improvement project

He concluded saying that SAPRI exercise is essentially a forward looking exercise, although it will be analysing the past. “A measure of its success will be how well it can assist us all in the future in designing and implementing effective policies and programs which contribute to Bangladesh’s faster growth and poverty reduction.” he concluded.

Mr Kamal Malhotra, Regional Coordinator and Member, Global Steering Committee said, “The National Forum is most about----not primarily about once again listening to the government, World Bank technocrats or even civil society experts but about listening for once to representatives of farmers, labour, women and other ordinary people who have had to bear the brunt of SAPs and be SAPed by such policies over the last 15 years, as in the case of Bangladesh, without being able to share their views, concerns, fears and aspirations with key policy makers.”

Mr Malhotra stressed the need for the World Bank, IMF and the government of Bangladesh to institutionalise a national tripartite mechanism such as National Forum. “I believe that this is a reasonable expectation for a maturing democracy such as Bangladesh and I hope that the Government of Bangladesh and World Bank----and, dare I say it, the IMF---- will agree to institutionalize this mechanism for continuing dialogue on economic policy reform issues well into the future,” said Mr Malhotra.

According to him, the ultimate success of this exercise will be judged by how it improves the material well-being and overall quality of life of Bangladesh’s poor, voiceless majority population.

Terming the first national forum of SAPRI as result of long process, Dr Qazi Faruque Ahmed provided the background to the SAPRI’s genesis in Bangladesh. He also spoke of the importance and its relevance for the country’s long-term democratisation process. He said that the NGOs and the civil society of the developing countries were concerned about the SAPs. The SAPs had left an adverse impact on the general people, particularly on the women and the disadvantaged of the society. According to him, the reform should aimed at the improvement of the people and it should bear no conditionalities. He also said that the

government contracted to the SAP only to receive money, without assessing the impacts that it would leave on the people of the country.

He said that the research should capture the unheard voices of the toiling masses, who are generally being left out from the decision making, rather than concentrating on the opinions of the economists and the policy makers.

Linking the SAPRI process with the improvement of the parliamentary democracy, he said that there were two sides of democracy – one being the representation and the other concentrates on the participation. According to him, the SAPRI process is pursuing a framework of participatory democracy, which is also reflecting the representativeness of the dempcracy. Thus, he hoped that the process would lead to the strengthening of the parliamentary democracy.

## **THE FIRST PLENARY: SAP, SAPRI AND BANGLADESH**

### ***The format***

For setting the context of the National Forum, the first plenary was aimed at providing the background to basics of SAPs, supporting policies, and the macroeconomic and sectoral objectives of those policies. The plenary was intended to present the participants with the global and national context in which developing countries like Bangladesh contracted to the World Bank and IMF for soft but highly conditional loans. The format was crafted in fashion so that the participants were informed of the SAP package and the background that led to the SAPRI exercise. It was also intended that the participants would be informed of the scope, objectives, national and global structure, and the process of implementation of SAPRI. The tripartite nature of the exercise was kept in mind while selecting the presentations on the issues.

Accordingly, the session was chaired by the Convenor of the Technical Committee and a former advisor of the caretaker government incharge of the Ministry of Finance, Prof Wahiduddin Mahmud. The chief guest was Mr Saifur Rahman, a Member of Parliament and former Finance Minister of the Government of Bangladesh for two terms during the SAP period. The World Bank was represented by Dr Lyn Squire, Director, Development Policy while Mr Kamal Malhotra, member of the global SAPRI Technical Committee spoke on behalf of the global network of civil society organisations. Mr Giash Uddin Pathan, Director General, NGO Affairs Bureau, Prime Minister's Office, Government of Bangladesh also spoke. Dr Debapriya Bhattacharya, Study Director, Bangladesh SAPRI presented the key note on the SAP, SAPRI and Bangladesh.

### ***Discussion***

In his speech as chief guest of the first plenary, Mr Saifur Rahman, a two-term Finance Minister and Member of Parliament started by raising fundamental questions such as: why do the World bank and IMF exist? What is the need for them? What is their relevance? What is the World Bank's right to become a knowledge based institution when its advice and that of IMF in the current Asian crisis has been so horribly misguided and damaging?

He said that many of the reform programmes had been aborted in mid-course because of a lack of ownership as according to him those policies had largely been conceived in Washington DC. Terming the Fund-Bank prepared Policy Framework Papers (PFPs) as “most mischievous papers”, he said that these documents containing the list of reform plans were entirely prepared by the twins, adding that the government was rest with the role of signing the papers and pledging for implementation. As a result, a number of reform programmes, initiated under the SAP, was halted in the middle, he added.

The former finance minister said that reforms must be consistent with the political, social, economic and other factors of the country and their implementation must involve stakeholders concerned. He, however, said the types of reforms donors prescribed were not suited to the socio-economic milieu of the developing countries. Harvard trained economists were not familiar with the environment in which these policies have to work and therefore, not surprisingly, they do not work, quipped Mr. Rahman. He referred to recent designing policies in the financial sector and said that those were being crafted following Swiss model, ignoring the ground reality of Bangladesh.

The former finance minister, nevertheless, agreed that launching of the SAPs led to implementation of some of the reforms required for the country. “We may criticise the World Bank and the IMF, but there is no denying that we need reforms to reduce wastages of national resources,” he said.

He criticised the premise of the reform and found fundamental flaw on the belief that market would deliver. “In Bangladesh, the market is weak and ignorant, unintelligent and uninformed. .. We did not get the magic of the market .. The market economy is not delivering the expected services.” In this connection, the former finance minister mentioned that Europeans were now shifting their policies from market-orientation to a socialist one.

According to Mr Rahman, the market economy could not also address the pressing need for poverty alleviation, education, environment and empowerment of the women and suggested that interventionist policy could only improve the situation. Government’s direction through a pro-poor, pro-employment and pro-equity strategy was crucial, as he opined that market based development was likely to be unequal development. He also stressed on the importance of the quality of governance.

He ended his stinging critique of the international financial institutions and the current paradigm by saying that the “free unbridled market was running the Asian economy, capitalism has not delivered and Reganomics is a large part of the content of SAPs and this is not relevant for Bangladesh.” Finally, he asked “is the market capable of reducing poverty and increasing employment?” According to him, the IMF bailouts in Asia were really a bail out of the Western banks.

Dr. Lyn Squire, Director, Development Policy of the World Bank, focussed on three questions, which according to him, have come up without exception in many meetings on SAPRI around the world, that he had participated in. The questions: Why has the World Bank embarked on this exercise? What steps is the World Bank taking to support SAPRI? What does the World Bank see as the outcomes of the exercise?

Responding to the first question, he said that the emphasis of SAPRI was very much on the word “joint” -- this is meant to be a collaborative exercise, a partnership, involving civil society, the government, and the World Bank. Dr Squire said that in addition to being collaborative, the other key characteristic was that it had to be forward looking. It will not be sufficient to criticize past policies; the review also has to make constructive suggestions on what can be done in the future, he added referring to the background that led to SAPRI.

He informed that the World Bank had already recognised the importance of participation in many aspects of its activities. He mentioned two pieces of cross-country evidence, one at the project level and one at the policy level. He cited of the Bank conducted study of 121 rural water supply projects in 49 countries. The Bank found that when the intended beneficiaries were involved in the design and implementation of the project, 7 out of 10 projects were successful. But when they were not involved, only 1 in 10 was successful. On policy front he mentioned of a study of 81 adjustment operations that explored the issue of local ownership of such programs. It used an index of ownership, which included the extent to which the government had conducted a public campaign to help in designing the program. The study showed that in the 16 cases where borrower ownership was rated very high, 15 of the programs were successful. But in the 17 cases where borrower ownership was rated very low, only 3 of the programs were successful.

“So we know that ownership is vital for successful policy implementation. The key question then is: how does one ensure local ownership? We hope SAPRI will shed light on this question,” he added.

According to him, the second reason for the Bank joining the SAPRI is that “a joint exercise would be able to bring a variety of techniques to bear on the same issue, and in that way hopefully learn from each other and reach agreement on the facts” as there exists impasse due to contradictory findings, reached by the Bank and NGOs. He said “if we can do that, then we will be well placed to pursue the second objective and search jointly for policies that can help us do a better job in the future in improving the lives of people everywhere.”

In answering the second question, he apprised that the Bank shifted responsibility for implementation of the exercise from Washington to its regional field offices and moved budgetary resources from headquarters to the field offices. He also urged the Washington NGO secretariat to also move in this direction if they have not already done so.

Replying to his third question, the Bank official said “SAPRI will be a success if in reviewing past policy we identify mechanisms that allow civil society to contribute to the formation of future policy.” According to him the second yard-stick for the success of the SAPRI would be determined by how much the Bank were being able to learn about the impact of particular policies and, more importantly, how they can be improved so that positive outcomes can be made even better and negative ones can be turned around.

He ended his remarks by quoting parts of speech the Bank’s President, Mr. James Wolfensohn, delivered to the Annual Meeting of the Bank and Fund on October 6, 1998. Mr. Wolfensohn said: “Ownership matters. Countries must be in the driving seat, and the people must be consulted and involved. Participation matters -- not only as a means of improving development effectiveness as we know from our recent studies, but as the key to long-term sustainability. We must never stop reminding ourselves that it is up to the government and its people to decide what their priorities should be. We must never stop reminding ourselves that we cannot and should not impose development by fiat from above.”

Mr. Kamal Malhotra, Regional Coordinator and member of the Global Steering committee spoke on the challenges and tensions that the Global Civil Society Steering Committee (GCSC) encountered in more than two years since SAPRI kicked off in 1996.

“SAPRI is about critical engagement with the Bank on some of the most central and fundamental societal issues; it is certainly not cooptation of civil society by the Bank,” said Mr Malhotra. According to him, SAPRI was never viewed or anticipated by the main civil society organisations involved as either “easy, smooth or tension free and it was always seen as a difficult process, full of tough issues to deal with.”

Mr. Malhotra then elaborated on 10 major tension-ridden issues that had been obstacles, according to him, on the road that the GCSSC travelled over the last two years with the Bank and the governments. Those were: government participation or refusal to do so, the El Salvador government’s unilateral withdrawal from SAPRI, the lack of a large “emerging market” country in the exercise, the effective non-participation of the IMF, the relatively narrow base of participation from both governments and the Bank, negotiations over both information disclosure policy and media strategy, reaching agreement on key methodological issues and differences over the relative importance of the national, regional and global levels during different phases of the exercise.

In conclusion, Mr Malhotra stressed that these trials and tribulations of the last two plus years made the SAPRI exercise a richer one than it would otherwise have been. “The fact that the whole process has been one of critical engagement rather than cooptation has also, so far, made it a much more meaningful one for the poor and vulnerable people whose interests it is intended to serve,” he ended.

Mr. Giashuddin Patahan, director general of NGO Affairs Bureau reiterated government’s commitment to SAPRI. He said that the government’s interest in SAPRI is guided by its concern about the welfare of the people. He said that the government’s stated policy is that the reform measures must enjoy the support of the people for whom these are intended.

Mr Pathan said that the government felt that learning about the impact of the past reform policies could be an important input in making the current policies more effective towards the government’s overriding economic objective, i.e. poverty alleviation.

Dr Debapriya Bhattacharya, Study Director, Bangladesh SAPRI, began his key note presentation of the first plenary, designed to set the tone of the National Forum and apprised the main issues of SAPs, by providing a brief global and national contextual background in which the developing countries contracted to the World Bank and the IMF. He informed that the emphasis of the ‘new’ policy line was on restoring economic equilibrium through liberalisation of markets, reduction of state intervention in the economy, privatisation of the broad ranges of enterprises and reduction of government expenditure, including cuts in subsidies on consumer goods and in social services. Then, Dr Bhattacharya presented the major features of the adjustment measures.

In focussing the “why, when and what,” Dr Bhattacharya provided a thorough history of SAPs in Bangladesh, its outcomes and assessments made by the Bank, Fund and independent institutions. While giving genesis of the policy based lending, he informed that the experience of policy reform as part of aid conditionalities is not new in Bangladesh. He mentioned that all but the initial import programme credits, totalling 13 during 1972-1986 period, contained conditionalities, addressing sectoral, macroeconomic and institutional reforms.

On the introduction of the SAF and ESAF, Dr Bhattacharya said that Bangladesh was one of the first 35 countries that contracted to Structural Adjustment Facility (SAF), set up by the IMF in March 1986. The further three-year programme – Enhanced Structural Adjustment Facility (ESAF) – became effective on July 1, 1990. Again, Bangladesh was among the first 29 countries that resorted to ESAF, he added.

Referring to the policy documents, Dr Bhattacharya said those were kept in strict secrecy and only finance minister and a few officials of the central bank and the ministry knew about the contents of the papers. Questioning the logic for such secrecy, he said that this led to disowning of the policies by people and the civil society, resulting in opposition to their implementation, whatever may be the merit of the policies.

Sharing the Bank and Fund’s own assessment with the forum participants, Dr Bhattacharya revealed that Bangladesh’s loan disbursement ratio was 11 per cent throughout the eighties, less than the Bank’s global average of 18.8 per cent. Of the 63 projects during 1980-96 evaluated by the Bank’s OED, 24 projects or 38 per cent were rated as “unsatisfactory” compared to a Bank-wide OED rating of 33 per cent. The World Bank’s

projects in Bangladesh are being represented at 40 per cent lower efficiency than the global average. While assessing the relevance of the Country Assistance Strategy (CAS), the Bank put marginally satisfactory ratings to the appropriateness of the policy instruments proposed. He also said that the bank's own evaluation said that the bank had failed to cast back the failures and success of the past experience, though evolving CASs had reflected growing appreciation of issues such as political economy and governance. He, however, mentioned that political economy and governance issues were less appreciated during the first half of the eighties, the sensitivity to these issues now topped the list.

In terms of development outcomes, economic growth had not been spectacular, There had been a huge reduction in agriculture's share of GDP and disappointing trends were witnessed in manufacturing. The increase in exports was primarily due to readymade garments industry.

Dr Bhattacharya also cited independent assessments of SAPs and their findings. The study conducted for UNDP had said that SAPs should go beyond textbook designs, raised concern about the across the board privatisation associated with SAP and the excessive emphasis on demand management policies to the detriment of human development. The CIRDAP study noted an adverse distributional impact while CPD studies documented increase in income inequality, decline agricultural growth rate and deterioration of governance.

Dr Bhattacharya then briefed about the main points of the three regional meetings and five focus group discussions. He also informed that skepticism had been expressed about the Bank's commitment to SAPRI. He, then, presented the three key hypotheses, suggested by the participants:

- Has the industrial capacity and employment experienced a growth following introduction of SAP? What has its impact been on small producers and workers?
- Has the profitability of the crop sector increased subsequent to the reform measures implemented under SAP? What has their implications been for small/marginal farmers and landless labourers?
- Has the users' cost of quality education and health care services reduced due to changes brought about by the SAP? What has their consequences been for the vulnerable groups?

Dr. Bhattacharya ended his presentation indicating two ‘fatal failures.’ These were: lack of indigenous ownership of the reform agenda and undercutting development prospect of the country.

### ***Floor Discussion***

#### *Employment*

The participants opined that the rate of increase of employable population did not match with the rate of employment. They were critical about the policies pursued at the dictates of the Bank-Fund. They were of the opinion that the current policy regime had failed to create employment needed to sustain the economy. They also alleged that the policies were not aimed at creating employment rather increasing unemployment.

#### *Participation in the policy design*

Some participants, including women asked why the poor had never been consulted in designing policies by the World Bank, despite the fact that they constitute the majority of the population. They said that policies are charted in the name of the poor, but hardly they were being consulted. Questioning the commitment of the poverty alleviation, the participants argued that were the Bank really interested about effective poverty alleviation strategy, they would have been consulted.

#### *Trends in Poverty*

Some participants contented about the Bank’s statistics on the reduction of the poverty levels. They expressed their skepticism about the methods applied to show the downward trend of the poverty. They went on to argue should there any fall in poverty level, it is not the resultant of the Bank sponsored SAPs. They said that the gap between the rich and the rich were ascending. They also asserted that the landlessness was increasing.

#### *Moratorium of the Reform*

The workers representatives demanded that all Bank programme should be till SAPRI results are available. He reasoned for his claim saying that the regional and focus group

discussed had shown that SAPs were not contributing to either poverty reduction or the improvement of the situation of women.

#### *Involvement of the IMF*

The participants vigorously felt that IMF was needed to be involved as a party to the SAPRI process as they felt that it was IMF, who charted the fundamental policies governing SAPs. They were of the opinion that IMF participation, should it agreed, would have made the exercise meaningful. They also urged that the global steering committee should find ways of incorporating regional development banks like Asian Development Bank into SAPRI fold. According to the participants, the involvement of such powerful institutions is a necessary condition for the success of exercise like SAPRI.

#### *Industry, Privatisation and Labour Interest*

On the first opportunity, the labour representative lambasted on the World Bank for crafting policies, aimed at ‘destroying the industrial base of the country’ and the government for its towing policies. They said that the government was blindly implementing policies in the industrial sector, without going into merit of the policies and implementability of the policies keeping up with the Bangladesh’s contextual backdrop, resulting in downsizing of industrial capacity and employment.

Reacting sharply on the privatisation and the process of its implementation by the government, the workers said that the whole process had been designed, without taking into consideration the consequences for workers, many of whom had not been paid gratuity, and other benefits by the new owners of the privatised mills. They asserted that the owners purchased at give away prices, and that even by the banks’ money. Later, they defaulted on their loans and closed the mills, reducing overall production and causing significant job losses.

#### *Response*

The World Bank contested the statement on the poverty and a Dhaka staff of World Bank insisted that poverty had declined and GDP growth had been over five per cent per annum, but employment growth had been little, attributing this to increases in educated

manpower in the country. The Bank staffs, however, agreed that income inequality had increased and industrial employment had shrunk.

Responding to the privatisation of textile mills, the Bank representative informed that it was engaged with the sector in the eighties and took two projects, aimed at rehabilitation of the sector not carrying privatisation. He said that Asian Development Bank was involved in the privatisation of textiles mills. The Bank official further contended that the Bank was involved in the jute sector and the workers took voluntary separation and they were not retrenched.

Responding to another allegation related to winding up of the branches of nationalised commercial banks, a Bank official informed that World Bank had never asked to increase the nor it prescribed to close down. He said that the Bank recommended of conducting study in order to rationalise operations of NCBs.

Lyn Squire, senior official of the Bank present at the plenary said that the SAPRI should concentrate issues, which were directly related to SAP. In this connection, he cited the example of a participant discussing on the fisheries project that according to him did not fall within the purview of the SAP, though Bank financed the project.

## **FIRST SYNDICATE: IMPLICATIONS OF TRADE AND INDUSTRIAL POLICY REFORM**

### ***The Format***

The first of the three issue syndicates began, following a robust and appropriate precursor, laid by the first plenary, in the afternoon of October 21, 1998. The chief guest for the syndicate was Mr. M K Anwar, Member of Parliament and former Minister of Commerce, Government of Bangladesh. The session was chaired by Mr Nazrul Islam Khan, General secretary of the Bangladesh Jatiyatabadi Sramik Dal, a federation of the labourers and an affiliate of the main opposition party, BNP. The session was co-chaired by Ms Maleka Khan, Vice President, National Association of Small and Cottage Industries in Bangladesh (NASCIB).

### ***Discussion***

The session started with Dr Debpriya Bhattacharya informing the participants of the results of the prior RCMs and FGDs in this area. These are extensively covered in the document “**In Search of Unheard Voices,**” which had been distributed to the participants.

The discussion in the syndicate went on for almost three hours. The discussion centred on the privatisation and the process that has been followed in Bangladesh. They were critical about the Bank avowed policy and argued that the privatisation was not the solution as expounded by the BWIs. They questioned the fundamental position of the World Bank. The participants argued that the bandwagon pursuance of the market economy at the dictate of the Bank, coupled with withdrawal of state against the backdrop of conspicuous absence of solid entrepreneurial class, had been virtually leading the country towards de-industrialisation, in favour of making the a market of other countries.

Dr Bhattacharya informed that he participants, particularly entrepreneurs and workers, in all the RCMs and FGDs underscored the need for developing a sound industrial base in Bangladesh in order to meet domestic demands and create employment. They were in favour of articulating a home-grown industrial strategy, capable of guiding a process of industrialisation tuned to achieving strategic self-reliance. He also informed that the

participants of miniforum criticised the process, pacing and sequencing of liberalisation of trade regime in Bangladesh and imposition of it without adequate consultations with the stakeholders. The participants noted adverse impact of such policies on the competitiveness of indigenous products, Dr Bhattacharya added.

Speaking as the chief guest, former commerce minister M K Anwar MP said that hurried trade liberalisation without giving adequate protection to the local industry could ruin them and that had happened in Bangladesh. As trade liberalisation would demand withdrawal of quota, quantitative restrictions and import licenses, Anwar said its viability, pace, timer relevance and dose must be thoroughly examined with the view of expanding industrial capacity, not destroying of such.

On the issue of privatisation, he said before embarking upon rapid privatisation, it was essential to evaluate whether the prospective private entrepreneurs could successfully run the organisation or not. He also opposed the notion of handing over the profitable SOEs to the private sector.

The former minister stressed that the ownership had to be decided upon prior to initiating major reforms. He also stressed the need for political consensus, integration of the civil society and the rule of law as some of the main preconditions for making the structural reform successful.

#### *Privatisation is not the only solution*

Refuting the privatisation centred policies of the BWIs, the participants said that the thrust of the policy should not be on change of ownership, rather be designed on the basis of operational efficiency, dynamism of the entrepreneurs and prospects of employment creation. The workers cited comparative performance statistics to establish their argument. They referred to recent pilot exercise conducted by the Dhaka Water and Sewerage Authority (WASA) and the Power Development Board (PDB), the workers claimed that the performance balance sheet rejects the Bank's perception of relating efficiency to private ownership. They revealed that the system loss was brought down to 36 percent by the WASA employee-managed project, while the loss went further upto 54 per cent from the average pre-contract out system loss of 51 per cent in the private sector managed zone. The loss came down to 49 per cent in the Dhaka WASA managed two zones.

### *Decrease in Industrial Capacity due to Privatisation and Waste of Loan*

Participants said that privatisation of the jute sector had led to a decline in gross production by 50 per cent and a waste of the Bank loan. It was informed that the government, heeding the Bank's prescription, shut down 18 mills, laid off 20, 000 workers and financed the losses. The workers asserted that even if half of that amount was spent to modernise this sector, by now, the country could have had a sound technical infrastructure to boost the production of the ailing sector.

### *Privatisation or Destruction of Industrial Base*

According to the participants, were the World Bank interested of industrialisation, the Bank would have diagnosed the real problems and undertaken strategic planning based on a vision, instead of imposing the 'just privatise' policy on the government. Should the Bank were serious about Bangladesh's industrialisation, the Bank would have opted for a high-powered Board or Commission for industrialisation rather forcing the government to set up the Privatisation Board, they added. According to the participants, the vision of industrialisation should be to increase employment, not to make people redundant, but the latter is being practised in Bangladesh at the instance of the Bank.

### *Sharing the burden*

The participants were of the opinion that the responsibility for a failed initiative to be shared by the Bank and the Bank. The participants asked why the Bank had withdrawan its US 250 million dollar loan commitment to the jute sector? "What was its accountability and responsibility when its advice was wrong and its project failed? Who would bear the blame or share the burden in this instance?" asked participants.

### *Characteristics of Entrepreneurial Class*

The entrepreneurial class in Bangladesh was considered by the participants to be one of mercantile nature. Some of the participants named the buyers of the privatised entity as anti-people, overnight wanting to appropriate riches. They went on to show specific examples of how the buyers or present day industrialist had employed corrupt means in

accumulating their wealth. The participants questioned their motive: how could one expect dedication towards industrialisation from them, given their wealth accumulation process.

### *Selective Disclosure of Information*

The workers opined that the World Bank burdened public with ‘false’ information, often even fabricated, to malign the workers’ image, such as Bank-sponsored advertisement by the Privatisation Board. According to the workers, the World Bank orchestrated portrait of the workers as the villains of Bangladesh’s industrialisation is one-sided as the Bank had never provided the public with information about the strides made by workers in the utilities and other industries.

### *SOEs Loss, Services and Workers’ Responsibility*

The workers vehemently opposed the notion that the labourers or their so-called militancy were responsible for the losses of the state-owned-enterprises (SOEs). Denying the argument, the participants said that it was them who put forward several proposals to the government for making the losses reversed. Among many examples, the workers’ leaders informed that they entered into an agreement with the government at the risk of losing their constituency that ten best performing jute mills would be selected, five each from the public and private sectors. The government is to only finance the difference between the average cost of production of these ten mills and the world market price. But, to their surprise, the government has been financing at actuarial, which had lead to accumulation of debt to mountainous proportion, on the one hand and gave the management to be as inefficient one could be, on the other.

*The Management Failure:* The workers attributed the failure in country’s industrialisation and physical infrastructure to the inefficiency of the management and increase in superstructure-leaden bureaucracy. They blamed the Bank’s one-eyed policy under which they were suggesting only retrenchment of workers, while turning a blind eye to the increase in top heavy administration. The workers found the Bank’s policy in favour of decentralisation as an eye-washer. Giving example of railways and NCBs, the workers

informed how the top echelons were increased manyfold, while the main workforce had been trimmed.

#### *Unfavourable tax structure for local produces*

The participants in the FGD criticised the tax administration and pointed out examples how it discriminated against the raw materials and capital goods against the import of finished goods. They also placed high reservation about the process of collection of value added tax (VAT).

#### *Redesign of the Reforms*

The workers were of the opinion of redesigning of the reform process, in which a strategic vision with its locus on increasing industrialisation would be the guiding principal. The participants added that the very essence of the reform would be to make the sectors dynamic, employ more labourers, but just not to privatise. The participants observed the reforms needs to be carried in association with every stakeholders. One of the major reasons of the failure of the current reform process is, according to them, the failure to incorporate labourers in the decision making process. They felt that every reform process must take labourers on board and give labourer equal partnership.

#### *The World Bank's Response*

The Bank officials responded on JSAC question saying that its jute sector adjustment credit was approved in 1994 and had components including privatisation, debt restructuring, closure of industry and labour training. According to the Bank official the government was supposed to complete the entire programme by two years and later it was extended for another six months. The Bank official said that when the conditions could not be met by time, the Bank had no alternative but to pull out of it. He, furthermore, informed that the Bank had requested the government to submit a revised programme to it on which it can act. But, till today, the ministry had not given any proposal, he added.

Being pressed by the participants to respond on the question of sharing of responsibility in case of failed project, Lyn Squire said the Bank is always willing to work

for the revitalisation of the project which have not gone well. But, according to him, the Bank's Board of directors are more eligible to comment and act upon such issues.

## **SECOND SYNDICATE: IMPACT OF AGRICULTURAL REFORM**

### ***The Format***

The syndicate, held in the late afternoon of October 21, 1998 was chaired by Advocate Rahmat Ali, Member of Parliament and former President of Bangladesh Krishak League, a farmers' organisation affiliated to the ruling Bangladesh Awami League and co-chaired by Mr. Saiful Haq, General Secretary of Bangladesh Khetmajur Union, a left-leaning agricultural workers' union. Begum Matia Chowdhury, Member of Parliament and Minister of Food and Agriculture attended the syndicate as chief guest.

According to the format, the session started with Dr Debpriya Bhattacharya, informing of the results of the prior RCMs and FGDs in this area. This are extremely covered in the document "**In Search of Unheard Voices,**" which had been distributed to the participants.

Dr. Bhattacharya informed that the participants had suggested for rigorous enquiry to ascertain why the profitability of the crop sector had recorded a decline. He briefed about comments made on by the participants of RCMs and FGDs on issues such as input-output price parity, withdrawal of subsidy from agricultural inputs, privatisation of input delivery system, reeduction of public procurement, quality standards of fertiliser, seed and pesticide, use of chemical fertiliser and land fertility, crop diversification, and change in land ownership pattern and tenancy reforms.

### ***Discussion***

Begum Matiya Chowdhury, began her speech stating that she was aware of all of the issues that had came out in the consultations.

Centring her theme on adjustment with human face, Food and Agriculture Minister said that a government accountable to the people could not accept prescription in any form which in the process of implementation turned out to be monster. She said that many of the SAP conditions had been agreed previously. According to her there was scope of bargaining with the Bank, but enough bargain was not attempted and Bangladesh had conceded to conditions, unsuited to Bangladesh. She felt that had led to suffering of the agriculture as a whole. In this context she said that the responsibility of delivery of inputs by the BADC was

take out as part of the reform measures. As a result the market was flooded with adulterated SSP to the detriment of the farmers, land and agriculture.

She went on to illustrate how the privatisation of fertiliser had placed the government in the dilemma of having to choose between protecting farmers and business after angry farmers had tried to attack fertiliser dealers for their oligopolistic behaviours.

She found some reforms being proposed or implemented from the business point of view. She mentioned of SSP and said that her government had decided not to import fertiliser such as SSP again despite pressure from the business lobbies. She felt that reform should be supportive of the growth in crop production and betterment of agriculture, not to the reversal of it.

Stressing a strong and effective role of the government, especially because of the majority farmers in Bangladesh being owners of small holdings and their weak financial condition, the Minister said that government was required to act as there was none to protect the small, marginal and even medium scale farmers. In this context, she said a large number of shallow pumps were installed in the private sector, but not a single deep tubewell was sunk in the private sector. After the flood, the government repaired the deep tubewells to ensure supply of water to the small and marginal farmers.

The minister said that agriculture had suffered since SAPs were introduced in Bangladesh and so the government had decided to provide subsidies which the Bank does not agree. “What is the use of government, if it does not come forward to help in times of crisis?” she asked. Criticising the donors she said subsidies to the agriculture in their own countries have been continuing, but they were prescribing withdrawal of subsidy in the loan recipient country like Bangladesh. “Why do they shout when we give subsidies to ours?” She argued that if the transnational corporation could fix their price and distribution agents, what went wrong, if the government did that for fertiliser prices and distribution.

### *Floor Discussion*

The minister received ovation from the participants. The participants opined that they had nothing to add after the fiery but substantive speech delivered by the Agricultural Minister. While seconding to the minister the participants voiced for retaining subsidy in the

agriculture sector and necessary intervention from the government to save them who are making wealth out of their sufferings.

A woman started the discussion saying that the policy making is confined within the powerful, not between powerful and the powerless. According her, the Bank's policies are formulated by powerful elites, who hardly had connection with the grassroots. Then she went on to argue that even if the policies are framed in the name of poor, that did not get implemented. In this context she mentioned about the sharecropping policy. She said that the share croppers were gradually going to the drain, because of nonimplementation of policies related to the benefits.

Another discussant pointed that the marginal farmers were being rendered landless because of the policies pursued under SAPs. He suggested that *gram parishad* be vested with the power of designing the plan and implementation of it for the improvement of the village economy.

Another participant informed about the imbalance in input output price parity of the agriculture produce and how the reform measures were ruining the agriculture sector.

Voicing for a strong role of the government in agriculture sector some participants argued that the government should provide low priced agricultural loan, purchase produces in the season in order to ensure fair prices to the farmer and increase activities of agricultural extension services. They said that government should provide adequate knowledge about the quality of seed and other inputs and encourage farmers to use modern varieties without harming the environment. They also urged that technology to be transferred through farmers' co-operative.

Some participants opined of reforming the agriculture market, with a view to increasing the access by the farmers in terms of selling the produce and buying the inputs. They suggested that effort were needed to salvage the agricultural market from the grasp of the middlemen.

The lack of ownership of the reform again appeared in the syndicate and the World Bank was asked to apply structural adjustment to itself, internally.

Dr. Binayak Sen, Senior Fellow of BIDS, disputed about the polarisation and increase in polarisation. He also contended about decline in agricultural workers' wage rate. He

accused the forum of having ‘strong voices of the vested groups.’ he said that there needed to be a balance between market reform and redistribution and according to him a false dichotomy was shown between economic growth and distribution.

## **SECOND PLENARY: WRAP-UP**

### ***The Format***

Dr. Muhiuddin Khan Alamgir, State Minister for Planning, Government of Bangladesh was the chief guest while Prof. Rehman Sobhan chaired the second plenary. Ms. Zakia Akhtar Chowdhury, Secretary to the Prime Minister, Mr. Tony Avirgan of SAPRI’s global secretariat, Ms. Khushi Kabir, Coordinator, Nijera Kori and Mr. Andrew Mason were designated discussants. Dr. Lyn Squire, Director Development Policy, World Bank, Fred Temple, Bank’s new Country Director for Bangladesh and John Synclair also addressed the wrap session. Dr. Debapriya Bhattacharya provided a summary of the key issues that had emerged for further study and research from both the previous regional and focus group consultations and the October 20-22 National Forum.

### ***Confirmation and Validation of Hypotheses***

The forum ended with a tripartite threshold consensus that a home-grown reform agenda is needed for accelerated development. Participants in the National Forum underlined that the current economic reforms had an “orphan status” since no one appeared to own them and an extensive review of the schemes was required, involving government, civil society, NGOs and stakeholders at the grass-root levels.

Presenting the findings of the Forum, Dr. Bhattacharya outlined a number of ingredients, which are fundamental to a home-grown agenda. These include the commitment of a variety of stakeholders (government, public representatives such as parliamentarians and politicians and citizens groups), greater transparency and access to information and accountability, genuine scope for institutionalised public participation, incorporation of local government in policy formulation and indigenous capacity to build and develop a Bangladesh agenda.

The participants also called for structural adjustment of the World Bank as well for becoming sensitive to the contextual reality of Bangladesh than it had traditionally been and

showing a higher accountability for programme outcomes than it had in the past. There was also a greater role for the Bank in ensuring a more level playing field in the current global order, he added. Referring to the SAPRI process issues that required serious attention, he stressed the need for inclusive civil society participation, the effective presence of the Bangladesh government, broadening the World Bank's engagement and widening the scope of the exercise to bring in the IMF and, at least in the Asian context, the ADB. Dr. Bhattacharya stated his understanding that the key hypotheses that he had presented in the First Plenary had been confirmed. He also presented the key issues that were discussed in the plenaries, the syndicates and the consultations. The first key sub-issue under "Trade and Industrial Policy Reform" was industrial capacity and employment, issues relating to privatisation, counting SoE losses, the state of privatized industry, and the fate of retrenched workers and payments under the "golden handshake" to them were seen as part of this sub-issue. The second sub-issue was alternatives to privatisation for increasing efficiency. A third was limits of export-oriented industrialization which included aspects relating to adherence to existing labour laws and statutes and market promotion support. Trade liberalisation, the tax structure and administration, including VAT and countervailing duties, were also included. Industrial loans (eg. debt default) was another sub-issue while the price and quality of industry support utilities and infrastructure, building technological capacity and the role of trade unions were still others.

The second syndicate on "Agricultural Policy Reforms" likewise had a number of sub-issues summarised under it. These included profitability of the crop sector as an overarching one comprising input-output price parity, withdrawal of subsidies from agricultural inputs, privatization of the input delivery system and irrigation equipment. The reduction of public procurement and quality standards for fertilisers, seeds and pesticides were another set of sub-issues identified in the summary plenary. The use of chemical fertilizers and their impact on land fertility, crop diversification, the agricultural wage situation, changes in land ownership patterns and tenancy reform, land administration, the quality of agricultural extension services, the reduced role of BADC, the availability of agricultural credit from institutional sources and the contribution of micro-credit were the other sub-issues identified.

Dr. Bhattachaya in his closing plenary summary indicated that the forum would be followed by the preparation of the terms of reference for the study components. In doing this and elaborating the methodology for the study, a balanced weightage will be given to different analytical methods (eg. participatory research, political economy approach, quantitative techniques, case studies such as the one of the jute sector). He also informed that a methodology workshop would be held in this regard. He ended by saying that the whole process should lead to the empowerment of civil society through sustained consultation. Constituencies will also need to be created for the SAPRI output.

### ***Closing Remarks***

The plenary then moved into the closing session.

State Minister for Planning Dr. Muhiuddin Khan Alamgir said that his government was forced to accept the Bank-Fund sponsored reform agenda because those were signed earlier by his predecessors. He, however, noted that the present government was accumulating their strength to oppose the imposition and prepare agenda endogenously. He said that the agriculture sector was ignored at the dictate of the Bank and decision like squeezing of Bangladesh Agricultural Development Corporation and withdrawal of subsidies for agri-inputs were taken at the cost of the farmers while the pressing need for land reforms remained unaddressed. “ We did not give the poor equal opportunities to develop and show their efficiency,” he added.

Dwelling on trade liberalisation and privatisation, the minister said that privatisation was considered a panacea for treating sickness in all areas in the public sector, donors even stooped aid, had the government refused to privatise. He cited the example of energy and jute sectors. He said that the country went too fast in liberalising its trade regime.

Regarding donor’s involvement in policy-making, he observed that successive government failed to initiate its own reform agenda before the donors imposed their agenda. “If we could do that the situation would have been different.” he ended.

Zakia Akhtar Chowdhury, Secretary, Prime Minister’s Office said that the results and effects of the reforms were not equally positive and beneficial to all sections of the society

and people of different fraction and in order to minimize the potential negative impacts of the reform measures particularly on the poor and disadvantaged group the government need to have before it clear and complete knowledge and understanding of its effects. “And I believe that is the particular reason why the government has responded positively to the global SAPRI exercise,” she added.

Khushi Kabir, Coordinator of Nijera Kori said that one of the most important elements of SAPRI is that it would consider the people’s opinion who usually remained left out in policy making. She suggested that issues relating to women should be considered as a cross cutting issue, adding, “we should not keep the women issue as a footnote or in some lines in the concluding part.”

She also called for a thorough examination of the effect of shrimp cultivation on the people’s lives and the environment as the Bank portrayed the sector as a success story of non-traditional export.

Tony Avirgan of the SAPRI global secretariat said that the met the dream that many of us had when we first started thinking about this SAPRI excise imagining what a successful forum might be like. A forum that really abroad our voices from the grassroots. There was quite a bit of discussion between the civil society groups and the World Bank at an early stage to try to legitimise the testimony coming from the grassroots. “And the Bank is, their traditional kind of research is much more quantitative and those not include the experiences and the opinions from the grassroots. But it is very important victory for civil society and an important aspect of SAPRI that the Bank has agreed this kind of qualitative information that you are presented here over the past few days is just as valid as the more traditional kind of information,” he added.

Andrew D. Mason of the World Bank said that the critical challenges following this Forum would be among others to determine how robust the different pieces of information are and in what ways the different pieces of the puzzle fit together. “This will be all the more challenging given that some of the information presented in the Forum does appear to conflict. For example, significantly different views were expressed from within civil society regarding what has happened to landlessness and rural wages,” he added.

According to him a critical challenge for SAPRI is to use the investigation to come to some agreement about the facts. Beyond establishing the facts, we face the challenges in the

research phase of linking specific policies to outcomes and of determining how the findings can be used to improve policy making in the future, he added. “It may be tempting for some of us who have participated in this Forum to draw conclusions about the impact of structural adjustment and about the roles of the different actors, based on the process so far. I would like to urge all of us to resist the temptation to make conclusions at this stage. For me, this is the beginning of a very important and potentially long-term dialogue and process. In some sense, we are just getting to know each other and to raise some very important questions. Many important insights will be uncovered during the process that follows. I urge all of us, collectively, to respect the process and the time it will take to get to the answers,” he concluded.

Fred Temple, the new country director of the Bank reiterated the Bank’s commitment to the SAPRI process. “We really look forward to use this process to listen to you and to come up with new ideas that can be applied in our programmes in Bangladesh,” he concluded.

John SynClaire of the World Bank said that SAPRI reflected the new spirit of the Bank as an institution, which wanted to listen to its partners and in fact to broaden the partnership. According to him, adjustment as a process which had its controversies but its ultimately an attempt to make better use of the resources available to countries and to better align to development adjectives. “And certainly that realignment should not and does not need to be in any sense at the expense of the poor who has directly had often being the victims of past distortion and corruption and other farces in society,” he added.

Professor Rehman Sobhan made concluding remarks before declaring the First National Forum closed. He reminded the World Bank and government in particular that great expectations had been created amongst already citizens as a result of SAPRI which was not just another research study or exercise. He urged them to take the outputs of this exercise seriously or else face a further loss of credibility and integrity amongst civil society and the electorate.

### **THIRD SYNDICATE: CONSEQUENCES OF FISCAL RESTRUCTURING ON SOCIAL DEVELOPMENT**

#### ***The Format***

The third syndicate on “Consequences of Fiscal Restructuring on Social Development” of the First National Forum of Bangladesh SAPRI held in Dhaka on February 17, 1999, which was planned for the morning of October 22, 1998 had to be postponed due to unavoidable circumstances. Participants from across the country including representatives from entities such as teachers, doctors, civil society organisations, women’s organisations, and professional groups as well as member of parliament and former ministers, officials from the government and the World Bank contributed to the Forum through sharing their experiences about the policy reforms effecting the social sector, voiced their concern on policy measures that are hurting them and, and highlighted issues those they wanted to be researched under the SAPRI for further insights and future policy making.

Mr. Manjurul Ahsan Khan, President, Bangladesh Sarak Paribhan Sramik Federation, a left-leaning transport workers’ union and a Member of Bangladesh SAPRI Steering Committee chaired the syndicate. Dr. M A Malek, Political Advisor to the Prime Minister, Government of Bangladesh addressed the gathering of diversity - service providers and consumers – as chief guest, while former State Minister for Planning, Dr. A Moyeen Khan, MP was present as special guest. Prof. Rehman Sobhan, Convenor, Bangladesh SAPRI Steering Committee made concluding remarks while Mr. M Shahabuddin, Member-Secretary of Bangladesh SAPRI Steering Committee gave address of welcome. Dr. Debapriya Bhattacharya, Study Director and a member of Bangladesh SAPRI Technical Committee presented issues relating to adjustment and social development to the attendees of National Forum. The introductory presentation also included issues identified by the participants of the regional consultation meetings and focus group discussions, based on their own analyses of the policy changes that effected social development.

A resource document by Dr. Debapriya Bhattacharya and Rashed A. M. Titumir entitled “ **Adjustment and Social Development: Issues and Concerns**” was provided to all participants in the National Forum for allowing them to have a more informed debate. This

document provides detailed information on Bank/IMF's policies and projects in Bangladesh, trends in public expenditures with disaggregation, progress and challenges facing the social development and the brewing concerns expressed in the SAPRI consultations.

### *Discussion*

The participants called for realignment of policies taking the socio-economic context into consideration, building on transformation agenda based on local capacity, to widen access to quality social sector services in the field of education and healthcare provisions.

While making his concluding remarks following the day-long deliberations by the stakeholders, Prof. Rehman Sobhan said that the country's health and education had been pushed to a fallen state because of the apathy of the ruling class. "How a system can flourish or made efficient when its rulers abandoned it? How could they know about the system to design an efficient delivery mechanisms, when they themselves never use the system?" Health and education can not be pushed to market because it would go out of the reach of the general masses. Referring to the ownership of the reform measures, Prof. Sobhan said that the Bank in its recent reports acknowledged the need of good governance and conceded to the fact that no reform would generate fruition unless the policies were made within the country, commanding democratic support.

Dr. S A Malek in his address as chief guest said that the previous governments had swallowed several reform programmes just to get loans without considering their merits. Reforms should be formulated and implemented taking the stake of the poor into consideration.

Dr. A Moyeen Khan, MP while speaking as special guest said the contractionary policies of the SAP package benefited the reach and wealthy class of the society at the cost of the poor. Terming the SAP package an instrument of "economic colonialism", he said that pursuance of such policies at the dictate of the Bank and Fund would not lead the country to breaking the vicious cycle rather reinforce within it.

Dr. Debapriya Bhattachaya, being requested to introduce the issues, started his presentation giving a brief background to SAP and SAPRI. He informed them of the major features of the SAP package including demand management policies, trade liberalisation, divestiture and privatisation of state-owned enterprises, deregulation of financial sector, price

liberalisation and economic role of the state. Dwelling on the Bank's lending involvement in Bangladesh, he said that the Bank's lending in the social sector constituted only 9.76 per cent of its total credit disbursed since 1972. Out of a total of 6.2 billion US dollars disbursed till January 1999 to Bangladesh, 15 education and health sector projects received 606.8 million US dollars. This was because the Bank prescribed SAP lacked thrust on social sector, deficient inter-sectoral linkages and contractionary macro-economic policies. Public expenditures in health and education always lagged behind the target set by different international covenants. The government's allocation to education over the years remained almost stagnated at around two per cent of the GDP as opposed to international standard of eight per cent of the GDP, Dr Bhattacharya informed. In health sector the Bank is shifting from project based lending to programme lending, calling for a changes in wide range of policies, strategies and expenditures. This would result in imposition of cross-conditionality and would have far-reaching impact and may effect the sector.

The participants reckoned that the responsibility of education and health was vested with the State by the Constitution of Bangladesh and the country's health and education system are national system. They argue that it was the government's constitutional obligation to provide free and uniform access to social services and should not be left to market by redefining the role of the state. The participants feared that the downsizing of state, stemming from contracting to structural adjustment policies, was contrary to pledges made in the constitution of providing access to social sector and might fail the disadvantaged section of the society. The participants stressed that success in the field of education and health would entirely depend on how effectively the sector strategies were framed suiting the need of the population and their capacity in tapping services in the backdrop of socio-economic contextual reality. In this context, they were of the opinion that the role of the state needed to be enhanced in line with the constitutional obligations. They feared that pursuance of 'unbridled free market economy' would wipe out access of the wards of farmers and labourers to the education and health sectors and urged state's active role in widening the access of the disadvantaged to education and health sectors.

The participants found reforms implementation plans contrary to the socio-economic condition prevailing in the country and imposed top-down. Referring to the recent reform package related to health and population sector – Health and Population Sector Programme

(HPSP) - coordinated by the Bank, participants observed that the pacing and sequencing of the reforms were not chalked out in accordance with prevailing condition of the country.

The participants expressed their concern over unbridled mushroom growth of private sector health service providers in the absence of appropriate regulatory authorities, charged with protecting consumers' rights and maintaining standards

The participants questioned about the ratio of incremental expenditure growth with respect to increases in demographic shifts and number of educational and health establishments. The participants said that the allocation made is so insufficient that, for example, the government allocation covered only a third of medical supply requirements.

The participants opined that the quality of the social sector deteriorated over time. The also spoke of supply restraints. The teacher student ratio is 1:70, making it all but learning, the participants opined.

The participants found dichotomous relationship with the said success of increased access to social delivery and the rate of increases in prevalence of diseases. The cited the examples of increased prevalence rate of communicable diseases such as tuberculosis, diabetes, rheumatism increased during last three decades. The participants acknowledged reluctantly the increase in number of staff, but opined that increase in doctors or teacher would not be able to heed, if supply of services like medicine did not match the demographic changes.

The participants observed that there was disparity engrained in the social sector amongst rural and urban and government and non-government establishments, and senior-junior service professionals.

The participants observed that government departments engaged in administering education and health sectors were plagued with malpractices that had been brewing corruption. They also pointed to degeneration of moral values from the education arena.

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

### ***Floor Discussion***

#### *Redefining Role of the State and National and International Obligation*

According to the participants, the government is gradually withdrawing from providing services in the social sector influenced by the World Bank's policy of 'minimalist state.' They argued that these policy reforms are against the spirit of the Constitution of Bangladesh as the state is constitutionally pledge-bound to provide basic necessities to the population. The participants then went on to ask what would happen to the half of the population, who live below the poverty line, should the state continue to minimize its role in favour of the private providers.

The participants stated that the Constitution of Bangladesh vested the responsibility of education and health on the State. They argue that it was the government's constitutional obligation to provide free and uniform education to the citizens without any distinction of religion, caste and creed. The participants expressed their concern that the policies of redefining the role of the state in social sector, underwritten through structural adjustment policies might fail the disadvantaged section of the society, languishing in abject poverty. They also opined that these policies would squeeze access of farmers and labourers to opportunities to education and health.

The relevant article reads: "The State shall adopt effective measure for the purpose of – (a) establishing a uniform, mass-oriented and universal system of education and extending free and compulsory education to all children to such stage as may be determined by law; (b) relating education to the needs of society and producing properly trained and motivated citizens to serve those needs; (c) removing illiteracy within such time as may be determined by law." Some participants found commitment of the World Bank towards social sector lackluster. In this connection, they cited of the international covenants that Bangladesh signed to ensure basic services to its citizens and the Bank's apathy to include them into its core agenda and pressing the government to translate those into reality. Pointing to the UNESCO declaration of allocating eight per cent of GDP and 30 per cent of budget to education, one participant asked, "Did the Bank ever extend its muscle to the government to implement the UNESCO policies?"

*Greater Reliance on Private Providers or Distribution Improving Measures*

The participants expressed their apprehension that accesses to basic health care services and education facilities by the poor and the disadvantaged are being subjected to further squeezes against the backdrop of SAP's core emphasis placed on greater reliance on the private sector for service delivery in the social sector. The participants also stressed the need for finding out what distribution improving measures had been undertaken to narrow down the increasing inequality in the availability of quality education and health care to the poor. They wanted to see the investigation concentrate on the consequences of reduction of public expenditure on poverty alleviation and allocation to social sector.

The participants opined that the policy reform had left its most adverse impact on the country's distribution of income and with its concomitant effects on the poor. Given the gradual deterioration of income equality, the participants suggested that the enquiry should focus on finding out what measures were built in the reform package to avert it.

#### *Sequencing of the Reforms*

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

#### *Prioritisation and Sustainability*

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

### *Alignment of Health and Education Policies with Socio-economic Context*

The participants stressed that success in the field of education and health would entirely depend on how effectively the sector strategies were framed suiting the need of the population and their capacity in tapping services in the backdrop of socio-economic contextual reality. In this context, they were of the opinion that the role of the state needed to be enhanced in line with the constitutional obligations.

They feared that pursuance of ‘unbridled free market economy’ would wipe out access of the wards of farmers and labourers to the education and health sectors and urged state’s active role in widening the access of the disadvantaged to education and health sectors.

### *Restructuring the Management of the Reform Process and Project Cycle*

Stressing the need for origination of reforms within the participants observed that the reforms measures needs to be debated in the parliament and opinions of the cross-section of people required to be elicited for making the reform process people centred. They pointed out that the recent Bank sponsored HPSP lacked opinion of the cross-section of the society and even the providers at the local level were not adequately consulted. They also said that the health sector strategy was not discussed on the floor of the House.

The participants observed that there remain wide inconsistencies and discrepancies in the sector-wide management in the HPSP. They cited the example of the envisaged integration of health and population sectors in local level, without lack of clarity and policy directives at the top.

It was opined that project preparation, monitoring and evaluation was being carried out by the same people and thereby the real results were not known because of the vested interest of these personnel. They suggested for separation of the responsibilities. The participants viewed that law should be enacted barring the designers of reform measures to be employed in the respected donors, at least for five years.

### *Allocation and Investment to Social Sector not Proportional to Expansion of Coverage*

The participants observed that allocation to social sector in quantitative term has increased over the years, but questioned about the ratio of incremental expenditure growth to

increases in number of educational and health establishments. They pointed out that the allocation failed to match with the inter-temporal structural and demographic changes that the country had witnessed. The participants argued that the improvements in quality of services in relation to increased allocation curved a downward slope. Referring to an example of medical supply requirements (MSR) of a Thana Health Complex (THC), a participant informed that the government allocation covered only a third of MSR. “Where would the THC get the rest?”

### *Quality of Services*

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

### *Access to Services*

Some of the participants were of the view that the national statistics needed to be re-examined in order to find out whether there was a real increase in access to services by the rural and disadvantaged population. The participants found dichotomous relationship with the said success of increased access to social delivery and the rate of increases in prevalence of diseases. The prevalence rate of communicable diseases such as tuberculosis, diabetes, rheumatism increased during last three decades, revealed a public health expert. The participants acknowledged reluctantly the increase in number of staff, but opined that increase in doctors or teacher would not be able to heed, if supply of services like medicine did not match the demographic changes. Some of the participants felt that government’s involvement in providing basic services including curative care needed to be expanded. “No matter how poor the services of THCs and UHCs are, still the majority of the poor depend on

the government's allocation. I wonder how would they survive, should there be squeeze in government's service?" a participant asked.

#### *Greater emphasis on private providers and increased lack of access*

The participants expressed an apprehension that access to social services by the poor would further worsen, should the government continue to follow the policy of putting greater emphasis on private providers. They pointed out that if the policy of private sector-led service delivery was implemented in the social sector in full, the access to basic services by the cash-starved poor would face further deterioration in the limited access to basic social service they had at present.

#### *Increased user charges for services*

They also criticized the policy of withdrawing subsidies provided to the universities and raising user charges. These policies, according to the participants, would further reduce the enrollment of the poorer section in higher education.

#### *Disparity*

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

#### *Absence of Regulatory Framework for Private Sector*

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

#### *Devolution to Local Level*

The participants criticised the Bank saying that the Bank was not interested in delegation of responsibilities including finance to local level. They said that the structure is so centralised that a negligible repair of an ambulance requires permission from the directorate. They opined that the social sector and other services at the local level needed to be managed by a local level elected council instead of bureaucrats. They called for reconstituted local government, headed by elected representative.

#### *Human Resource Development and Wages*

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

#### *Corruption, Wastage and Lack of Monitoring and Supervision*

The participants observed that government departments engaged in administering education and health sectors were plagued with malpractices that had been brewing corruption. In the absence of health and education policies, they opined that the system, inherited from colonial legacy, gave birth to such procedural and administrative mechanisms as encouraged wasteful consumption. According to them, the monitoring and supervisory authorities in the health and administration sector, who themselves lack training, were more bent on corruption than improving the standards. They also pointed to degeneration of moral values from the education arena. Some participants opined that the religious education

including those imparted in madrashas need to modernised and effective monitoring of quality is required.

### *Secondary and Tertiary Education*

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

### *Vocational and Technical Education and Adult Literacy*

The participants portrayed a dismal picture of the vocational and technical education. They were critical of lack of policy support and thrust given to the sector, which according to them, had the potentials of harnessing skilled labour force, badly required for increasing the productivity of the manufacturing sector in order to acquire competitive edge. The participants labelled staunch criticism against the government and donors for failing to increase adult literacy, which, according to them, was standing in the way of making inroads.

The participants observed that there existed a serious deficiency in institutional structures for providing vocational and special education. They apprehended that the Bank's policy of limiting the public sector's role in providing this training would further impede human resource development.

### *Hard to Reach*

The participants observed that poverty alleviation was not given the appropriate consideration it required for Bangladesh and was not packaged as the principal goal of the reform agenda. They were of the opinion that there hardly existed any effective safety net within the reform agenda.

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

### *Civil Society and NGO*

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

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

### *Tendering of social service delivery, forcing NGOs to become “private contractors”*

NGO representatives said that either the community based organizations were falling apart or they were forced to leave the fundamental ethos of NGO movement as they were being asked to participate in tenders in the social sector project like private contractors. They expressed their fear that tendering might increase competition and have a serious toll on the access of the poor and the quality of the service.

According to NGO representatives, the donors are channelling increased amount of money through NGOs for the social sector. Simultaneously, donors have shifted their policy towards encouraging greater participation of the private sector in delivering social sector services, they added. Because of the policy shift, some donors have stopped financing projects that provide services like delivery of contraceptives, medicines etc. As a result, the

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

## STATEMENTS MADE IN THE FORUM

**Professor Rehman Sobhan**

**Convenor, SAPRI Bangladesh Steering Committee**

As Chairman of the SAPRI *Bangladesh Steering Committee* I am delighted to welcome you to the national launch of our research programme on the impact of the *Structural Adjustment Reforms* in Bangladesh. It might be argued that it is somewhat premature for us to convene such a high powered gathering, where the honourable Finance Minister of Bangladesh, S.A.M.S. Kibria and a Vice President of the World Bank, Lyn Squire, are both present at its inaugural and other luminaries, including sitting and former ministers, all with a high opportunity cost to their time, will be present over the next two days. Such gatherings are usually convened at the end of a study when the final output is due to be presented.

This apparently presumptuous inauguration of SAPRI originates in the nature of the initiative itself. SAPRI stands for *Structural Adjustment Participatory Research Initiative*. Participation involves a joint initiative by Civil Society, the Government of Bangladesh (GOB) and the World Bank to analyse the impact of 15 years of structural adjustment reforms which have dominated the policy agendas of Bangladesh. What distinguishes this research initiative from research on structural adjustment at BIDS, CPD and other research fora, including my own work on the subject, is the participatory nature of this research process. Thus, within SAPRI academic researchers join hands with the architects of the reform, the World Bank, the implementers of the reform, the GOB and those at the receiving end of the reforms as victims and beneficiaries, to contribute to the design of the research agenda, to participate in the research and to establish a stake in its outcome.

This dialogue today is part of our ongoing process of consultations. On this occasion we are bringing together top level policymakers and political leaders in Bangladesh along with senior representatives of the World Bank to take account of their views on the structural adjustment process and their expectations from SAPRI. Such a process of policy dialogue has been part of the mission of the *Centre for Policy Dialogue*, BIDS, IDPAA and other such

groups concerned with influencing policy. However, the SAPRI initiative may well be the first major research initiative organised within civil society which is, *ab initio*, designed to involve stakeholders in assessing a policy agenda.

Bangladesh's SAPRI programme is part of an ongoing global programme where similar participatory research initiatives are underway in another 10 countries which include Mexico, Ecuador, El Salvador, Ghana, Mali, Zimbabwe, Uganda, Philippines, Hungary and Canada. Such a global review of structural adjustment reforms is, possibly, without precedent. The World Bank has initiated its own reviews of structural adjustment as have such agencies as UNCTAD, WIDER in Helsinki and also individual researchers. BIDS has worked on issues of structural adjustment since the late 1980's and conjointly with WIDER, organised an international conference on this theme held in Dhaka in January 1990. This was attended by globally renowned scholars, policymakers from South Asia, including several Finance Ministers of Bangladesh. The participation of the World Bank, IMF, UNCTAD, ESCAP, UNICEF and the Commonwealth Secretariat made the BIDS-WIDER seminar into a forerunner of SAPRI and its publication remains both readable and relevant to our discussions today.

Unfortunately for Bangladesh and South Asia, the presence of South Asian policymakers along with the World Bank and IMF at that BIDS conference eight years ago, whilst symbolic of participation, did little to influence the ongoing design of the structural reform process in any country of region or to take account of the substantive constructive criticism made of the design and outcome of the process. Policymakers in Bangladesh who were in office or subsequently resumed office, continued without modification to execute the same reforms put in place by their predecessors. They then went on to bequeath these reforms to their successors who continue to soldier on with these same reforms without assessing their effective outcomes or relevance of these reforms to the specific concerns of the majority of their citizens.

The unifying element in the structural adjustment reform process in Bangladesh has remained the Bretton Woods institutions (BWI), the World Bank and IMF who through the medium of the *Policy Framework Paper* (PFP), their annual document on the *Country*

*Assistance Strategy (CAS)*, until recently the *Country Economic Memorandum (CEM)* prepared for the *Paris Consortium Meeting*, and through a variety of *grey cover*, sector, policy and project studies, have spelt out an agenda for structural adjustment reforms for Bangladesh, which has been accepted, without too much debate, by three successive governments in office since 1982.

It would, however, be premature for me and prejudicial to the objectivity of the study to indicate how far these structural adjustment reforms, most of which originated from the advise of the BWI, have succeeded realising their objectives in Bangladesh. This indeed is the subject matter of our ongoing research initiative through SAPRI, which we hope will be informed by a high degree of professionalism and non-partisanship. It is however important to point out at this stage that most of the recent commentary of the World Bank on the structural adjustment reform process around the world has been drawing attention to the lack of *local ownership* over the reform process and the importance of *good governance* in influencing the outcomes of the reforms. The underplaying of such issues during the initial phase of the reforms has, indeed, been the target of a great deal of the professional criticism over the last decade, of the reform process. It is generally recognised that a wide range of reforms in policy are needed in most developing countries including Bangladesh. But unless such reforms are grounded in a process of consultation with those at the receiving end of the reform process and emerge out of a political consensus built up within the political mainstream of the country, such reforms, however worthy they may be, may prove difficult to implement or if implemented may not be sustainable.

Furthermore, in the light of 15 years of experience it may be time to assess how far the reform process was sensitive to the concerns, priorities and socio-political circumstances of Bangladesh. The development priorities which prevailed in the early 1980's may thus need rethinking as may be evident from the belated recognition by the Nobel Prize Committee, of the work of Amartya Sen which has for quarter of a century focussed on such issues as equity, distribution, justice, poverty and human development.

In the move to make the reform process sensitive to the needs of the deprived and to establish domestic ownership over the policy agenda it is also recognised that the evaluation of the reform process needs to originate in a consultative process involving the victims/beneficiaries of the reform process rather than out of self-serving exercises initiated by the progenitors of these reforms. Such a consultative process will serve the valuable political purpose of helping the policymakers to fine tune the reform process or even redirect it in line with the concerns of its citizens. Such a practise is not only sound politics within a democratic system but represents an important aspect of the good governance needed to ensure effective implementation of the reforms. It is also a sound research method since the impact of reforms is not just a matter of inductive logic and crunching numbers but needs to explore the complexity of human motives and concerns.

At the end of the day the SAPRI exercise is not just an academic exercise but is designed to influence the policy agendas of Bangladesh and other countries of the developing world. The influence of such an exercise will depend on the quality of the work. This will be determined by SAPRI's ability to pioneer creative research methods through genuine participatory processes and its eventual capacity to make unchallengeable diagnoses of the cost, benefits and eventual outcomes of the reform process. Such an exercise must be sufficiently robust in its conclusions to persuade our policymakers, where appropriate, to reinforce or redirect our reform efforts in a direction consistent with the felt needs of the people of Bangladesh.

In the course of this research a large constituency of citizens from all walks of life need to be made aware of what reforms in Bangladesh are all about. The reforms have impacted, *inter alia*, on farmers through their impact on input subsidies, on workers through their impact on privatisation of state enterprises, on consumers through their impact on prices, on users of public utility and social sector services through pricing and allocative decisions. It is unlikely that such groups were exposed to serious consultation in the design of the reforms. SAPRI now hopes to remedy this and assess the direct impact, if any, on these affected social groups as well as citizens at large. The SAPRI exercise thus hopes to contribute to a process whereby citizens recognise their own responsibility in holding the government accountable for the design and

consequence of these reforms. The government, in turn, is expected to be sensitised to the concerns of their citizens in carrying through the reforms and making mid-course corrections, if so demanded. The GOB should thereby be persuaded that their accountability for the outcome of these reforms lies not just to their development partners but even more so with those who elected them to public office in the expectation that the government would improve their conditions of life..

In turn, we would expect that the World Bank will take cognisance of the concerns of civil society in Bangladesh as registered through not just the SAPRI process but in the ongoing design and oversight of policy advise of all reform programmes. The SAPRI exercise is intended to promote not just a redirection in the process of policymaking in Bangladesh but in the ways in which the World Bank builds partnerships with its member countries. If the Bank were to ignore those conclusions originating from SAPRI which challenge their conventional wisdom, by treating this as an essentially academic exercise and continue with business as usual, this would seriously compromise both the institutional credibility of the World Bank as well as that of its reform-minded President, not just in Bangladesh but around the world.

It is, however, civil society in Bangladesh which must remain the final custodian for ensuring that the outcomes from the SAPRI exercise are given full attention by the government, parliament and citizens of Bangladesh and through their global network hold the World Bank accountable for their commitment to the SAPRI process. If SAPRI is to serve its intended purpose then the work of SAPRI cannot end with the completion of the study but must remain an ongoing process of assertion by civil society of their right to be informed and involved in the policymaking process. If we do our job right then SAPRI should constitute a turning point not just for Bangladesh but in the global policy discourse on economic reforms.

**Wahiduddin Mahmud**, *Convenor, Bangladesh SAPRI Technical Committee*

Good afternoon and a warm welcome to this National Launch of the Structural Adjustment Participatory Review Initiative.

The SAPRI is a tripartite collaborative exercise undertaken by a global network of civil society organisations, national governments and the World Bank. Its goals are to improve the understanding of the impact of structural adjustment policies and to seek ways of incorporating the participation of the civil society in future policy design and implementation. Bangladesh is one of the eight countries which have agreed to join the SAPRI.

The SAPRI essentially involves consultations with civil society representatives. This three-day national launch has followed the preliminary round of consultations with a wide and varied range of such representatives at the national, regional and grassroots levels. The aim of these preliminary consultations, and of this national launch, is to identify issues and set the course for the envisaged field investigations.

The SAPRI has come at a time when there is some rethinking on the orthodox neoliberal ideas of structural adjustment and a growing realisation that there often exists a wide gap between policy ideas and actual practice, that the quality of institutions and governance does matter, that the ownership of reforms is important, and that the sustainability of reforms requires forming effective political coalitions. If the issues of institutions, governance and politics are important, the 'one-size-fits-all' approach to policy reforms is unlikely to work, particularly when a country is already past the initial phases of reforms. Beyond these initial phases, the reforms need to be therefore a process of learning-by-doing, where looking at the actual reform outcomes are at least as important for policy makers as understanding the ex ante rationale for reforms.

The SAPRI has been conceived as a two-way process by which policy analysts can have more insights into the ground-level realities, while the stakeholders and people at large can be better informed about the logic and rationale of reforms. Such an approach can help us to

better understand the political, institutional and human factors in the design and implementation of reforms; so that we can better connect research with practice, theory with experience, analytical objectivity with popular perceptions and aspirations.

Another important objective of the SAPRI is to promote transparency and accountability of the reform process, to inform public opinion on these reforms and to encourage indigenous ownership of good reforms. In these respects, the record so far in Bangladesh as in many other countries, is rather disappointing. Back in 1990, the Task Force on Macroeconomic Policies urged the government “to initiate policy reforms on its own instead of such reforms emerging entirely from the exercise of external leverage”. Fortunately, the SAPRI itself does not seem to have an ownership problem because of its tripartite participation. This does not mean that we should be able to reconcile all the opposing views on reforms, but the divergent views would have to be at least recognised by all the parties.

It must be, however, recognised that a participatory approach to reviewing structural adjustment is not a substitute for solid hard economic research on the subject. One needs to be aware of the many pitfalls in drawing conclusions about policy reforms from opinion surveys or from consultations with interest groups. Economic policy reforms and their outcomes often involve inherently complex and inter-linked processes; and uninformed discussions on these often give rise to many popular economic fallacies. In fact, one of the SAPRI’s goals should be to identify and dispel these popular fallacies, while at the same time benefiting from the popular wisdom that exists.

The outcomes of reforms can be ideally assessed only by looking at the counterfactual, which is not easy because of many extraneous factors working simultaneously with the reforms. The logic of the counterfactual itself is not always commonly understood, so that it is often difficult to perceive that certain outcomes may have happened in spite of, and not because of, certain policies. Well-organised but narrow interest groups may strongly oppose certain policy reforms, the potential beneficiaries of which are either non-existent or too numerous to be able to perceive or articulate their case. Many policies for common good, such as those for higher tax mobilisation, may be unpopular because of the so-called ‘isolation paradox’

influencing individual preferences. An initiative like the SAPRI should in fact aim at promoting the kind of public awareness that acts as a deterrent to the government's taking a 'populist' stance in policy reforms.

The dialogues preceding this national launch have already revealed many interesting and intriguing aspects of how reforms are perceived by the stakeholders and people at large. Let me mention a few. While industrialists producing for the domestic market resent tariff reductions that lowers protection, they resent even more the imposition of the VAT which is supposed to be protection-neutral. Financial support for 'sick industries' is much more sought after than R&D support for good industries. The role of a flexible exchange rate in maintaining the balance of payments is not easily perceived. There is a widely-held belief that import liberalisation has led to the flooding of domestic markets with foreign goods making the country import-dependent, while it is also agreed that Bangladesh's import capacity is ultimately limited by the availability of foreign exchange. People are often more critical and apprehensive about the devaluation of taka, say, by 5 percent annually, than about domestic inflation of similar magnitude, although it is the latter that directly affects their living standards. It is widely complained that public spending on healthcare has been declining, although such spending has in fact been increasing during the last decade or so in per capita real terms and also as a proportion of both GDP and the government's total budget.

While these responses in many cases may reveal deficiencies in popular understanding of reforms, these many also result from many ground-level realities that are ignored by policy-makers. Conventional approach to studying the implementation and impact of reforms may ignore these ground-level realities as well as miss many 'human' aspects of reforms. For example, it is one thing to look at the statistical evidence of the net increase in employment due to the restructuring of industrial incentives, and it is another thing to follow the livelihood patterns of those labourers who are actually displaced by such restructuring. The strength of SAPRI is that it should be able to bring to light many such issues that may be important to people's lives but remain neglected in the evaluation of reforms. This national launch is in fact aimed at identifying such issues.

I again extend my warm greetings to you all. Thank you.

**S.A.M.S. Kibria**

**Minister for Finance, Government of Bangladesh**

Thank you very much Prof. Rehman Sobhan, Dr. W. Mahmood, Mr. Pierre L. Mills, hon'ble members of the parliament, excellencies, distinguished members of the diplomatic core, NGO representatives, ladies and gentlemen.

First of all, I have to apologise for intruding in the middle of the programme with my remarks as I have to leave but let me say that it is indeed a very unusual experience to be invited at a function like this to talk about structural adjustment. The World Bank has taken the initiative i.e. because these days structural adjustment efforts in many countries of the world initiated by IMF in particular but also by the World Bank are coming under attack in other countries. I think an exercise of this nature at this time is very timely because in Bangladesh today we are in the midst of a process of various structural adjustment programmes. We have attempted some in the past, we are attempting some more at this time, and I think it would be a good experience for all of us to review what is gone in the past, how the people who are supposed to be the stakeholders, the beneficiaries, have experienced these reform efforts.

Before I make my remarks on the substance of the seminar, Mr. Pierre L. Mills mentioned two points. I think I should refer to them. One is about VAT. He said that it's a good thing. No tax people would say it is a good thing. It is a necessary thing and tax is inherently, I think, neutral. One can collect taxes in various ways. In other countries, I think, they collect taxes in other forms. In Singapore, I have seen the General Sales Tax (GST); in other countries other forms of taxes. I would say that having been sort of imposed on the country I think we have to make the best out of the situation. So, if VAT was not introduced, perhaps some other form of tax would have been introduced in order to increase revenue. So, we are doing it because, I think, essentially it's a fair as tax and as fair any tax can be. But there is no inconsistency in the position in opposing any tax. Because nobody would like new taxes be imposed.

Again, we are in the midst of dealing with sick industries. I entirely agree with him that sick industries should be allowed to die peacefully. But the point that comes up from

time to time is if this sickness is due to a very policy, directly imposed by the government, then there is a moral responsibility. If the sickness is due to, lets say, secular change in the market condition, if the sickness is due to bad management in particular enterprise or if this sickness is due to lack of customer interest in the particular product or change in fashion or style, well I think there is no alternative to the industry dying since fundamental objective condition has changed. But if the industry falls sick because of a drastic change in policy of the government at a given time, then I think there is a moral responsibility and that cannot be ignored.

Now let me make my main remarks on this seminar. My views would be that reforms are generally perceived to be attempts at changing institutions, methods, procedures, practices in a country for the good of the country. In other words, reform is basically an attempt for improvement. So why should there be any doubt about it? Why reform should be controversial?

This has been so in developing countries and in Bangladesh as well. Because some of the reforms are not seen as reflecting the wishes of the people, as being driven by the donors, or as being imposed from outside. I think this is one of the fundamental issues that the present seminar could address.

The success of a reform effort is conditional on the people accepting it as their own. This is a fundamental factor. As soon as a reform is seen as something imposed from outside people start resenting it, people start questioning it and even otherwise extremely desirable reform is opposed by the people. This, I believe, is a very important point because some of the reforms that we have to carry out in Bangladesh for structural change are essential for our own good. If tomorrow, for example, the World Bank and the IMF cease to exist, I don't want that but if it was so, even then we have to carry out these reforms. For example, the question about the state-owned industries causing hemorrhage and leading to a loss of billions of taka. Now this is not a matter for the WB nor for the IMF. It's a matter for the people of this country, the tax-payers of this country who are the ones being made to pay for these inefficient loss-making industries and being subsidized from the treasury. So, one must

see this as a reform essential for the benefit of this country and not because the WB has asked us to do it or the IMF has asked us to do it. I think this is an important point.

Similarly, certain other reforms which we are attempting, let's take for example the banking reform, financial sector reform. Who does not know that if your financial system is not in order you can not go very far. I think it's a precondition. It is an essential precondition for the economic prosperity of a country that its financial sector is performing in a disciplined way. Unfortunately, this discipline was lacking in this sector in the past. I ignore going to the substance of the matter but it obviously needs to be corrected and it has to be brought to a standard, an international standard, so that we can march along with the others with the times. Here again if the perception is that this financial sector reform is what the IMF has told us or the WB has told us I think this will be a mistake. I think that there has to be a consensus within the country that these irregularities, the corruption, the misuse of power that has led to the flit of the financial sector as it is today, must be corrected.

So again, the motivation, the impulse for reform must come from within the society. So these are some of the basic areas where reform has to be carried out, the structural reform, the fundamental reform has to be carried out. And I believe it's very very important that the public perception should be the most important determinant of a particular programme. If the consensus is there, if the people feel that particular reform has to be carried out I think it will be relatively easy to do so. Take for example, trade union activities. And it's a very sensitive question, I know. Trade unionism is a matter guaranteed under the ILO conventions. It is very important to protect the rights of the workers. Undoubtedly any progressive person, forward looking person would support that the rights of the workers should be protected. But the ways it has been practiced in Bangladesh, it has lost its credibility, it has lost its reputation and in the public mind trade unionism is associated with a lot of difficulties that we experience today in the economic field. And it's not necessarily the fault of trade unionism by itself, it's how it has been practiced. It's an absurd thing that a particular bank, for example, has five or six bodies representing the workers and all of them seek the right to negotiate with the management. And naturally it leads to all kinds of corruption and misuse of facilities and the problems that we all know about the banking sector. So, these are the

reforms which must be owned by the society, owned by the nation. And once it is done I think all the reform measures will receive spontaneous support of the people and the donor assistance then becomes a supplementary effort. The people will very smoothly take it and the popular perception of donor-driven reform will not be there. I think this is the point that I am sure all of you will discuss and consider in the course of the exercise that's going on.

I would like to conclude my remarks now at this point. Before I do so, I would like to touch on two points. One is, Prof. W. Mahmood mentioned about inflation, popular perceptions about inflation. Whenever there is devaluation of 1% or ½ or 2%, I see a lot of editorials be written, I see a lot of journalists write long pieces. And many economists give comments and these are printed. Recently there was a devaluation or re-fixation of the price of Bangladesh Taka. And I saw the usual spirits of comments. Many of them said that this would lead to inflation and was very dangerous for the country, etc. Certainly if the prices of the products being imported in Bangladesh are higher, then there is a possibility of inflation, there is no doubt about it. But I would have been happier if those who commented looked at the figures. And I am sure, I am entitled to this much of work on the part of the economists that they look at the data before making the comment. According to my information, published data of the united nations statistical office and of various other sources including our own customs that the prices of the imports into Bangladesh have been falling by 10%, 20%, 25%, 30%, petroleum products, for example, by 24%, tropical beverages 19%, sugar 17%, wheat 10%, maize 9%, natural rubber 32%, wool, cotton 14%. Now these are the primary products. But if you take the manufactured, semi-manufactured products the same is true, such as cement – the prices are falling. So, the rate of price downhill is much bigger than 3% devaluation. There is absolutely no reason why prices should rise. I wish those who have commented would look at the figures, would study the problem before coming up with statements in the newspapers. There is absolutely no reason why prices should rise because all the products which are being imported into Bangladesh, particularly from Asia, the prices are falling. Therefore a slide adjustment of the price, of the value of taka should not lead to inflation. In fact, inflation often can be of course based on expectations. It can be a psychological factor. And I hope that this psychological factor will not be ignited by giving this kind of false indications. As far as I can see as a student of economics there is no

objective basis for the increased inflation, in fact, it should be decreased as a result of the fall in the prices of the imported products.

Excellencies, ladies and gentlemen, let me conclude my remarks at this point because I have to go to a meeting. But I am very much interested in the structural adjustments and I think for a country like ours where the growth rate has been very low for more than two decades, we have to consider that something must have been wrong. While other countries have moved forward, we have lagged behind. There must be some defects in our basic structure, in the system that we have followed. So, it is a good exercise. I think an attempt was made in the past to carry out some structural reforms. But these were carried out either too late or too insufficient or were not completed.

In my view, most of the attempts at structural reforms have not been completed. We have inherited an incomplete agenda of structural reforms. And our government is very serious about completing these reforms. And all that I can say at this point is that in the years ahead the government will maintain its effort to complete the structural reforms that have been initiated in the past and which will be initiated now.

I thank you very much for giving me this opportunity to share my thoughts with you. I have to leave right now. So please forgive me for leaving so abruptly.

**Kamal Malhotra, Regional Coordinator**

Professor Rehman Sobhan, the Honorable Minister of Finance of Bangladesh, friends,

Greetings! First let me apologize for my late arrival but Dhaka traffic is to blame since I was waiting for the car to pick me up from 2 pm till 2.45 pm when it finally arrived. Living in Bangkok, I thought we had a unique problem in this respect. I thought Dhaka would not have this problem---but clearly it does now. Maybe this is a consequence of high economic growth rates as a result of SAPs?

It gives me great pleasure to be here and be given this honor to make opening remarks to this Forum. On the plane from Bangkok this morning, I was thinking that it is almost precisely 2 years to the day from the time that I first introduced both the term and concept behind SAPRI to key civil society leaders in Dhaka such as Dr. Qazi Faruque Ahmed in his capacity as Chairperson of ADAB, Khushi Kabir, Professor Rehman Sobhan and others. Many of them expressed interest in participation although there was skepticism about what could be achieved in such a tripartite exercise between the Bank, government and civil society. Nevertheless, it is they and others such as Dr. Debapriya Bhattacharya who have brought the Bangladesh exercise to this point today. They need to be congratulated for what has been and clearly remains an impressive mobilization of civil society, first through regional and focus group forums and then through this National Forum.

It has taken us two long years from that first in-country meeting of SAPRI in October 1996 to get to this point. This is, therefore, clearly a milestone on the path of global SAPRI and hopefully, more importantly, for Bangladesh as a nation and its large poor and voiceless population. This is because the impact of the national exercise is much more likely to be felt by such people than the global dimensions of the exercise.

Structural adjustment programs (SAPs) have been the most controversial bone of contention between civil society groups, governments and the World Bank and IMF for a long time----

for over a decade now---and therefore, this tripartite exercise is both unique and potentially important.

What is most important to remember as we embark on this historic exercise is that SAPRI, in its very conception, design and emphasis is all about giving voice to the hitherto voiceless and poor majorities in developing countries, thereby increasing their bargaining power and economic and social status.

We must not forget over the next three days that this is also what this National Forum is most about---not primarily about once again listening to the government, World Bank technocrats or even civil society experts but about listening for once to representatives of farmers, labour, women and other ordinary people who have had to bear the brunt of SAPs and be SAPed by such policies over the last 15 years, as in the case of Bangladesh, without being able to share their views, concerns, fears and aspirations with key policy makers.

The next three days present such an opportunity and I hope it will both be taken and given generously, not just for these three days or even the 9-12 months of the formal SAPRI exercise that will immediately follow, but for the longer-term.

This is important to strive for because one of SAPRI's most enduring potential contributions and legacies can and should be the institutionalisation of in-country national tripartite dialogue mechanisms such as this one.

I believe that this is a reasonable expectation for a maturing democracy such as Bangladesh and I hope that the Government of Bangladesh and World Bank---and, dare I say it, the IMF--- will agree to institutionalize this mechanism for continuing dialogue on economic policy reform issues well into the future.

Another key contribution of SAPRI derives from the fact that it is not just a series of national exercises but a regional and global one, all at once. Over 1000 civil society groups

worldwide are now participating in it and such participation goes well beyond NGOs to encompass trade unions, human rights groups and others.

Bangladesh is currently Asia's only participant in the formal SAPRI exercise although both the Philippines and Cambodia are planning similar exercises as part of the wider network, SAPRIN. There is a lot of interest in the Bangladesh exercise all over Asia----its successes and challenges will, therefore, be watched closely by civil society groups all over the continent, especially in light of the Asian led economic and financial crisis and the IMF led response to it since at the heart of the latter are many of the same issues that we confront in SAPRI.

SAPRI's global character is growing and Bangladesh is fortunate to be part of an exercise which includes 8 countries in SAPRI and many more in SAPRIN. It needs to take advantage of this immense and unique cross-country and cross-cultural learning opportunity---the facilitation of this is one of my roles as Asia Regional Coordinator.

So, to conclude, it is with great anticipation and expectation that I look forward to the contribution of this Forum and the broader Bangladesh SAPRI exercise at various levels---local, national, regional and global. Despite all these levels of contributions, however, we must not forget that ultimately the success of this exercise will be judged by how it improves the material well-being and overall quality of life of Bangladesh's poor, voiceless majority population.

I hope that SAPRI will live up to this task and fulfill the enormous expectations of the Global Civil Society Steering Committee, many of whose members have been in the forefront of pushing for this exercise at the global level. More importantly, it must meet the expectations it has now raised among Bangladesh's farmers, labourers, women and children for a better future than they have had in the country's first 25 years of political independence. Thank you very much.

**Pierre Landell-Mills**

**Country Director, World Bank, Bangladesh Office**

Mr. Chairman, Honorable Minister, distinguished participants:

It is a great pleasure for me to welcome you all to this unusual event. We have put ourselves willingly, even enthusiastically, under the microscope of public scrutiny. The Structural Adjustment Participatory Review Initiative, or SAPRI to use the now familiar acronym, is a **tripartite review** of the Government's structural adjustment programs. The three parties undertaking the review are: civil society, the Government of Bangladesh, and the World Bank. We have never tried to do this before -- at least, not in this organized and structured way, which requires representatives of civil society, government officials and Bank staff each to listen to the viewpoints of the others.

Offering policy advice to a government is a tricky business. When the advice is part of a program of substantial financial assistance, it is doubly hazardous as it is always possible for those assisted to believe in retrospect that they were 'forced' by necessity to accept the advice in order to have access to the resources they so badly needed. This hazard is all the greater because it is very difficult to know with certainty what the outcome might otherwise have been if the reforms were not pursued. Since economic reforms have generally been undertaken when countries were already experiencing economic crisis, the reforms that were needed, and therefore suggested by the Bank, were sometimes painful and politically costly. Governments have tended to be poor at consultation. The Bank too in the past did not engage in broad-based consultation, and it is only in recent years that we have made a lot of progress in this area. Consequently, policy making in the context of structural adjustment has generally taken place in an atmosphere of much distrust. These problems are made all the more troubling by the complexity of the issues, a weak understanding of the processes at work, and the likelihood that actions taken will be politically contested. Consequently, reviewing together candidly what has happened, and trying collectively to understand the causes and learn from these experiences should be a healthy and instructive process.

The greater the **inclusiveness of the process** the better. In particular, the participation of relevant line Ministries and Government agencies which were involved in the design and implementation of the policies and programs will be particularly critical to the success of the exercise. Also, it is important to ensure that **relevant groups** are not left out. For instance, in analyzing labor and employment issues, the participation of all parties -- workers, employers and labor administration -- is essential for a full understanding. Also, since **consumers** are the largest stakeholder group in the country, it is vital that their interests are fully taken into account.

The participation of all the groups in civil society affected by structural adjustment reforms is crucial to the integrity of this review and we believe that listening to their views is important to enhancing our **development effectiveness** in Bangladesh. I would like to reiterate the **Bank's commitment** to this exercise, a commitment clearly made by Mr. Wolfensohn in his meeting with the SAPRI members on a boat near Dhaka last October. Of particular interest will be the views of the **silent public** -- the poor and the disadvantaged groups whose voices are not often heard in the policy process.

**Stakeholder participation and consultation** have become increasingly part of the design of government projects we have been supporting. This has been a very rewarding experience as has been apparent in the preparation of recent projects such as the Fifth Health and Population Project, the Arsenic Mitigation Project and the Rural Roads and Market Improvement project. For example, it has been instructive for all concerned to have women's views on the location and design of rural markets so that rural women can increasingly participate in trading activities. Similarly, having the views of the populations served by Thana Health Centres and Family Welfare Centres has alerted the staff of the Ministry of Health to the shortcomings in the delivery of health services.

Three broad areas of reform are being proposed for study under SAPRI -- **agriculture, trade and industry, and fiscal restructuring**. Let me mention some of the **specific policies and institutional reforms** supported by the Bank in the context of sector investment and adjustment operations in these areas since the late eighties. Before I do that,

it is worth recalling the relative magnitudes of **sector investment lending vis-à-vis policy-based adjustment lending**. In the decade of the nineties, sector investment lending accounted for 84% of total Bank lending to Bangladesh policy-based adjustment operations accounted for only 16% of lending during this period.

In **agriculture**, we have supported private-sector led distribution and marketing of minor irrigation equipment and fertilizer; removal of import restrictions on brands and specifications of irrigation engines; promotion of private sector manufacture and maintenance of pumps, tubewells and engines. We have also supported rationalization of pricing and reduction of subsidies on these inputs, deregulation of retail price of fertilizer, direct lifting of fertilizer by dealers from ports and factories, and deregulation of siting restrictions on STWs. In output markets, we have supported domestic foodgrain trading and marketing by relaxing anti-hoarding laws, and the reduction of untargeted food subsidies on urban rationing. The rationale underlying the policy of liberalization of input and output markets and thus allowing active private sector participation was to promote greater competition, cost effectiveness, efficiency of delivery and flow of resources to these activities and ultimately more efficient resource allocation, production and marketing in agriculture. We believe that the efficiency gains and benefits of these policies, to the extent they have been implemented, have accrued to the farmers and consumers alike, in addition to generating more employment and income in the related service sub-sectors. I will be interested to hear the perspectives and concerns of the participants over the next few days as well as to see what the researchers conclude.

In **trade**, some of the Government policy measures we supported were phasing out of import licensing, replacing the positive import list by a negative list, rationalizing the import tariff structure, reducing the average rate and dispersion of tariffs and trade-related QRs, strengthening the duty drawback system (DEDO) and extending bonded warehouse facilities, and dissemination of the operative duty rate structure. The rationale underlying these policies was to improve the structure of incentives, including addressing a distortionary anti-export bias, and thus promote efficient domestic resource allocation and sustainable growth in both export-oriented and import-substituting industries, in line with the country's comparative

advantage. Here again the objective was to lay the foundation for sustainable faster growth and employment creation in industry and agriculture, and also to improve the variety, quality and cost effectiveness of available consumer goods, on which welfare of the population depends. One outcome has been a rapid growth in manufactured exports, led by readymade garments, while some of the industries which previously benefited from extraordinary protection have encountered difficulties. Some concerns are likely to be raised on their behalf at this meeting. But then the question is isn't that what should happen -- resources be allowed to move from inefficient to more efficient activities? Should the government pamper the so-called "sick" industries at a high cost to the country? The real issue here is perhaps one of phasing -- how much time should inefficient industries be given to become competitive? And was enough done to assist retrenched workers? Were the safety nets adequate?

In **fiscal restructuring**, we supported the introduction of VAT in lieu of excise duty and sales tax, which was politically contentious but has contributed significantly to the growth of budgetary revenues and is now not challenged by either major political party. Also, the Bank supported an increase in recurrent budgetary allocations for primary education, basic health and family planning, and also increases in allocations for operations and maintenance of infrastructure, and for phasing out ADP projects with questionable rationale and priority for public investment. In these matters Government has taken rather less notice. The rationale underlying these reforms was improving the domestic revenue contribution to the budget and thus reducing dependence on external resources, improving the maintenance and durability of public assets, and enhancing the growth and poverty impact of public expenditures, particularly human resource development through investment in the social sectors. It will be interesting to see how these issues are viewed by the participants of this Forum as well as by the researchers.

The Bank, through major **project lending in the social sectors**, has helped the Government to increase the **share of budgetary allocations** for education and health and population. In particular, the Bank has helped enhance the sub-sectoral shares for primary and non-formal education, stipends for secondary schoolgirls, basic health and family

planning activities, and for child nutrition. These social sector programs are largely **targeted to the poor**. And NGOs have been increasingly brought in as a partner in the implementation of these projects. But the quality of public service delivery remains an issue.

In **agriculture**, we believe **policy reforms** have contributed to the **green revolution** that came late to Bangladesh, in overcoming chronic food shortages of the past and coming closer to self-sufficiency. The lifting of the import ban on various makes of diesel engines, for instance, not only contributed to a breakthrough in winter rice production but by mechanizing country boats revolutionized water transportation in Bangladesh, thus impacting immensely on the lives of the rural poor.

The 1995/96 household expenditure survey (HES) suggests a noticeable decline in the **incidence of poverty** since 1991/92 and there has been a remarkable improvement in some key **social indicators**, including life expectancy, infant mortality, fertility, school enrollment and women's empowerment. In the socio-economic context of Bangladesh, however, with the incidence of hard-core poverty still at 36% in 1995/96 and the backlog of social underdevelopment, **there is no reason for complacency**. We believe nonetheless that these are no mean achievements, which can be attributed to the improved policy reforms.

As you all know, **gender, environment and corruption** have been identified as the cross-cutting themes to be investigated under each of the three broad areas of research mentioned above. The Bank attaches **high priority to these issues** and we endorse this choice.

In carrying out the research under SAPRI the incomplete status of **implementation** of policies will no doubt be kept in mind. Not all of the structural adjustment program agenda has been effectively implemented. Much of the implementation of policy reforms in agriculture, for instance, took place in the eighties while trade reforms accelerated in the early nineties. Since then the pace of reforms has generally stalled, with the exception of some progress in energy and telecommunications, and in some cases they have been reversed, as in fertilizer distribution and pricing.

Another issue revolves around how to address key **obstacles to development**. Were it not for the persistent **power shortages** that has constrained industrial performance, a **telephone system** that is simply unable to cope with the demands of a growing economy, **ports** that operate intermittently, an **education system** that is not in tune with the needs of business and industry, a **dysfunctional bureaucracy**, **poor law and order enforcement**, **rent seeking** and **toll taking**, which all add up to a **high cost of doing business**, Bangladesh would have been on a **higher growth path**. The challenge for the policy makers and the civil society will be to find ways of dealing effectively with these obstacles.

For all of us gathered here today we have at least **two challenges** over the next three days : (i) **understanding the views and concerns of stakeholders**, particularly those who are not typically heard in the policy-making processes; and (ii) based on that understanding, to distill the **priorities for more formal research** following the Forum. I do hope that these objectives will be accomplished. Following the Forum, a key challenge for the research phase will be linking **outcomes and impacts with specific policies**, analysis of which could lead to suggestions for improved public policies. **Although SAPRI will be analyzing the past, it is essentially a forward looking exercise**. A **measure of its success** will be how well it can assist us all in the **future** in **designing** and **implementing effective policies and programs** which contribute to Bangladesh's faster growth and poverty reduction.

Let me end by recognizing all of those you have labored to make today's meeting possible. Our thanks are due most notably to **Prof. Rehman Sobhan**, the Convenor of the SAPRI Steering Committee, **Dr. Wahiduddin Mahmud**, Convenor of the SAPRI Technical Committee, and particularly **Dr. Debapriya Bhattacharya**, the Study Team Director for SAPRI, who has taken the lead in organizing the regional consultations and focused group meetings, and other members of the Steering and Technical Committees. **Mr. Mahbul Karim**, of Proshika, who is not here today, deserves our thanks for his early initiative to get the SAPRI process going in Bangladesh. Most of all, I would like to thank the **members of civil society** -- those present here today as well as those who have participated in earlier regional events and focus groups, but are not here, for their valuable contributions.

I look forward to listening to your thoughts and concerns and understanding better how we can help to enhance Bangladesh's **development processes and prospects**.

Let me end on a **personal note** as I leave Bangladesh. I hope to remain an observer of Bangladesh's development. I will look forward to the **outcome of the SAPRI exercise** which I trust will make a significant **contribution** to the future **success of policies** in Bangladesh.

**Dr. Qazi Faruque Ahmed, President, Proshika, Lead organisation**

**The chairperson of the meeting, distinguished guests and the audience. I am speaking in Bangla as we are interested to make sure of participation through SAPRI. But participation using a foreign language may not be an appropriate attempt. That's why I shall be speaking in Bangla. But I hope that those of you who will not be able to understand Bangla will surely pardon me. In fact, the audience can help them by translating in to English.**

This is a very good day for NGOs, Civil society and for us too. This forum is a result of our long endeavour. Kamal Malhotra has already mentioned that we have started discussion of SAPRI since 1996. NGOs and civil society throughout the whole world were very much concerned about Structural Adjustment Programme (SAP). These policies are, in fact, prescription to the developing countries from the World Bank and IMF. The SAP practice in Bangladesh and elsewhere were initiated in the late eighties. So we have already passed more than a decade. But NGOs and civil societies across the continents of Africa, Latin America and Asia have questioned and expressed their concerns on the basis of SAP experience. The impact of SAP on general people, poor, and women was very much disturbing.

We in the working group on World Bank made it very clear to the WB and IMF that their prescribed policies had failed to produce fruitful result in Bangladesh and other third world countries. But the WB rejected and the Bank claimed that there had been nothing wrong with its policies. Again, when we asked governments, they replied asking would they what do. The governments responded that the WB advised them and thus they were implementing the package. According to the governments they would not get loan, otherwise. But we opposed the package because we believe that every policy should be carried out for the welfare of the people and that should be without conditionality.

The tripartite group - NGO, civil society on one side, the WB and IMF on another and the government – has been with three different concepts. Every party is claiming that their view is correct. In such a situation it was decided to undertake a research initiative. It is hoped that this initiative will discern the real impact of SAP on people. Since we are employing participatory approach then it would not only cover the opinion of the economists, who have read many books and know much about theories, but would also incorporate ideas and experiences of the general masses. The tripartite nature of the initiative would certainly establish ownership irrespective of the research

outcome (whether it is good or bad). As a result, this would eliminate the differences of opinion that exists among the parties. So it may be hope that we would be able to reach a consensus about economic reform.

The second point that I would like to highlight is that the collaborative process of civil society organisations, the governments and the WB that has been initiated should continue to work democratically. In fact, the WB and IMF had thought it good or even some governments did (in our case some military government), but in reality the reforms were not formulated following democratic principles. If the economic reform process does not reflect the participation of the people then it would never be termed as good. Even it appears to be good but eventually it would bear no positive gain. Therefore, as a country making a journey towards democracy, we need to institutionalise a process through which people's opinion could be incorporated. We need to bring together opinions of the civil society organisations including NGOs in formulating economic policy. If this happens then the process could be termed democratic. We need to have a proper structure wherein government, civil society and also donor agencies dwell on economic policy making. A few days ago, I was asked whether I knew the 'other' definition of democracy. That person said that there were two definitions of democracy. One is representative democracy and the other is participatory democracy. When I told him to distinguish between the two, he said that in representative democracy all is left to the representatives of the people and the people remain uninvolved after electing their representative. But participatory democracy ensures representative nature as well as total participation. In participatory process different opinions are reflected. It seems to me that what we are trying to do is to establish the framework of the participatory democracy. It will not only provide us with the scope of debating on issues but will enrich the parliamentary process as the forum is envisaged to reflect the views of the stakeholders.

I would like express gratitude to you all for attending the inaugural session and the subsequent sessions, wherein you will deliberate on issues of your concern. The regional meetings and focus group discussions have already been undertaken for this purpose. You will find about the discussion in the report that has been distributed to you. Much more discussion, dialogue and debate would take place in this participatory process which will make us capable of formulating the appropriate reform package.

Thank you all.

*First Plenary: SAP, SAPRI & Bangladesh*

Mr. Saifur Rahman, MP

***Former Minister for Finance, Government of Bangladesh and Chief Guest of the First Plenary***

I express my gratitude to the organisers for inviting me to this process of SAPRI. While I was in the government, I also faced the questions that the different speakers or academics have raised, while our party had been in power.

Actually, the World Bank is going to make a review of SAP. The question that comes to my mind: why are they doing this? Is it to justify the past policies? Or is it undertaking a process to correct mistakes that was made and to formulate new structural policies so that ownership of the respective countries will be ensured. Last night there was a dinner (hosted by the World Bank in honour of Lyn Squire, who came from Bank HQ to join in the SAPRI forum). There were some discussions. I said, why do they (World Bank and IMF) exist? Why is the World Bank needed and why the IMF? I think these are marginal institutions. One may be surprised at listening to what I am saying regarding the IMF or the World Bank. He (indicating Dr. Squire) thought that I was against this or he was not informed that I had serious involvement with these structural adjustment programme for eight to ten years. I would like to say a few words based on my experience. I saw that we criticized these adjustment policies. But one thing that should be mentioned here is that we couldn't implement many of the policies accurately. Because there are some conditions which are not possible to follow. Many programmes were stopped in the middle as the conditions were hard. The Policy Framework Papers (PFP) were sent to us from there (Washington). We again send this to them by signing it making very little changes like changing full stop or commas. Then they say – "you have signed it". But the reality is that they make these papers ready in Washington and send it to us. Then some meetings are held at the finance ministry and at an inter-ministerial level. We do some minor changes and again send it to them. And this is how the PFP for Bangladesh was prepared. But actually it is the donors who prepared it. If we follow the condition related to the industrial sector

adjustment, then they say that we didn't follow the conditions regarding interest rate change, as prescribed in the PFP. So, your fund will not be released.

Anyway, one thing that I would like to mention is that most of the SAP was implemented or at least initiated during our time. Again, we were also not successful in some cases. During our regime, we took reform programmes related to industrial policy, agricultural policy. Policy reform programmes in every sector were virtually undertaken during that period, from late '80s to early '90s, including enhanced structural adjustment facility of the IMF. One thing I must mention that the government is required to undertake several reform programmes such as legal reform, institutional reform, civil service reform, agricultural reform, fiscal policy reform etc. If the World Bank and the IMF would not have provided us with the policies regarding various reform programmes then neither the civil servants nor the government would have been able to visualize them domestically. It is surprising to me that some of the retired civil servants came to the programmes organised by Prof. Rehman Sobhan in his organization CPD, and they said why many reform programmes, such as, agricultural policy, industrial policy didn't come out successful. Even speaking about the education policy they ask: why enrolment in primary and secondary education is much less, why the quality of education is being worse, why children do not go to school in time ? Several questions of such types are raised by them. They were once secretaries of education ministries, they were director generals of education and they deliver lectures after being invited by Prof. Rehman Sobhan! What did they do? If the civil service as an institution is not reformed, it cannot deliver any reform. So, it has to be done endogeneously, be generated by the politicians and the inputs should come from civil society. It is true that the WB and the IMF dictated many policies without taking our current situation into consideration. Our social, structural and market conditions are not in a position to implement those policies. But one positive thing happened. They made us realize that we need reform programmes in many areas. Let us take the example of energy and industries sectors. Reform programmes of these sectors didn't come from us. It was mainly imposed on us by them. But the problem is that there is a gap between their demand and our demand. What they want is not possible for us to provide.

Secondly, what is a reform? A reform is to stop the misuse of resources and use them in the proper productive sphere. Here, by resource we do not mean only money but all kinds of institutional resources which are used for productive and constructive purposes. And for this they argue in favour of market-led growth. The whole programme is based on the free market, on the magic of the market. But in the context of the reform programme in Bangladesh we didn't get the magic. Why? There were two mistakes regarding this. One is when you assume that the market will deliver everything market will deliver input, market will deliver good price for agriculture, market will deliver the competitive price for your product. But the foundation of market in Bangladesh is so weak. Here the people don't know a product's quality, quantity, current price, future price, amount of production. So, we don't have an informed market. The market in our country is so weak that free market economy is not possible to operate here, which the policy makers failed to realise. There is no regulation here. The Central bank is the regulator. But the regulatory institution is not strong enough to regulate. Why is the market breaking down in East Asia? Because there is a huge flow of funds in East Asia, but no strengthened institutions have been built up to manage funds in East Asia, for example – Indonesia, Malaysia, Thailand etc. No institution has been built properly to protect the country's interest.

And the other important aspect is that there has to be a responsible and accountable government in the country. If the government is democratic, then it will be accountable; money will come and money will be spent in a proper way. But what is going on now? If the government is autocratic, then it will spend its own resources in serving its own purpose, and use the external money only in various sectors. So, you need the quality of government also. What is the government's quality? Only the policy will not work. You have to have the policy and the commitment of government too. Here, one is talking about the commitment of civil service, commitment of civil society in describing adjustment policy. What is the commitment of government? Is the politics of the country reformed? The task is not only of reforming the market but of structurally adjusting the politics of the country. What is happening there?

The government accepts policy conditionality due to the need for money without judging her implementation capability. And when it is to be implemented then the government says that they can't make it. The government argue that the people of the textile,

power will create problems, that sector's people will disturb, it will not be possible, the train communication will be hampered etc.

Actually market based development can't ensure development. Market based development is inequitable development. It is a mal-distributed development process. In a country like ours, where more than 50 per cent people are poor, the economic development process needs to be guided by certain policy directives. What are they? Pro-poor development reduces poverty, create employment. We have to bring equality in distribution. So, we need pro-employment, pro-equity, pro-environmental development process. And this development process and everything have to come from inside the country, from our own policy. Only the policy will not work. If the civil service, the administration remain unreformed, the rule of law and property rights is not properly enforced, nothing will happen. The policy must be guided in the context of our country. Just getting knowledge from Washington or Harvard for preparing fiscal policy reform or setting financial policy reform cannot be worth for us. For example, in the case of banking sector reform, they are saying that if anyone fails to pay money within three to six months, a then loan will be considered as doubtful. Again if he fails to pay the money within a year then it will be classified as more doubtful, and if he fails within two years then it will be considered as bad debt. Classification is done in this way and according to the circular of Bangladesh Bank loan is classified in different ways. This classification is not done in the context of Bangladesh. It is a copy of the operating system of Swiss Banks. But this can't be. In our country if loan is given then it requires three years to open up an L/C. Then the imported goods come to Chittagong and it causes many troubles to the importer to bring the material in Dhaka. Meanwhile, three years have passed, but the bank declares the loan as classified or sub-classified. But in if Europe you give an order for a generator tomorrow, you could have the generator in six weeks time. In fact, every programme should be crafted in the context of our country and thus the ownership of the reform will emerge.

Again, in this SAPRI process the IMF is absent. Because of the interrelationship between the IMF and the WB it appears that the different programmes of Bangladesh will be affected by any of these two. We should consider more about the market condition of Bangladesh, its poverty situation, socio-cultural setting, historical setting and should consider political division also. We see that when you are in power, you have one attitude and when

you are not in power, you have another attitude. In fact, there has to be a convergence in politics and should have a consensus on certain reform measures across the board. Only then, those can be implemented successfully and will be upheld up by the people.

Yesterday in this forum the finance ministers have commented that he inherited the reform programmes. What a meaningless statement! Every government receives in this way and government is not one time affair. In fact, it is a continuous process. Good and bad – everything comes through the process of inheritance. If you have inherited the unfinished reform programme you are supposed to carry on the reforms. In fact, the WB and the IMF should care about the political environment where politics is already been divided. They should think in such a political atmosphere how their structural adjustment policies could be carried out. We have seen that ownership of reforms is not reflected in project preparation. Dr. Debapriya has mentioned that in our country it takes 34 months to initiate a project. To prepare a project, the WB sends almost 10 missions, whether it is inland water transport project or Chittgong port project or an education project – mission after mission will come. It is like holiday for the WB. They come here for nothing. They come and spend time in Sonargaon hotel. They could finish it by a single thing, by making a telephone call to the Country Director here. But they will come here with three-member delegation teams. As the people of Bangladesh are very hospitable, the visitors are given big status here and are provided with all kind of facilities. Therefore mission after mission for finalising a single project kills huge time.

Anyway, they want free market. But free market has ruined the East Asian economies. We have to decide to what extent we would accept the unbridled mechanism of free market. If they want to reduce the manpower, now-a-days, for that they use the term downsizing the government – they do not tell you straightforward to reduce the manpower it will receive trouble from the labour union. During the WB President Mr. Wolfenson's visit to Bangladesh, he mentioned that he had sent many of his managers to Harvard, MIT or Princeton to know our country well. But I told him: how can you be aware of Bangladesh by doing so? I can't understand it. In fact, they should be sent to MC College, Sylhet or to Barishal College. Then they will understand what is happening in Barishal or Sylhet. Are Germany, France, Britain today taking the unbridled Thatcherised and Reaganised market economy? And if this is so, why are they planting such policies in this country? How long

would it be fruitful? Our intellectual classes did not say that we need an energy cell in the energy sector or need reform in price structure. In such a situation the WB has to be treated as successful by making us aware us about reforms. But the main point is that is it possible for the market to give us a pro-poor growth? To create employment or create equity? Or to give scope for the girls to be educated or is it capable of placing them into the development process? But to do so an interventionist policy on a large scale is needed. In light of my long ten years' experience I can tell you that we need a rethinking over the development policy. They are demanding the free market economy, telling us about the convertibility of currency. Thailand once developed considerably but when it was introduced at the instance of the IMF, it went on the verge of collapse. When it was needed to take an expansionary policy for Thailand, it was the IMF to tell them to go for a deflationary economy. The advice was to decrease the interest rate, to reduce employment. So was the case in Indonesia. If we can take policies that are adjusted with our own country and take into consideration the imperfect nature of the market, then the policies will be able to deliver development. We must need an interventionist policy in social sectors, nutrition, and water supply, to reduce poverty, and to create employment. While I was coming to attend this meeting in morning I saw in the newspaper that the finance ministers heavily came down on economists. He said that the comments relating to devaluation by the economists was not true. How can it be possible that after devaluation the price of the commodities will fall! If it is true as prescribed by the finance ministry then the whole theory of devaluation needs to be changed. The devaluation is made to make the import expensive and export cheaper. This is the whole policy – otherwise it is a meaningless theory and has to be discarded from the books of financial economics. But the finance minister had said that devaluation did make the price of cement, petrol, etc. to fall. In fact, the prices of those commodities had come down internationally. If you are not discouraging the import then you should not have done devaluation. If there is ignorance regarding the economic implication in the treasury level then how better it will guide us in terms of policy formulation!

I thank you very much for giving me the scope to say a few words here. My intention is not to criticize the WB but to enlighten us with my own experience. I will be delighted if my speech contribute to this seminar in any way.

Thank you very much.

Lyn Squire, Director , Development Policy, World Bank Headquarters

## INTRODUCTION

Good morning, Ladies and Gentlemen. It's a great pleasure to be with you today at this National Forum. Some of us have been working on this project in Washington for over two years, so it is really exciting for us to be in Bangladesh where the exercise really belongs. I know that many of you here have been actively involved and working very hard to make this event a reality. Without your efforts, this Forum would not have been possible.

So, I would like to offer my personal thanks to a few people, especially to, Prof. Rehman Sobhan, Prof. Wahiduddin Mahmud, and Dr. Debapriya Bhattacharya who have played a key role on behalf of Civil Society in organizing the forum. I would also like to thank Dr. Mashiur Rahman for his role in SAPRI. And finally, I would like to thank Mr. Syed Nizamuddin from the resident mission, who I think has borne most of the burden from the World Bank side.

Let me also take this opportunity to express my thanks for the generous support we have received from the Norwegian, Swedish, and Dutch governments.

As you probably know, Bangladesh is the third country to hold a National Forum. I had the pleasure of attending the Forum in Hungary and I received reports on the one in Uganda. And in my assessment, this is by far the best prepared, and that's thanks to the efforts of the Bangladesh SAPRI team. They have laid the foundation for a serious investigation through the inclusion of a wide range of civil society and by working together well to identify the issues for subsequent fieldwork. I have also read the reports of the three regional consultations, and have been very impressed with the amount of work that has already been accomplished and with its quality.

I have participated in many meetings on SAPRI around the world, and almost without exception the following questions come up:

- ◆ First: Why has the World Bank embarked on this exercise?
- ◆ Second: What steps is the World Bank taking to support SAPRI?
- ◆ And third: What does the World Bank see as the outcomes of the exercise?

So, in the next few minutes, let me try to address each of these questions.

### **WHY HAS THE WORLD BANK EMBARKED ON THIS EXERCISE?**

Why has the World Bank embarked on this exercise? To understand how we at the World Bank think about it, let me say a few words about the origin of SAPRI. In June 1995, at the beginning of his presidency at the World Bank, Mr. Wolfensohn met with a group of international NGOs to listen to their concerns about structural adjustment. The outcome of that discussion was an agreement to undertake a joint review of adjustment. The emphasis is very much on the word “joint” -- this is meant to be a collaborative exercise, a partnership, involving civil society, the government, and the World Bank. In addition to being collaborative, the other key characteristic was that it had to be forward looking. It will not be sufficient to criticize past policies; the review also has to make constructive suggestions on what can be done in the future.

After that meeting, a joint team was set up. And as part of their work, the team had to define the objectives for the exercise. These objectives are the reason the World Bank is participating in this exercise. So let me remind you what those objectives are. There are two of them. The first is:

- ◆ to demonstrate that the participation of local, broad-based civil society can improve the economic policy-making process.

The World Bank has already recognized the importance of participation in many aspects of its activities. Let me mention two pieces of cross-country evidence, one at the project level and one at the policy level:

We recently conducted a study of 121 rural water supply projects in 49 countries. We found that when the intended beneficiaries were involved in the design and implementation

of the project, 7 out of 10 projects were successful. But when they were not involved, only 1 in 10 was successful. There are of course many other examples including ones from Bangladesh that demonstrate the power of participation at the project level.

But do we have evidence of the importance of participation at the policy level, the main concern of SAPRI? A study of 81 adjustment operations explored the issue of local ownership of such programs. It used an index of ownership which included the extent to which the government had conducted a public campaign to help in designing the program. The study showed that in the 16 cases where borrower ownership was rated very high, 15 of the programs were successful. But in the 17 cases where borrower ownership was rated very low, only 3 of the programs were successful.

So we know that ownership is vital for successful policy implementation. The key question then is: How does one ensure local ownership? We hope SAPRI will shed light on this question. This then is one reason why we wanted to be involved in the exercise and why we think the first objective of SAPRI is so important.

The second objective of SAPRI is:

- ◆ to identify practical and necessary changes in policy to improve the lives of common people.

Here we hope that SAPRI will help us to overcome one of the most serious obstacles to a productive interaction with NGOs and civil society in discussing and debating adjustment policies. And that is reaching agreement on the facts.

In much of its work to assess the impact of adjustment on people, the World Bank tends to rely on large household surveys and various statistical techniques. Many of our NGO critics feel that this approach leaves out the human element. So in their work, NGOs tend to rely on informal techniques with a strong participatory characteristic. But then Bank staff worry about the representativeness of this kind of evidence.

So neither party has tended to accept the evidence of the other, and unfortunately the two sources of evidence often seem to produce contradictory findings. The result is an

impasse. If we cannot agree on the facts, the possibility of a constructive dialogue is minimal.

This then is the second reason we think that SAPRI is so important. Because it is a joint exercise we will be able to bring a variety of techniques to bear on the same issue, and in that way hopefully learn from each other and reach agreement on the facts. And if we can do that, then we will be well placed to pursue the second objective and search jointly for policies that can help us do a better job in the future in improving the lives of people everywhere.

Now these two objectives are very important. But they are also extraordinarily difficult to achieve. In the preparatory phase of the project in Washington, we confronted many apparently insurmountable hurdles. Because we were trying to do things differently, there were lots of new problems that we had never encountered before. We were in uncharted territory.

In carrying out this exercise in Bangladesh, you are, I'm sure, also encountering all kinds of difficulties, which at first sight may seem trivial, but, which because we are trying something new, may often prove surprisingly complex. But if we keep our two objectives firmly in sight, and if we have the right spirit, then I'm convinced that we can surmount all hurdles, no matter how high they may seem.

## **WHAT STEPS IS THE WORLD BANK TAKING TO SUPPORT SAPRI?**

Let me turn now to the steps that the World Bank is taking to support SAPRI as the locus of activity shifts from Washington to the participating countries. I think everyone involved in the exercise will agree that we have taken longer to get where we are today than we would have liked. With hindsight, this perhaps was inevitable given the participatory nature of the exercise and the large number of parties involved. Anyway, it's water under the bridge. The key question now is what lessons have we learned that will help us do a better job in the future. And there is one, which I believe is of the utmost importance.

Until several months ago, the exercise had been largely managed by a group of international NGOs and by Bank staff at headquarters in Washington. This may have been essential in the formative stages of the exercise but I believe it has now served its purpose. Indeed, it may even complicate matters.

Let me give you one example. After the forums in Hungary and Uganda, the Washington-based NGOs put out a press release which was seen by Bank staff as being quite misleading. And this generated considerable tension. It is not worth getting into the rights and wrongs of this particular matter. The point is that we don't want disagreements in Washington to affect the functioning of the exercise in Bangladesh. Nor do we want to impose views from Washington on the management of the exercise in Bangladesh.

SAPRI has the potential to make an enormous contribution by channeling local knowledge into economic policy making. But the process of harnessing this local knowledge must be locally-based. Local NGOs understand their countries far better than anyone in Washington. For this reason, we believe that management of SAPRI should rest firmly with local NGOs and other members of civil society working together with the Government and with the Bank's field office. We will be happy to provide support from Washington, but it should be support that you request when you want it.

In keeping with this view, the Bank is shifting responsibility for implementation of the exercise from Washington to its regional field offices. And to support that shift, we are also moving budgetary resources from headquarters to the field offices. This includes the

trust fund money intended for the field work. In this way, we hope to give our regional staff both the authority and the means to implement this exercise to the best of their ability.

Let me take this opportunity to urge the Washington NGO secretariat to also move in this direction if they have not already done so. Lets make sure that the authority and the resources to implement the exercise are placed firmly in the hands of the local NGOs where they belong.

#### **WHAT DO WE SEE AS THE OUTCOMES OF THE EXERCISE?**

Let me now address my third question -- what outcomes do we hope to see? As I said, President Wolfensohn wanted to use the review of past policy as a means of learning how we can work together in the future. And by “we” he meant governments, civil society, and the Bank. That is why we have designed a participatory process for this exercise. He also recognized that information and knowledge about policies and their impact that are available to civil society could be a valuable input to complement our own traditional statistical approaches. So, as far as outcomes are concerned, we would consider SAPRI successful if progress occurs on two fronts.

First, SAPRI will be a success if in reviewing past policy we identify mechanisms that allow civil society to contribute to the formation of future policy. Learning from the past is always important, but the real task is to lay the groundwork for fruitful collaboration and interaction in the future. For example, in Uganda NGOs and civil society were involved in the formulation of the country’s Poverty Eradication Action Plan which, among other things, tackled the issue of how to achieve food security more effectively while maintaining macroeconomic stability.

In Bangladesh civil society already plays a significant role in national policy making, so we have a good foundation on which to build.

And second, SAPRI will be a success if we learn more about the impact of particular policies and, more importantly, how they can be improved so that positive outcomes can be made even better and negative ones can be turned around.

Those are our measures of success for SAPRI in the long run. But what about the immediate goals of this forum? I believe it is very important that civil society has an opportunity to express its concerns about adjustment policies. And that will be an integral part of what we will try to accomplish in the next two days. I know a lot of people will want to take this opportunity to voice their opinions and that is indeed why we are here. We in the Bank are eager to hear from you and to respond as best we can to the concerns raised.

But if at the end we have simply heard a set of concerns, we will not have realized Mr. Wolfensohn's goal of moving this discussion forward. Therefore, the more we can identify specific issues and ways in which we can explore them together, the better off we'll be. Indeed in my view this is crucial if we are to meet the two measures of success -- identifying participatory mechanisms to aid policy formulation, and learning more about the impact of adjustment policies so that they can be improved where necessary.

SAPRI in Bangladesh has already made great strides. It has been developed with a high degree of professionalism and inclusion. Based on this performance, I am confident that you will make a very important contribution, not just in Bangladesh, but to the overall exercise as well.

Let me close with some quotes from Mr. Wolfensohn's address to the Board of Governors at the recent Annual Meetings:

- ◆ He said: "Ownership matters. Countries must be in the driving seat, and the people must be consulted and involved."
- ◆ He said: "Participation matters -- not only as a means of improving development effectiveness as we know from our recent studies, but as the key to long-term sustainability."
- ◆ He said: "We must never stop reminding ourselves that it is up to the government and its people to decide what their priorities should be."
- ◆ He said: "We must never stop reminding ourselves that we cannot and should not impose development by fiat from above."

That is Mr. Wolfensohn's agenda. I think it is also the SAPRI agenda.

Thank you.

Kamal Malhotra, Regional Coordinator

GLOBAL SAPRI: TRIALS AND TRIBULATIONS  
FIRST PLENARY: SAP, SAPRI AND BANGLADESH\*

Professor Rehman Sobhan and other Friends,

It gives me great pleasure to be here today. I have been asked by Dr. Debapriya Bhattacharya, Bangladesh SAPRI Study Coordinator and others to talk about the challenges and tensions that we, on the Global Civil Society Steering Committee, have encountered in the more than two years since SAPRI took off in 1996. As such I do not plan to talk about SAPRI's history, objectives and Standard Operating Procedures---various documents prepared for this National Forum in both Bangla and English and Dr. Lyn Squire of the World Bank who has just spoken have already covered this comprehensively and eloquently.

The history of the Structural Adjustment Policy (SAP) debate between the World Bank and civil society is as old and contentious as SAPs themselves----at least 15 years.

In that sense, the Structural Adjustment Participatory Review Initiative (SAPRI) should be seen as part of an ongoing process of civil society mobilisation around SAPs which began at least 10 years before SAPRI was even thought of or conceived. As such, its seeds were sown long before Mr. Wolfensohn became President of the World Bank in June 1995 and lent his support and stature to such a critical engagement with global civil society with the two main objectives that Lyn has already outlined.

Mr. Wolfensohn should clearly be congratulated for his support for SAPRI but equally it should be noted that the impetus and momentum for it, at least from a civil society perspective, came long before him.

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\* A written elaboration of the verbal presentation made by Kamal Malhotra, Co-Director, Focus on the Global South, Chulalongkorn University Social Research Institute, Bangkok, Thailand and SAPRI Civil Society Asia Regional Coordinator at the Bangladesh National Forum of SAPRI, Dhaka, Bangladesh, October 20-22, 1998.

It is equally important for the skeptics on the civil society side to know that the civil society groups engaged in SAPRI are amongst the longest standing and most consistent critics of the World Bank. This is because economic policy reform has been at the heart of the debate between civil society and the World Bank, since unlike discrete projects, such fundamental reforms affect everything in society including our very basic values and aspirations-----indeed, they affect the fundamental structure of society itself and the crucial relationships between the three main societal actors ie. the state and governments, the market and civil society. As a result, while there are many operational and policy points of interaction between the Bank and civil society, historically it is economic policy reform that has attracted the most robust and critical minded civil society protagonists of the Bank.

Therefore, the concern about cooptation of civil society through SAPRI that some have expressed is not well founded and should be put to rest. SAPRI is about critical engagement with the Bank on some of the most central and fundamental societal issues; it is certainly not cooptation of civil society by the Bank.

A logical consequence of this is that SAPRI was never viewed or anticipated by the main civil society organisations involved as either easy, smooth or tension free and it was always seen as a difficult process, full of tough issues to deal with.

What have some of these been over the past 2 years of SAPRI?

1. Government participation. To give it a truly tripartite flavour it was crucial that governments not be threatened by SAPRI but genuinely and voluntarily welcome it. The Bangladesh government should be for its willingness to participate. Unfortunately, the governments of Mexico and the Philippines (previous government) refused to participate while the government of El Salvador withdrew unilaterally after agreeing to participate and the governments of Brazil and Argentina do not appear to ever have been formally asked despite our repeated requests because the Bank insisted that they would refuse to participate if they were.

The refusal of governments to participate and the Bank's unwillingness or inability to ask other governments has led to the formation of the Citizens' Alternative Structural Adjustment (CASA) and

the creation of a broader Structural Adjustment Policy Review International Network (SAPRIN), in addition to SAPRI.

2. Common but differing objectives and perspectives for and on SAPRI. While there are two main commonly agreed objectives on paper, both the Bank and civil society have additional objectives which may not be common and which, therefore, inevitably lead to tensions between them. The issue of whether this is a research exercise with a participatory component or a participatory exercise with a research component is one such tension, reflecting somewhat different objectives and perspectives between the Bank and civil society. It is a tension which is unlikely to go away for these reasons.
3. The continuing absence of a large and/or “emerging market” country and economy such as Mexico, the Philippines, Brazil or Argentina in the formal SAPRI exercise still remains both a challenge and a limitation. This is doubly so after the Asian led crisis because the latter, in essence, has been an “emerging market” country and economy crisis and the Bank and Fund have in the past often used these countries to draw lessons for economic reform programs for other countries, including the many smaller ones that are part of the current SAPRI exercise such as Bangladesh.
4. Related to but distinct from the above, the non-participation, except in an observer status at some meetings, of the IMF so far. Again, this limitation is doubly magnified by the Asian led crisis which shows beyond doubt that any exercise on SAPs has to involve the Fund.

Indeed, in the Asian context, I have often been questioned about the relevance of the SAPRI exercise without the IMF. There is understandably little doubt that its credibility and relevance will continue to be questioned if the status quo on the IMF’s non-participation in SAPRI remains an unresolved issue in the Asian crisis context.

5. I have already referred to El Salvador before but I wish to come back to its example again. It illustrates the case of a country's government withdrawing unilaterally from the SAPRI exercise after joining it in what can only be assumed by civil society to have been full knowledge of the implications of such participation since the country joined after the July 1996 agreement between the Bank and civil society came into effect.

The government's withdrawal without any consultation or negotiation process clearly raises fundamental questions about the accountability of such decisions----who is or should the government of El Salvador be accountable to for such decisions? What is or should the role of the Bank be as a signatory to the July 1996 agreements with civil society? Should it, for example, be held responsible for ensuring accountability to the July 1996 agreement by governments which voluntarily agreed to participate in SAPRI but later withdrew unilaterally---- since such governments are the Bank's major clients and it has been agreed that it is their main responsibility to bring all relevant governments on board for the exercise?

6. Linked to the above, but somewhat distinct from it, is the question of the relatively narrow-based nature of participation in the SAPRI process on the government side. Such participation should not just be by the Ministry of Finance or, even worse, by the Finance Minister as in the case of the El Salvador, but by all government ministries, especially those responsible for social policy functions. Such ministries, like poor and vulnerable groups in society, have for too long been left relatively voiceless and disempowered within governments, especially on issues and decisions to do with economic policy and SAPs.

SAPRI could also benefit from broader based participation within the World Bank. While we welcome the involvement of the Policy Research Department, the intellectual heart of the Bank on the basic SAP formulation and design, it would be good to have a broader range of operational staff inside the Bank and senior economic policy makers involved. Likewise, the Bank should ensure that its Resident country offices send sufficiently senior and serious staff to in-country meetings on SAPRI. While this appears to be the case in

Bangladesh, this is not a universal experience, and in some cases, relatively junior staff with little or no decision making authority have been sent for SAPRI meetings with predictably unsatisfactory results, at least from a civil society perspective.

7. Information disclosure policy for a level playing field in this respect. This has been an extraordinarily hard issue to agree on and took approximately six months from the time of the Global Launch of SAPRI (July 1997) to finalize because it was mired in legal and other problems for much too long. It took compromises on both sides to reach an agreement in February 1998, delaying some national launches by upto six months.

This policy remains a contentious issue in some countries even after the global compromise agreement on it was reached. In Hungary, for example, I was told that the local World Bank Resident office has refused to release SAP documents published after 1992; yet this appears to be against both the spirit and letter of the global agreement. The World Bank's Washington DC headquarters clearly needs to do better in terms of ensuring that global agreements on SAPRI are both understood and honored locally, in-country, in SAPRI countries by its senior staff and offices.

8. Methodological and technical issues. Those of us on both sides who were involved in this debate and negotiation over a period of a year in 1996 and 1997 have often had the impression of having taken "one step forward and two steps backwards." While in the very first hour of the very first global methodology team meeting in September 1996, we thought we had reached agreement between the World Bank and civil society on fundamental principles, we were later distressed or reassured, depending on differing perspectives, that the superficial wording that we had agreed to was subject to very different concrete interpretation by the two sides.

Similarly, we had very different understandings of what we meant by a political economy approach, on definitions of rigour and the relative treatment and weightage given to qualitative and quantitative data (should they be treated with equal respect as we, in civil society, insisted?, how should we treat or "scale up" seemingly credible anecdotal

community level concerns and other data? ), and on how to view the Bank's non-negotiable and seemingly impregnable "counterfactual."

On the latter, after months of impasse and stalemate, we agreed that the counterfactual should not be viewed as a "no economic reform" scenario, but rather as an alternative economic policy reform scenario (eg. agrarian reform, rural credit and other institutional support for the rural landless and small farmers as opposed to agricultural price liberalisation and export-orientation as the only panaceas for the ills of the current economic and social malaise afflicting a multitude of economies and societies).

9. Media Strategy. While civil society participants in this exercise feel that it is desirable to agree on joint press releases as far as possible, it is crucial for the integrity and credibility of the exercise, that both sides maintain the possibility, and indeed, desirability in some circumstances, of putting out independent media releases when necessary. This has recently been a point of tension and is inevitably going to remain one for the duration of the exercise. Part of the explanation for are the different objectives and expectations of SAPRI by the Bank and civil society-----once again, the tension between whether SAPRI is primarily a participatory (and, indeed, political ) exercise with a research component or whether it is primarily a research exercise with a participatory component surfaces and lingers....

10. Last but not least, the relative importance of the national, regional and global levels at different stages or phases of SAPRI. The World Bank is saying that the civil society side should now shift both authority and the locus over major decisions and the overall process to the in-country civil society side. We maintain that we did this over a year ago in all SAPRI countries and that while we welcome the Bank's willingness to do this now, we must all remember that, as per the original concept of SAPRI, it simultaneously has national, regional and global dimensions, the relative importance of which shift in different phases of the exercise. Nevertheless, each level has an important role to play in all the phases of the exercise and while the current phase necessitates a central role for the in-country national process, the other two levels of the exercise remain crucial as the

examples of both Hungary and Uganda, the two countries which have had National SAPRI launches before Bangladesh, illustrate.

Indeed, from its conception, it has been recognized that one level is not a substitute for the other---all three have crucial roles to play in all the phases of SAPRI.

In conclusion, let me stress that these trials and tribulations of the last two plus years have made the SAPRI exercise a richer one than it would otherwise have been. The fact that the whole process has been one of critical engagement rather than cooptation has also, so far, made it a much more meaningful one for the poor and vulnerable people whose interests it is intended to serve.

***First Syndicate:***

**Mr. M.K. Anwar**

“Bismillahir Rahmanir Rahim”.

The honourable chairman, members of the different sides of the tripartite exercise, I am very grateful to the organisers of this programme for enabling me to take part in forum designated to the trade and industrial policy at this very critical time.

The main aim of the structural adjustment policy or stabilisation programme in Bangladesh and all over the world is to correct the observed inefficiency in different sectors of the economy and then to invest the resource available in the most productive sectors and thereby enhance betterment of the people.

The discussion of this morning has raised a very important question in my mind and the question is about the ownership and it has been mentioned frequently – who are the owners of this structural adjustment programme or stabilization programme? I think here, my speech can be expressed briefly followed by a short story. Once a Headmaster went to a class for inspection and asked a student, “Tell me, who did demolish the `Somnath temple’?” The boy stood up and answered “Sir, I didn’t”. Obviously the Headmaster became worried and asked the class teacher, “Would you please tell me who it was?” He answered, “Sir, I was not there at that time”. Now, it seems to me that `this programme belongs to whom’ has created a big problem. I am pleased as the World Bank has at least made a chance for a dialogue about this problem. But here, some other problems remain some of which Dr. Malhotra and Dr. Debapriya Bhattacharya have focused on, and so did others. These problems have also been dwelt on by Mr. Lyn Squire, the representative of the World Bank.

One problem is who is on which side in this tripartite exercise. For example, if I ask today, where is the government side? Because, first comes the question of the government. The next question is about the presence of civil society. The present audience in front of me is supposed to be the claimant of civil society. I am also a member of civil society. You, each and every person, are the member of civil society. But can we truly say that, we, the people in this room, are representing the civil society of Bangladesh perfectly? I think that this claim should not be a right one. Then comes the World Bank and here only the World Bank is taken to be in consideration but not the IMF. But in SAP there is no way to undermine the contribution of the IMF. And I am afraid that the World Bank

will not be able to proceed as expected if the IMF doesn't agree to join in it. In fact, if we exclude the IMF then the success of this exercise will be in doubt. Another valid question as voiced by Dr. Mahmud is that: which ministry is representing the government? Past experiences show that if something is signed by one ministry and then other ministries almost have to accept it considering different situations and there have been a lot of conflicts in different regimes of the different governments which would not be resolved. The present situation seems to be just like before. Well, today's exercise is to decide the way of tomorrow's activities, based on the past experiences. Now if we intend to do that, first we have to think: what did we learn from the past? Has it succeeded or not? At first, we will deal with the policy framework paper of the structural adjustment facility or programme as referred by the WB. It has two parts. One is, what have I to do? That means, what has the country asking for money to do? Another is if that is done then, what will the result be? First part is specifically disclosed - which job, how and within what time framework have to be finished etc. If devaluation is needed - when it has to be and at which rate - everything is said. But in the second part generally not such numerical value exists. Say for example, growth will increase - but how and at which rate - these are not mentioned. Inflation will decrease - but how and at which rate - these are not mentioned. The main thing is how, by implementing which policy and by which procedure I will get the expected result. That means, the casual relationships are not shown in any document. I didn't have the opportunity to go through such economic analysis. So, how successfully the exercise can be done is questionable. Another thing is that these documents are considered as highly confidential. So here in the exercise if the information of the documents become difficult to get, then I think it is a real pity and many can express doubt about the future of this exercise. I think that this information should be very open, clear and everyone should have access to it. This is not only true for the WB, but also true for the government side too. If the documents are treated as confidential (in fact, there is no scope to consider them confidential!) then this exercise will only be a superficial one.

There are a lot of policy measures in the structural adjustment programme. Lessening the role of government, withdrawal of all types of subsidy, imposition of liberalised trade regime, establishing free market, privatization or denationalization are salient features of the package. Today's discussion in this session is devoted to trade and industrial sector. Therefore, my speech will be limited within these two.

Bangladesh has been involved with this programme for last fifteen years and many analytical works and publication have been done in this respect. Prof. Rehman Sobhan's CPD is an institution that has contributed much regarding the issue. They have surveyed and also gave comment in many times. There were proposals, many suggestions regarding this reform programme in the task force report, which was prepared in 1991 during the period of interim government.

Trade liberalization – there is not much wrong with this. To go for trade liberalization we have to give up quota system, quantitative restriction, and import license and encourage export and reduce tariff. I do not think that anyone will have different opinion regarding this. But the question is – in what dose, in which situation this will be done? If these are not suited to the situation prevailing in our country, then it may harm us instead of bringing fruitful result.

The sector that will be hurt most due to liberalisation of trade in our context is domestic industries. And if this domestic sector is not given a level playing field and if trade is liberalised, the domestic industries will be hard hit, which has already occurred in our country. Because trade liberalization without level playing field will not lead to the flourishing of our industry, and competition among the industries will not take place. For trade liberalisation many more conditions will be needed, such as – reforming banking sector, developing physical infrastructure, developing human resource, availability of investible wealth, etc. This can be explained by a simple example. Let us consider the case of the textile sector, which is also called as the mother industry in many countries. Unfortunately, in our country, this sector has completely been destroyed. If in the current context anyone is to establish a textile industry, he has to import machineries at first place, and later he will have to import cotton, technological know how and in some cases manpower too. Whereas if we consider the case of some neighbouring countries we see that there they have machineries, cotton, technology at their hands. If you impose zero tariff, even then it is very difficult and time consuming to establish competitive industries. So, if we liberalise trade all on a sudden, it will not bring any fruitful result to the local industries. And if it is not beneficial for the industries then it will effect many other sectors. For example, it will affect export, employment, domestic growth rate. According to a speaker representing the World Bank the growth rate in '90s has increased compared to that of '80s. It's true. But none has examined that how significantly it has increased due to the structural adjustment or whether it is in spite of structural adjustment.

Another concern is privatisation. It has two sides: one is to encourage private sector. There is no doubt regarding this and I think that none in Bangladesh will oppose to this. Private sector should be encouraged to set up new industries. Then comes the issue of privatisation of the state owned enterprises. Before this, we have to enquire whether the private sector has the capacity to run the state owned enterprises efficiently in addition to running their own industries. It is to be assessed whether such a stage has emerged. Another matter of concern is that in many cases profit-making government enterprises are also being handed over to the private entrepreneurs. The protagonists of this view argue that private entrepreneurs will not be interested to take over only the loss-making industries if the profit making ones is not given to them. But this is not a strong argument. How much would it be justified if government hand over such industries, which can be run efficiently by the government? We are much interested to encourage the private sector. But before

this, we have to appraise the capability of the private sector. Otherwise, the privatised industries will either be running at a snail's pace or be laid-off or the land is sold etc.

Before transferring the industries to the private sector the cost should be counted in an appropriate manner. If we look at the history of our industries we see that those were fully owned by the state during the period of 1971-72. If you want to go back further, it is observed that PIDC or EPIDC initiated most of the industries during Pakistan period. Later, these were transferred to the private sector. In the post '75 period, the involvement of the private sector became greater and greater, though the size of the state owned enterprises didn't squeeze and their performance was marked by stagnation. On the other hand, our private entrepreneurs are mainly first-generation industrialists. So perhaps they lack the experience in industrialization is expected. This is an important stumbling block towards our journey into industrialization.

The main point that I want to say is that we need structural adjustment reform. There is no doubt about it. I solely agree with the steps taken so far. But to me the matter of concern is sequencing and pacing of it. Nothing can be done all on a sudden.

Another quick point. Earlier, the East-Asian countries were set as models before us. But the conditions of those countries have been deteriorating since last two years. And it is really disappointing that none of these countries are involved in today's study. If any of them participated, we would have got more information regarding their faults for which their economic conditions have reached such a depressing position.

Then comes liberalisation. Liberalisation is being asked to practise. But has the World Bank or IMF or G-7 reached to a consensus regarding this globally? In the case of Bangladesh it is said that subsidy should not be given as it hampers the optional use of resources; whereas in many Western countries it is being encouraged. Let me cite an example. I think I will be excused if I mention that there is a large cafeteria in the World Bank building and I do think that a handsome amount is given there in the form of subsidy though I don't know the amount.

Then comes the question of free trade. We are arguing in favour of free trade, establishing industries so that the factors of production may move freely between countries. If it is so then why manpower cannot move freely? Until recently none can initiate a proposal regarding this.

At present, garments sector is the largest export sector in our country. And neither the SAP nor any sort of such programme or the government has devoted significant contribution to this sector. Those who have performed well in this sector have done that availing of some international opportunities. One thing should be clear here is that the contribution of this sector in terms of value addition will no more be greater than 25% - 30%. Till today I haven't seen any such conditionality by the donors that this percentage should be increased up to 50%. Because there is conflict of interest

between countries if it is done so. We have to import certain materials as inputs for our garments industries and the countries who are exporting those are being benefited. Another point is to be made here that when we were making progress in industrialisation, many prescriptions were levied upon. First one was environment related. According to them, environment will be degraded. Environmental degradation will take place – it's true; but question of existence is much more important than degradation. The question appears– who is degrading the environment? Then came child labour. Using this issue, the entries of many of our products are being restricted in many countries. The quota system has not yet been lifted in the garments sector, whereas we had to give up all the import restrictions. Our import duty has been reduced from 350% to 42.5% from the beginning of '90s to recent years.

The partnership or ownership of the programme has not been pronounced here so far. And to settle down the ownership it is very critical to organise consultation with the general people and to elicit their response after making them understand in their language. If we realize the truth that those who are farmers from generation to generation can have profound knowledge and experience, which might be shared by the most, even learned persons from Oxford or Cambridge. Ownership will not develop unless this type of sense emerges. Industries alone cannot do much. We can save the cottage industries by understanding the business of the weavers. If the endogenous knowledge could have been explored even slightly, then our people would have been more benefited.

The political aspects of economics, which was discussed in one of the writings of Prof. W. Mahmood, published by CPD, have not been discussed yet. Some remarks made in that paper were very much valuable. One of the prime opinions was that if a country wants to make a programme effective it should have to make a political consensus over the programme. Unless it is done it would be impossible for a government to carryout such programme. If national consensus emerged on some national economic issues, the scope of preaching one thing in the government and the opposite in the opposition would be narrowed down. Many of you are surely thinking that as a Member of Parliament, I can in fact discuss this in the parliament. But during the last two and half years we could discuss only one of our economic problems in the parliament and that was share market related. But except this none of the economic issues had been discussed and there might be some reasons for it. However, if the political consensus could not be developed regarding the economic policies there would be no sense of ownership of the programme. Ultimately the implementation of the programme depends on government, which is not of a government of specific political group for good. If all the parties are not put together in the same platform then the expected outcome will not be achieved.

The concept of good governance appears here undoubtedly. If you cannot establish good governance you cannot enjoy growth or reduce poverty by way of changing policy. Good governance

means you should take step regarding law and order situation, ensure basic security to all, eliminate middlemen in the way of running the country which have now in a alarming position as Prof. W. Mahmood expressed in his write-up. When we talk about foreign investment we see in many occasions that the foreign investors are being harassed in many ways. It was seen in the past that some big investors had been violated physically on the streets. If administration is not sincere to establish governance then the situation of a country will not develop by making any change in the policies. Regarding political consensus I want to say that if the opposition party is treated as opposition party then the way for reaching consensus will be closed. If steps are taken to harass the opposition party then naturally opposition parties will response to it in the same manner. Therefore, it is badly needed to establish political consensus. We have to consider the present condition of our country, have to consider the industrial circumstances, labour plight, employment situation etc. We need to put our step forward by considering all these things.

I am always in favour of reforms. But the reforms need to be public-oriented, welfare related and should be carried out in a acceptable dose so that it stands for the betterment of the people.

Many thanks.

***Second Syndicate:***

**Motia Choudhury, MP, Minister for Food and Agriculture**

*Chief Guest, Second Syndicate*

Bismillahir Rahmaneer Rahim.

Ladies and gentlemen, honourable chairman, respectable representatives from several government and non-government institutions. I am only attending the present session of this forum. Unfortunately, I could not share the previous discussions of the last two days. I think, in this way, I have deprived myself. I have the study report with me and I had the chance to read some of the aspects of the report. I have read the agriculture portion of the study report of SAPRI. Already Dr. Debapriya has given the synopsis. I think all of us agree with him. But the reality is that for our geographical condition and economic situation we are forced to swallow the reform. We have to keep pace with it. But I want to say that sometimes we accept different measures of the donor agencies without any bargain or rational discussion, despite having scopes. I observed this situation both at the field level and the high government level. Before accepting any prescription we should go through the arguments, and counter arguments. For not following that route our agriculture sector has to be burdened with great losses, as a result.

When BADC had the responsibility to supply fertilizer, there wasn't adulteration. But when fertilizer supply had been given to the private sector, the supply was corrupted. I admit SAP is a good process. But if it encourages this sort of diluted supply, why would we rely on SAP? It is said that SAP is for more production and development. But if it acts as an obstacle to the development process then what is the benefit of following SAP?

I may share one of my own experiences with you. Government produces a maximum amount of 50 thousands or one lakh tonnes of SSP fertilizer and very little amount of TSP. But when the government used to manage, then farmers were sure about the purity of fertiliser. But the private dealers supplied impure crystallised black fertilizer in the name of TSP. They also supplied soil in the name of TSP. As a result, farmers lost their crops as well as the money that had been spent for buying fertiliser. Being rudderless due to a double trap, farmers assaulted the suppliers of fertilizer. Then the arms of the government had to intervene to maintain the law and order situation. Now we should think whether the government should maintain the law and order or be engaged in the management of fertilizer

supply. For your kind information, ultimately we band that fertilizer supply. Some people have praised this step while some have not. But some countries behaved very coldly at least when they met me as we strictly banned the import. It proves that SAP is not always in our favour. Sometimes structural adjustment programmes help promote several products prepared by a specific group of people. I also believe that we need structural adjustment. But if we can outline those measures ourselves we don't need their guidance. That will also serve our own purpose and will help our self-development. Sometimes prescriptions were for their own interests than for ours. This creates suspicion about their motives.

I also want to point out the management of irrigation. A BIDS study has shown that widening the private sector in water supply management promoted the use of shallow tube-wells as the government is not controlling the water supply management. But what has happened? As the government authorities nowadays do not maintain the deep tube-wells, these machines get damaged for lack of maintenance. The small farmers can't always bear the maintenance cost. We don't have any big farmer who owns a farmhouse or ranch. We don't have any Zamindar. The main driving force of our agriculture sector is small, middle and marginal farmers. From this viewpoint, we should consider any new prescription in the agriculture sector. So changes should be made in terms of the small farmers' interest. Whether a measure is taken from the government or non-government side, we should follow this for our agricultural development. We have decided to increase the wheat and Boro production by ten lakh tonnes to make up the damages caused by the recent devastating flood. But we also had to think about fixing the a damaged tube-wells. If we keep the tube-wells in damaged condition, waiting for the private sector to act, then it will not help us anyway to increase our committed Boro production. Farmers have not the capacity to fix their damaged tube-wells after the flood. Even farmers didn't have the financial strength to fix them up after the flood. We are speaking about modernization, mechanization and increased production in the agriculture sector, but we should consider the position of the poor farmers. They always cannot bear the cost of any new establishment. In this case, if we impose the principles of privatisation, our production will suffer.

I think that the agriculture sector is the largest private sector. But we cannot impose any sort of prescription on agriculture which hinders the production. Now a days a new concern is the arsenic problem, an environment problem facing the agriculture sector. We

have learned many things about aquaculture. In the peak summer I saw many villagers in my constituency pour waters from their ponds with the help of shallow machines. There is a limit of using the shallow machine. But going by the logic of privatization, we cannot stop anyone to use shallow machines excessively. As a result fish farming is at stake due to lack of water.

If the donor agencies impose prescriptions for our development, they should also be responsible for the outcomes of that prescription. If your cigarette burns my shirt you have to take the responsibility and clad me with another one. But it does not mean that I disagree with the SAP school of thought. We need structural adjustment. Let me give an example, we are giving 16 kg foodgrain per VGF card. the opposition wants this to increase to 30 kg. I don't think that they could take this sort of step during their rule, but now they want us to do that. On the other hand, the donors are against this. We don't want to encourage inactiveness rather this would unleash the productive force. In agriculture, we don't want to behave like a charity organization. We want to provide only the minimum intervening support to prevent starvation.

When this government was in opposition we promised to give subsidies to the poor farmers. This government is very much farmer - friendly and wants to develop the agriculture sector. We bargain with the donor agencies seeking our own interest. We even help the farmers with GoB fund. We would like to increase production. The production was two crore three lacs in 1996-97. There was also a hidden draught which declined our aman production by 88 lacs and 50 thousand tonnes. But we made it up and increased the production to two crore and five lakhs. The government can not only collect taxes from people without doing anything for them. I think governing a country means helping the hard-core poor and the masses in times of need. I may cite a quotation from the renowned poet Rabindranath Tagore that people think themselves helpless when they find none to stand beside them. People think this way when they give up and lose their strength to fight against all odds. In this sort of situation, if one loses the willingness to live, he starts sinking. If the main initiative of the structural adjustment is the development of a nation then I shall support it without any hesitation. I shall support the open market process which promotes private entrepreneurship. But this process should have a human face, should bother about the hard-core poor. An open market economy like a monster with a cold face should be rejected totally. Open market

economy promotes a positive competitive market. But it obviously needs to be adjusted with a human face.

The IMF is now trying to correct many of their strategies in the backdrop of crises in many places. If structural adjustment were flawless, why is this corrective measure going on? Structural adjustment encourages privatisation of fertilizer production and management. But this privatisation process has taken the lives of 18 farmers. As the agriculture minister, I know how hard the management of fertiliser distribution. During the peak season I have to make phone calls to O.Cs and T.N.Os of the respective areas about the off-take of fertilisers from Jamuna fertilizer company or CFL. It was due to the close down of BADC's activities at the dictate of SAP, but it also shows that the government is doing the job in the absence of BADC. Even I have to engage the party members in the management of fertiliser. And here lies my question, if government is executing the responsibility any way then what is the need for multinational dealership? Government is doing the best to maintain the farmers' interest first. As we have to fix an affordable price for the poor farmers, then why can't we have the dealership? We have to settle different prices in different places considering the transportation costs.

I also think our people have an excessive dependence on the government which encourages inaction. In the government offices employees get salaries without executing their responsibilities properly. But a farmer doesn't have the scope to avoid or ignore his duties. He can't remain idle without ploughing his land, because he is very much accountable to land, to mother earth, to the nation and of course to himself. If he is not industrious then he will not get anything from the mother earth. So, in the agriculture sector, I agree, we need structural adjustment but with a human face. Production will not increase if the structural adjustment process does not count that critical factor.

Because of the devastating flood, we had to allocate a big amount of credit for the farmers. It is a big issue to the opposition why we also chose the agricultural loan defaulters. But, I think we shouldn't support any crime – one crime is no defense for another. The main problem is that we tend to give statements without thinking the practical situation, save those statements wherein we don't have responsibilities. It is easy to say than to do. If farmers don't return the credit in time, banks will loose their capacity of providing credit to others. In this case, we need structural adjustment. Many organisations have urged us to waive credits.

But, I think this is not rational. Writing off credits introduce bad habit among the farmers. I can give examples. After the flood of '88, the credit allocated to the farmers had been waived. Rural elites (chairmen, union parishad members) were benefited as they had taken the loans in the name of poor farmers. I just want to indicate that one should realise as to whether credit waiving is good or not. I was in Goalondo few days ago. There a farmer informed that he had to give 700 taka out of his 7000 taka loan as bribe. We suspended that officer. We try our best to stop this sort of bribery. But I shall say again and again that without getting back the credit, banks will not be able to give credit.

I think government has an important role to play in the management and distribution of agriculture inputs. Otherwise, marginal farmers will face problems. Marginal farmers own a small partition of land. If we do not provide credit, they won't be able to recover the loss caused by the flood. They won't be able to buy fertiliser, pesticides. So we have provided emergency credit without considering whether he is a defaulter or not.

In many rich developed countries, they provide price support to the farmers. I think that we should also consider this aspect. Many developed countries are facing problems regarding price support. We should learn from them. Our agriculture and our farmers are struggling to increase the growth of GDP and to contribute to develop our economy. So, in this sector we shouldn't impose any hard and fast prescription. We should consider the distress of the poor farmers, which is at times unbelievable. We should take any decision after in - depth analysis and government has to be very conscious to implement those decisions appropriately.

I have seen in India that farmers are getting water and electricity free and seeds, fertilizer and pesticides at a reasonable price. If I could provide this sort of facilities, I could fix the rice price at 6.50 Taka per kg, whereas they have rice price per kg at 7.50 taka. We have a different situation in our country. If the price of rice decreases, the farmers cannot cope in terms of their production cost. On the other hand, if the price of rice increases, the consumers cannot get in to trouble. So, the government has to govern amid this type of dilemmas. Whatever the real situation is, the government has to take forward the development process and has to ensure their seats in the Parliament for the next election too.

I conclude by telling a story from Hindu mythology. To save Lakhindar's life, Behula had to do several sacrifices. One of the conditions was that she had to perform an outstanding dance to

please Indra on a small clay without breaking that, keeping her husband at the death bed. This story depicts the condition under which a government of a country like Bangladesh has to perform. It means that we have to satisfy donors' conditionalities and at the same time had to keep the electorate in good humour.

Thank you.

*Second Plenary: Wrap-up*

**Mohiuddin Khan Alamgir, State Minister for Planning**

*Chief Guest,*

I feel very much enthusiastic listening to the synopsis that has come out from the discussions about structural adjustment. I personally as a student of economics am very much pleased. During the late eighties we wanted to make the policy-makers conscious about the notions of structural adjustment in terms of our country perspectives. Unfortunately, the World Bank then took a position and also we couldn't exhibit our own agenda. For that reason we accepted the World Bank's prescription. Unfortunately it is true that despite what the opposition party said yesterday criticising the reform programme sponsored by the World Bank they themselves had accepted the reform programme without any hesitation. What I want to say today is that in terms of that experience we should be conscious about the prescription of foreign aid agencies.

There are three elements of structural adjustment that was put in place in Bangladesh. The very first element was the prescription of privatization in all sectors. Privatisation of industry, privatisation of agriculture – all these are necessary and it should be done in all sectors. But they forgot one thing – the responsibility of the government and all responsibilities of the government cannot be fulfilled by companies or by the private sector. We cannot pass on government responsibilities to the companies. Once here in this country, a company took over government's tasks. We still hate them and don't name our children after them. They are termed as traitors. So we should be careful about the role of those who accepted the prescription without hesitation and emphasised privatisation. Because privatisation didn't bring any positive impacts in some sectors. I may cite examples in light of the recent government policy about electricity production. In this sector, our donor agencies prescribed even yesterday that electricity should be produced and supplied privately. As a result, they stopped their aid in the power sector for the last ten years. After that we keep on signing different agreements conceding their will. Through one agreement, we spent 110 billion from the public sector for producing 110 megawatt electricity. Thus we have made a permanent arrangement to send abroad 1 billion dollar per megawatt. Considering our economy we should not have accepted this type of conditions which have been given in the name of privatization.

Secondly, donor agencies prescribed trade liberalisation. We have reduced effective tax rate compared to our neighbour countries in the name of liberalisation. Even in this aspect we failed to identify the appropriate role of the government through effective consultations within the country. As a result, instead of doing good we did a harmful thing as we reduced the role of government in BADC. But in the last Cabinet meeting we decided that we shall redefine BADC's role in Bangladesh in the light of Bangladesh's experience. The conditions of the structural adjustment have affected our power sector. During the last ten to twelve years we were not able to take any effective step to generate power. As a result, scarcity of electricity has become a major impediment to our industrial as well as overall development. Actually, this had been done through the structural adjustment. I still think that the public sector should at least produce 50% of the requirement. If we don't assert this position then we will not be able to augment our industrialisation.

Thirdly, we didn't build up any fund for industrial development; rather, we gradually squeezed the role of Krishi Bank, Shilpa Bank, Bangladesh Investment Corporation, etc. We should take different measures to build the fund. We ignored the agriculture sector in the name of structural adjustment. We used to say that agriculture sector shouldn't have subsidies. We have to remember that every development measures have an element of subsidies. We have kept on giving subsidies to infrastructure, to urban development. On the other hand, we reduce subsidies in agriculture sector. We said if we kept on providing subsidies to agriculture sector, it would encourage inefficiency. But I think it was a wrong idea and in turn we failed to increase our expected production in agriculture. Production has increased, technical advancement has been achieved but far less than our expectation. We ignored the land tenure system. We introduced a law for sharecroppers, but the conditions of structural adjustment didn't help the law to be effective. We think if we take measures only for owner-farmers but not for the sharecroppers, it will not help us to increase production. Last of all, we ignored the poverty alleviation programme. Also we had reduced the transfer payment disbursement system from our development programme. But recently we are emphasizing transfer payment. Now, we are more conscious about the effective steps for poverty alleviation programme. We think we are accountable to the poor and oppressed people. I am glad that this idea come out through your discussion. In the last decade, the World Bank tried to impose their prescription on most of the poor countries. But, fortunately,

they didn't succeed in all the countries. So they took a different tract. The chief economists of World Bank have agreed that government has also a role to play. Government has a role in alleviating poverty, in economic development.

If the World Bank included this in their SAP package, then the countries would not face complexities. I want to add that we should not accept those elements of the World Bank's reform policies that harm poor people and development. If we were conscious about the loss of the state sector, system loss of power and railway sectors ourselves, then the World Bank wouldn't have the chance to impose their conditions on us.

Finally, regarding the 'orphan' status of the reform programme, I think that the reform package was not appropriate since the process was not initiated indigenously. The second reason could be that the implementing governments had signed the adjustment package with reluctance. We are compelled to accept the reform agenda because those had been signed earlier. But the present government is gathering strength to bargain with the donors before embarking on a new reform. I can assure you on behalf of this government that we will make necessary analysis before signing any new policy reforms.

Thank you.

Zakia Akhtar Chowdhury, Secretary, Prime Minister's Office

Respected chairman, ladies and gentleman, with your consent I like to speak in English. At the outset I thank Mr. Chairman for giving me the opportunity to say a few words before this audience. In my capacity as the government representative to SAPRI steering committee, I believe all of you will agree with me that SAPRI national Forum continuing for the third day has generated keen interest and elicited discussions and it has brought forward some very valuable suggestions and recommendations. The highlights of discussions that have been presented by Mr. Debapriya Bhattacharia show that we encompassed all the diverse and related issues concerning reforms and structural adjustments. The honorable state minister has already responded to the issues that have been raised. So I am not going into those and I will concentrate my remarks on the SAPRI exercise. From the discussions and presentations that we had it is apparent that the institutional and policy reforms that have been implemented under the program of structural adjustments in developing countries including Bangladesh have affected different sectors of the society in different ways. It is true that the results and effects of these reforms are not equally positive and beneficial to all sections of the society and people of different categories. As a democratic government, the Government of Bangladesh cannot be insensitive, I believe, to the negative effects of such reform measures. In order to minimise the potential negative impacts of the reform measures particularly on the poor and disadvantaged group the government needs to have clear and complete knowledge and understanding of its effects. And, I believe, that is the particular reason why the government has responded positively to the global SAPRI exercise which I consider a concrete and effective approach to achieve this. SAPRI has arranged consultation meetings and listening sessions. It is necessary to listen to what reform measures have worked beneficially and how it is working now and how it will work in future. SAPRI, I think, has given the civil society an opportunity to voice their view and feelings regarding the impacts of reform measures. The government and the WB are also getting the opportunity to know and understand the possible negative impacts of the reform measures on the different sections of the society and people. This I think will improve the quality of the programme and ensure accountability and transparency. Well, I may add here that this participatory approach and corporation of civil society are already in practice in Bangladesh. And I like to

mention here that the bottom-up, the participatory planning process has been practised in different projects and so far produced good results. It is encouraging to know that in Bangladesh three issues have been selected under the review initiative . Those issues have been talked again and again and I don't like to repeat. And I also welcome propositions based on the discussions and deliberation of the national forum. I expect that the SAPRI exercise in Bangladesh will capture the concern of the disadvantaged groups who are adversely affected by the structural adjustment measures and help incorporate those in future policies of the Government aiming at improving the quality of life of our people. The government of Bangladesh greatly values the interaction with civil society and NGO's and that is why, as you probably know, it holds regular meetings with business groups, academicians, professionals and public representatives. And that is also the reason why the government has formed GNCC comprising people from all strata of the society to have continuous inputs on different issues as we know that good policy making emanates from interaction and dialogue between policy makers and stakeholders. At this point I would like reiterate that the government believes that with the help and cooperation of all, I mean, development partners and civil society, our march towards progress, prosperity and development will be fast. The present government makes economic policy decisions on consensus basis and involves people at the centre of all policy initiatives.

The government of Bangladesh is committed to reforms that can bring welfare to the common people and alleviate poverty. Different groups, however, have raised many questions about the reforms. This review of the effects of the structural adjustment process in a participatory manner, which SAPRI intends to perform, may alleviate many of the doubts and mistrusts that are prevailing across the globe regarding structural adjustment problem. In this respect, I believe, SAPRI can play a positive role in the right direction. And as the honorable state minister has mentioned earlier, all these things should be country specific. With this note I like to conclude my remarks, thank you so much for kindly sparing your valuable time to listen to me. Thank you Mr. Chairman.

Ms Khusi Kabir:

Mr Chairman. I am working for the SAPRI from its inception. I have seen people's enthusiasm to question which is very positive. SAPRI means structural adjustment participatory review initiative. We can carry out the review through discussion, through traditional research. We have to compile documents and research findings. I think we should share whatever we get through our discussions. If we share then we shall achieve true success of SAPRI. If we stop simply through this ongoing symposium, then SAPRI's true objective will not be achieved. We, who are in the committee and you who are now engaged in SAPRI through discussions, both have responsibilities to make SAPRI a success. We should have to be concerned about the public opinion. Public have the right to know what we are researching or what is the outcome of the research. For this reason, I am emphasising on the term "participatory review initiative."

One of the most important elements of SAPRI is that it will consider the opinion of the grassroots, who usually are not included in policy making. The people, who cannot express their opinion in policy making, should be incorporated more intently. I want to identify three groups engaged in this SAPRI process - people, the government and the World Bank. We, the NGO people, can exchange our development views with the government. We can raise our voice through articles, through seminar and symposiums and sometimes, also through procession if government doesn't take account of our demands. We can deal with the government but we have no ways to communicate with World Bank. We heard many things about the World Bank's policy making process for the last three days. They should consider repercussion of their policy making on us. They should not think that they are executing their responsibilities only through this meeting. They should analyse the statements we made here about their policy making. If we don't accept their policy happily then they should figure out the wrongs of their policy making. They have to understand the causes. We should also correctly figure out the problems. Zakia also has pointed out this. World Bank is running this structural adjustment participatory review process in seven countries of the world. We want that through our evaluation of the World Bank's policy other countries will also be able to understand and locate the underlying problems in the policies and will understand what actually structural adjustment mean. We want to share our knowledge and exercise of SAPRI

process with them. This is the first time we are here to evaluate and analyze the SAPRI process. I think we should carry on. As I am a representative from the civil society I think I should point out some aspects of the report we are going to make. We should consider the women's status as a cross cutting issue and the effect of any policy such as industrial policy, agricultural policy or economic policy on women.

Secondly, we should consider the environment issue in every sector. Many people think environment issue as a luxury. It should not be considered in that way. As I work in rural areas, I know how interdependent environment and people are. Damages in environment create problem in agricultural sector and also directly effect the lives of the poor people. Environment is not an isolated issue. It has direct bearing on our everyday life. We have also pointed out corruption. Corruption is one of the main obstacles in every development process. In the export oriented sectors we should note whether the labour laws are properly followed or not. Another thing is market promotion support. Shrimp industry not only involves the market promotion system or labour law. It brings other exclusive concerns. As a non-traditional export item, it should be considered as a case study while studying the impact of trade and industrial policy reforms. I think if we discuss the modernization and commercialization of agricultural sector we should also consider the shrimp industry. I think, that we should try to meet time to time to share our views about the SAPRI process. If we can carry out the study perfectly, it will be good for all of us. We heard many people saying in the meeting that we should make endogenously. And I consider this gathering as a new dimension in SAPRI process. Thank you all.

## **Tony Avirgan, SAPRI Global Secretariat**

During the last few months I have been traveling around the world attending all of the SAPRI forums in every country that's have one. And I would like to give very sincere congratulations to everyone involved here for having conducted a first class forum on SAPRI. And the reason it was first class is because it truly did meet the dream that many of us had when we first started thinking about this SAPRI exercise imagining what a successful forum might be like. A forum that really abroad our voices from the grassroots. And you have made that dream a reality. There was quite a bit of discussion between the civil society groups and the World Bank at an early stage to try to legitimise the testimony coming from the grassroots. The Bank's traditional kind of research is much more quantitative and those do not include the experiences and the opinions from the grassroots. But it is very important victory for civil society and an important aspect of SAPRI that the Bank has agreed this kind of qualitative information that you are presented here over the past few days is just as valid as the traditional kind of information. As Khusi has correctly said a few minutes ago one of the key goals for civil society is to give voice to those people who have had no voice previously, those people who have been excluded from economic decision making. And in this forum you have successfully done that you have expressed your views in an informed and alike manner. Now the question comes what to do with that information that you have presented. Definitely under the structure of SAPRI it will become part of the mix and be join together with the information that is gathered during the upcoming participatory field research. But also because the information that you are presented is as I have said valid information. The SAPRI global steering committee has determined that it has a right to publicise the information. We heard Lyn Squire at the beginning of this forum criticising the civil society steering committee for doing just that after the forums in Hungary and Uganda. But the steering committee has decided that they have a right and a duty to publicise these things that you have said not as conclusions of the SAPRI process but simply as expressions from civil society presented at this forum. And we will do that on a global level and I urge you to do that here in Bangladesh as well. There is some sense of urgency goes beyond of this SAPRI process as some people have said yesterday and today the situation is rather extreme. That we talked coldly rather coldly about the number of people employed, the number of people, the voice of national productive capacity and this kind of things in a forum

like this calls statistics. But in fact, they are really people's lives, sufferings that is going on everyday. And we would urge our colleagues at the world Bank and in the government of Bangladesh and in the other international financial agencies to take action now. There is a crisis in the world at this very moment, first in Asia and now on a global scale. And SAPRI, I am confident will show up these weaknesses in this kind of economy but hopefully change will come about even before the results from SAPRI are in.

Thank you very much.

## **Andrew D. Mason, Poverty Reduction and Economic Management Network**

In the consultations that preceded this Forum and over the last two-and-a-half days of the SAPRI launch in Bangladesh, we have listened to the voices and views of a broad range of different people representing different perspectives and raising different concerns about structural adjustment. Many of the people who have spoken here over the last few days are not people who usually have access to the ears of policy makers and in this context the process that we have begun here is an extremely important one.

- ❖ While we are still in the early stages of the process, we already have some progress to report. The agreement between Bank staff working on privatization and representatives of organized labor to have follow-up discussions is a good example of the space that the SAPRI process can create for dialogue and discussion. Opening this kind of a dialogue can only be a healthy and productive thing.
- ❖ At the same time, I should note that this is just the beginning and we still face many important challenges after this Forum, as we move into the more formal study phase of the exercise. For example:
- ❖ Over the last two and a half days we have heard lots of information and many different viewpoints about adjustment and its impacts. We heard, for example, that:
  - Average incomes are growing faster in the 1990s than they did in the 1980s or the 1970s;
  - Poverty, especially hard core poverty, has experienced measurable declines during the 1990s;
  - A range of human development indicators, such as infant mortality, literacy, education enrollment and attainment are steadily improving.
- ❖ This also suggests improvements in the living standards and quality of life of the Bangladeshi people, including of the poor.
- ❖ At the same time, we heard that:
  - Changes in the industrial structure are costing people jobs;
  - Privatization of rural market structures has led to problems regarding the supply of critical inputs, such as fertilizer;
  - Landlessness among the rural poor is increasing and real rural wages are declining.
- ❖ In the opening session of the Forum, Professor Mahmud highlighted the challenges participatory approaches to reviewing adjustment. For example, on the surface, some of this information may sound contradictory. However, they are not necessarily incompatible. My feeling is that adjustment is a bit like an elephant. How you perceive it depend on which piece of the beast you have a hold of. Among the critical challenges

following this Forum therefore – during the fieldwork and research phase -- will be to determine how robust the different pieces of information are and in what ways the different pieces of the puzzle fit together.

- ❖ This will be all the more challenging given that some of the information presented in the Forum does appear to conflict. For example, significantly different views were expressed from within civil society regarding what has happened to landlessness and rural wages.
- ❖ As Lyn Squire mentioned in his plenary talk, a critical challenge for SAPRI is to use the investigation to come to some agreement about the facts. Beyond establishing the facts, we face the challenges in the research phase of linking specific policies to outcomes and of determining how the findings can be used to improve policy making in the future.
- ❖ Debapriya Bhattacharya has posed some preliminary hypotheses coming out of the regional consultations, the focus group meetings, and this First National Forum. This provides a useful starting point for the next phase of SAPRI. With these in mind, perhaps it is useful for me to outline the next steps.
  - Following the Forum, it will be the job of the SAPRI *tripartite* Steering Committee to review the discussions to date and to prioritize the key issues raised by civil society. It will be up to the Steering Committee either to confirm or amend the priorities identified by Dr. Bhattacharya.
  - Once the priorities for the research are established, it will be the job of the *tripartite* Technical Committee to define the specific terms of references for the research and to jointly assemble a research team to carry out the field work and associated research. In this context, it will be important that the final hypotheses are worded in an open-ended and neutral way. Moreover, it will be important for them to have a specific policy focus.
  - The research will then proceed with a combination of participatory and more traditional analytical approaches with, as Kamal Malhotra stated yesterday, “equal respect for quantitative and qualitative data.”
- ❖ In this regard, I see additional challenges. I am very impressed by the extent of broad participation engendered by the SAPRI Steering Committee for the earlier consultations and for this Forum. Still, I see an ongoing challenge for even broader participation and inclusiveness. For example:
  - I am impressed by the high-level government commitment as demonstrated by the participation of several government ministers in this Forum. As the exercise progresses, it will be extremely important to bring in additional participation by government officials from the relevant ministries.
  - Organized labor interests have been well represented in the earlier consultations and in the forum. As SAPRI moves forward, it will be very valuable also to involve private employers and managers of government enterprises to strengthen the dialogue and fact-finding.

- Generally, if I am not mistaken, this Forum has done well in bringing together interests that are fairly well organized. An ongoing challenge will be to continue to seek the participation of groups of the poor and vulnerable who remain invisible in the policy process by virtue of their lack of organization.
- ❖ Following the research, there will be a second National Forum to discuss the study findings and their implications for policy making. The results of the study and this second Forum will then culminate in a second Global Forum in Washington, where the lessons from the different country exercises will be brought together and synthesized.
- ❖ Let me say a couple of things in closing.
  - First, it may be tempting for some of us who have participated in this Forum to draw conclusions about the impact of structural adjustment and about the roles of the different actors, based on the process so far. I would like to urge all of us to resist the temptation to make conclusions at this stage. For me, this is the beginning of a very important and potentially long-term dialogue and process. In some sense, we are just getting to know each other and to raise some very important questions. Many important insights will be uncovered during the process that follows. I urge all of us, collectively, to respect the process and the time it will take to get to the answers.
  - Second, it was mentioned on the first day of the Forum that Pierre Landell-Mills, the current Country Director for the World Bank will be finishing his tenure in Bangladesh and a new Country Director, Fred Thomas Temple will be taking over, starting next week. With the Chair's permission, I would like to invite Mr. Temple up to the front to say hello and perhaps to say a word or two about SAPRI from his perspective.
- ❖ Before I hand the floor over to Fred, I would like to take the opportunity to thank the people who have worked hard to make SAPRI happen in Bangladesh. There are far too many to name them all, but like others before me, I would like to give special thanks to Prof. Rehman Sobhan, Convener of the SAPRI Steering Committee, Dr. Wahiduddin Mahmud, Convener of the SAPRI Technical Committee, and particularly to Dr. Debapriya Bhattacharya, Director of the SAPRI study team. I would also like to thank my colleagues at the Dhaka office of the World Bank, who are engaging in an extremely serious way in this process. Most of all, I would like to thank the members of civil society who have contributed (and will continue to contribute) their time, energy, and thoughts to this exercise.
- ❖ Thank you.

**Fred Temple, Country Director, World Bank**

As a new comer I shouldn't say too much. And I think, in fact, the spirit of this exercise for the Bank is to listen more than to speak. So I will try to be brief. First, let me simply repeat the commitment of my predecessor Pierre Landell-mills has made to the SAPRI process. I am very happy that I have managed to arrive this week rather than next week and being able to participate in this event and this process is certainly generating personal interest, enthusiasm and commitment to the process. The point was made about the need for structural adjustment of the Bank and I should say that we are already engaged in a process which we call renewal and there are several aspects to this renewal process for us. But I would like to make just a few observations that I think are relevant to our meeting today. For me, probably the most significant aspect of the renewal has been the decentralisation of the management of the Bank's programmes. We over the last two years or so, have shifted the country directors for about half of the countries where we work to the countries themselves and Bangladesh is one of the countries where the country director sits in Dhaka rather than in Washington. And I can assure you that the world looks quite different when you sit in Dhaka than it does when you sit in Washington. And I think the SAPRI process itself shows a sign of renewal that is going on in the Bank. So, let me just simply conclude by saying that we really look forward to use this process to listen to you and to come up with new ideas that can be applied in our programmes in Bangladesh.. Thank you.

### **Syn Claire, World Bank**

I am the adviser to the Canadian and Caribbean executive director of the Bank and I would define myself as an old friend of Bangladesh since I was here many years ago as CIDA director for this country. And I suppose, this afternoon, I am a little bit informal voice of the Board which has been very strongly supportive of the SAPRI process. I would like to suggest that SAPRI reflects the new spirit, the changing spirit of the Bank as an institution which wants to listen to its partners and in fact to broaden the partnership relationship it has with countries in the world. I think we all had a lot to do with the adjustment as a process which had its controversies but it is ultimately an attempt to make better use of the resources available to countries and to see they are better aligned to development objectives. And certainly that realignment should not and does not need to be in any sense at the expense of the poor who have often been the victims of past distortion and corruption and other farces in society. As I am sure, you know better than I do..

I suppose, in the context of the last day's discussion we also should be conscious that adjustment is not an ideological statement, it is not the right or wrong. There should be fluidity, I think, around the ideas. Just to close, let me return to something I was discussing informally with our chairman over tea. The question of partnership. The Bank both as an organisation and in terms of its work looking for new approaches to integrate all elements of society in their activities. The idea is hidden within the word of partnership. And I think this embodies an approach which should bring together the government, for sure, as central actor, civil society, the world Bank, other multilateral agencies and also bilateral donors and those engaged in the development process and is trying to define common agenda. I think, in the spirit of that new approach one is looking for stronger and stronger leadership from the civil society and most particularly of course from government. Then, we return back to SAPRI, which I suspect an expression of that approach. The word learning is often now used in World Bank and part of that learning process is to understand how better to work with our partner countries. And part of that learning is actually listening to what you have to say. I think we are looking forward to better understanding about the past successes and not to

forget the failures. And I think in that sense the words of the minister about a home grown approach is very close to that spirit. With those words, I conclude.

Thank you.

## Rehman Sobhan

You see we have started the process. It is a very new process. And it will only be meaningful if we take each other seriously. We have all done a lot of research in our life. I am now actually 63. So, I don't think that it is any value addition for me to be associated with the production of one more book or one more research paper. We now engaged in a very serious process where you are involved after bringing a vice-president from Washington is no small matter and bringing three ministers here, and the Prime Minister's secretary and we have the director general of the N.G.O Bureau. And all these very active people sitting here. And two former ministers and who I am sure are also the future ministers. In fact, is not an insignificant matter. So this means that so for we are all taking this very seriously. Now, at the end of the day being serious means you have to actually not only take the process but the outcome very seriously. And taking the outcome very seriously will mean for the Bank you must be ready also to accept change if this emerges out of the felt needs of the people with whom you are dealing with. If ministers make the effort to own their policies by going through a consultation process of designing policy reform as seems to be a clear indication from the minister of agriculture. You will need to respect that and to accept that as the first choice of the people of Bangladesh. Even if it does not confirm to your own notions of an appropriate directions of policy. If that fails, you are at liberty to say, well we warned you and you obstruct the true path and that if you want to persist with this we don't feel that is any advantage in helping you. But having started this process, you are now committing yourself, to taking such initiatives emerging from a country seriously. And to respect it by going along with it until it is proved that it does not work. Now, it in fact, this is a genuine outcome of the structural adjustment going on in the thinking in processes of the Bank then we have really made significant step forward and this whole exercise is in fact going to have some meaning. At the end of the day it will not be feasible for you or for us to produce a look and to say, well, it was a nice academic exercise, some interesting ideas but thank you very much and lets get on with business as usually. So, you have now generated expectation and you have now taken a very significant step forward in coming in contact with the whole constituency of people who you have not normally be expected to meet. And as this process goes on, we will increasingly expose you to this constituency. This was a big show. But we would like in the course of this research to get you together from time to time with smaller audiences and expose you to a more extensive process of dialogue with regard to the issues which have been raised here where a process of give and take discussion actually take place. And we are genuinely hopeful that this could emerge as a major input into your own awareness of what Bangladesh think and more to point what they actually want. And if in fact this process works and delivers results in the way we hope it will. We are then I hope on a whole new way of in fact, designing policy in country such as Bangladesh which will be truly participatory. At the end of the day, if you are believer of a democratic process, then the democratic mandate remains the sovereign authority in which representative institutions and people would derive their authority from such institutions. We hope we are not committing ourselves to do more than we are capable of doing.