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Structural Adjustment Participatory Review Initiative, Bangladesh

A Summary Report on the Regional Consultative Meeting held in Chittagong on Wednesday, 20 December 2000

The first round of regional consultative meetings before the Second National Forum of Bangladesh SAPRI ended with the holding of the third of this kind at the Conference Room of Chittagong Chamber of Commerce and Industries in Chittagong, headquarters of one of the country's four greater administrative regions. The one-day-meet, intended to validate the research findings, was organised by the Community Development Centre (CODEC), a local NGO, with the assistance of SAPRI Secretariat. Fifty Nine participants, including delegates of thirty five local organisations -- representing entities such as labour unions, small-farmer associations, women's organisations, environmental and professional groups as well as other people's organisations affected by the adjustment programme and local NGOs working with them -- attended the tripartite collaborative exercise.

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

DATE & VENUE	LOCAL HOST ORGANISATION	AGENDA	PARTICIPATION BY CATEGORY	PARTICIPATION FROM DHAKA
Dec 20, 2000 Chamber Building	CODEC, Chittagong	♦ Presentation on findings on Implications of Trade, Industries and Financial Sector Reforms	Grassrots organisation - 40 Trade Union - 5 Women Org. – 3 Professionals - 2 Media - 5 Local Govt. Representative – 2 Chamber - 2 Total = 59	Prof M Ali Rashid Dr. Atiur Rahman Dr.DebapriyaBhattacharya Mr. M Shahabuddin Dr Toufic Ahmed Choudhury Mr. Syed Nizamuddin Dr Zulfiqar Ali Rashed A M Titumir

The consultation began by an introduction to the background of the process of implementation of SAPRI, followed by the presentations by the researchers. With Kamal Sengupta, Director, CODEC and Chirman of the Chittagong chapter of ADAB, apex bodies of NGOs, the consultation kicked off with introductory remarks from Mr. M Shahabuddin, Director, Proshika, lead organisation of Bangladesh SAPRI. Welcoming the participants, the chair paid his sincere gratitude to the participants for their attendance, and invited the SAPRI Study Director, Dr. Debapriya Bhattacharya to moderate the consultation. Making a recapitulation of background to the SAPRI, its objectives, global and national structure, and plan of implementation including the identification phase, the Study Director invited Dr. Atiur Rahman Prof. M Ali Rashid and

Dr Toufic Ahmed Choudhury in sequence to present findings of the studies on the implications of trade, industry and financial sector reform. Following the presentation, the floor was made open to the participants in order to validate the findings with their real life experiences.

The summary, given bellow, provides a brief on the deliberation made by the participants.

The participants were in unanimous in their opinion that Bangladesh had liberalised its trade regime within a short span of time without mapping sequence and pace of reforms, suited to the country's productive capacity, employment situation and competitive advantage. These faster and drastic changes left the majority of its entrepreneurs – both large and small – unprepared to cope with the changed circumstances. According to the participants, an extreme shift in the policy regime requires solid preparation including favourable social condition, good working culture, technological preparedness, skill workforces, access to capital, availability of efficient technical experts etc. Without these preparations, consequently, the reforms had an ill-fated outcome and thus the objectives of trade liberalisation had remained largely unfulfilled.

Referring to the neighbouring countries, participants pointed out that those countries had gone through a rigorous protective regime for a fairly longer time and opened their economy after they had successfully been able to develop a strong industrial base in the country.

The off and on tariff reduction at any point of time during the financial year received severe criticism. The businessmen had not been able to maintain their confidence on policies owing to frequent tariff reduction on various goods during any time of the financial year, and faced difficulties in doing business according to their plan. Changes in tariff rates should not have happened too fast and too frequently and also in the middle of the year, they suggested. It should rather be determined for relatively longer period (4-5 years). This lack of tariff stability had affected the process of liberalisation negatively.

The participants voiced in unanimity that domestic markets of Bangladesh were full of foreign goods due to trade liberalisation and the liberalised flow of goods were deterring growth of the local manufacturing industries, particularly the small and cottage industries. They referred to a host of various imported items including many consumer goods (e.g., toothpaste, cosmetics etc.), fabrics, small electrical and engineering products etc., which were locally available earlier. The participants raised their voice to the failure of designing corollary regulatory regime and institutions to watch on standards and quality and thereby protecting the interests of the consumers. The flood-gate opening without check inundated the domestic markets with substandard imported items.

The deluge had adversely affected many small enterprises including small engineering enterprises, rural industries, bakery & biscuit factories etc. and led to forced closure. The participant opined that radical liberalisation knocked on the industrial employment and self employment opportunities.

Due to absence institutions, the domestic capital had been crossing over the border through informal trade.

Taking on the failure of the trade and industrial reforms, the participants observed that the Bank sponsored policy regime had systematically avoided the thrust on linkages between trade promotion and industrial capacity utilisation in order make the country market of others. They said the reforms had not done much in popularising local products in both the local and international markets. Citing an example, they said that *dhekichhata chira* (one kind of cereal) could have been made popular in the international market as an organic food item. Similarly, *gur* (molasses) could also be exported as an organic food item. On the contrary, the participants observed that the domestic markets were glut with imported cornflakes and sugar.

Dwelling on the core of the development policy, the participants viewed that the country would not be able to unshackle itself from pervasive poverty, were it fail to expand industrial base, amplify employment opportunities. Prosperity never comes automatically without creating employment for the vast majority of the people, particularly the poor, women, and the disadvantaged, the participants observed.

According to them, trade reforms had not been able to develop industries and create adequate employment opportunities, rather constrained the growth of the local enterprises, particularly, the small enterprises.

Since the tariff rate has been reduced substantially after liberalisation, profit margin in the business has also decreased compared to what it was during pre-liberalisation period, the participants claimed.

The participants were of the opinion that devaluation of the local currency on the balance had not brought fruition, although the adjustment was supposed to help the exporters since production of most of the export items were largely dependent on imported raw materials.

According to the participants, lack of business support services and frequent changes of policies have been constraining domestic businesses. Terrorism and toll collection also emerged as the major problems of doing business in our country. Social status has also been degraded due to the loss of job. People now don't trust each other. Earlier on, any worker could borrow money from their relatives and neighbours, but now, they find it very difficult to borrow even from their close relatives.

They pointed out that sector the government initiated the privatisation drive, without preparing a clear-cut guideline for privatisation and encapacitating the private sector to take over the responsibility of enterprises. They thought that the private sector was yet to be ready with absorptive capacity.

The participants pointed that the mills were purchased with the sole objective of immersing into large scale corruption and looting of the properties. Corruption and looting has taken place at all levels. They categorically cited examples in this regard.

The participants opined that financial sector reforms failed to achieve efficient resource allocation in terms of access to credit by productive sectors. The referred to sorrowful state of small and medium sized enterprises regarding access to credit.

The participants observed that more that half of the rural people were outside the ambit of institutional credit market, even after considering the contribution of micro-finance institutions.

Recommendations

- There is a need for a sound regulatory framework to keep the market 'managed' with a view to expanding industrial base and amplifying employment opportunities to reduce poverty.
- The government should have precise estimates of the items and the quantity that are actually needed to import from outside of the country. Import licensing should also be regulated and permission for imports of different items should also be allocated among the respective importers in an appropriate manner. In this regard, adequate institutions should be set up.
- The government should indicate the items and fix the amount that is allowed to import. Government should also maintain a transparent record in this regard.
- The government should not change the tariff rates quite frequently, rather, it should done in a coherent manner and in a specific time (e.g., before the budget) of a year.
- Frequent devaluation harms the business and, therefore, it should not be done frequently.
- The quality of commodities that are being produced in our country should be improved by injecting higher technology so that they can compete with foreign commodities.
- Incentives should be provided at least at a limited scale and for a limited period for some strategic items.
- There should have substantial difference of tariff rates between the raw materials and the finished products.