

## Structural Adjustment Participatory Review Initiative, Bangladesh

### *A Summary Report on the Post-Research Regional Consultative Meeting held in Khulna on Monday, 16 October 2000*

The first post-research regional consultative meeting, set to validate the findings of research undertaken for Bangladesh SAPRI, was held on October 16, 2000 at a local hotel in Khulna, headquarters of one of the country's four greater administrative regions. With the assistance of SAPRI Secretariat, the Khulna branch of Nijera Kori organised the day-long meeting. --- locals, including representatives of ---- local organisations of the region, participated in this tripartite collaborative exercise to relate to findings of the studies with their experiences as regards implications of structural adjustment policies on their lives. Most of the participants attended pre-study consultation, wherein they deliberated on issues which they thought should be analysed through SAPRI exercise.

The constructive engagement listened to experiences of a forum of diversity, comprising farmers, labourers, agricultural labourers, NGO workers, teachers, women activists, professionals, small traders, trade union activists, etc.

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

DATE & VENUE	LOCAL HOST ORGANISATION	AGENDA	PARTICIPATION BY CATEGORY	PARTICIPATION FROM SAPRI, DHAKA
October 16, 2000  Hotel Tiger Garden, Khulna	Nijera Kori, Khulna	<ul style="list-style-type: none"> <li>• Welcome, introduction</li> <li>• Presentation on the findings of the Study on Impact of Structural Adjustment Policies using Participatory techniques</li> <li>• Discussion</li> </ul>	Farmer - Trade Union - Grassroots org - NGO - Women Org. - Teacher - Professionals - Business - Media - Local Govt. Representative - Social Worker - <hr/> Total =	Dr. Atiur Rahman Dr. Debapriya Bhattacharya Mr. Syed Nizamuddin Ms. Nilufer Ahmed Dr. Zulfiqar Ali Mr. Tarek Chowdhury Mr. Rashed A M Titumir

A summary in *Bangla* of the study *Impact of Structural Adjustment Policies: An Assessment Using Participatory Techniques* was distributed amongst the participants to comment on the findings.

Welcoming the participants, the chair, Kazi Wahiduzzaman, local chapter chairperson of the NGO apex body, ADAB, expressed his sincere gratitude for their

attendance in the second round of consultation, and invited Dr. Debapriya Bhattacharya to initiate the proceedings.

In his opening remarks Dr. Bhattacharya reminded the participants that unlike traditional research the SAPRI investigations have a strong participatory element as the traditional methods sometimes fall short of reflecting the reality and capture the experience of the people. He said that the participatory component has tried to map out how the measures under SAP were implemented, who was affected, why and how there were differentiated impacts.

The Study Director invited Dr. Atiur Rahman, Team Leader of the participatory component to present the findings. Dr. Atiur Rahman presented the findings in three separate clusters.

Following the presentation of each cluster, the Study Director invited participants' opinion.

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

### **Privatisation**

Most of the participants offered strong opinions about privatisation. According to them, privatisation is conceived as end in itself. Without making any prudent investigation in to the causes of their not-upto-the-level-performance, the state owned enterprises (SOEs) were privatised with a mindset that the enterprises would automatically take-off, if the SOEs were handed over to private owners. They observed that there was hardly any stocktaking of why the plant was not producing desired level of output. Prior to privatisation, problems were not identified. It was not investigated as to whether the non-performance were resulting from obsolete machinery, raw materials, marketing, adverse market condition or excess capacity. Rather than investigating in to the on-the-ground-realities, according to the participants, the whole privatisation drive was mooted on the dogmatic belief of squeezing out role of the state, without looking into implications relating to productive capacity of the economy and far-reaching impact on employment. They added that this ideological construct has put the state on the opposing side.

While expressing their experience about the privatisation of the mills in the region, participants observed that the current process of privatisation had failed to increase efficiency and augment productive capacity and employment rather the privatised enterprises were laid-off. They said that the owners bought the mills at give away price by borrowing money from the nationalised commercial banks. After acquiring the mills, the new owners retrenched the workers and sold land and other properties. At one point of time, they either declare the industry sick or close down the operations. Referring to a privatised enterprise of the region, it was stated that the owner reopened the mill by borrowing from the bank following the movement of the trade union. He spent a portion of the money, only to shut down the production after a few days. The participants observed that the process had been increasing the defaulted loans.

Contesting arguments of the World Bank on privatisation, some participants made their observation using the jab that the Bank's policy of privatisation was like prescribing to cut the head as a cure for headache. They criticised the Bank for an 'hidden agenda' - a premeditation to ensure grabbing of private property by some individuals who in turn would act as a class to perpetuate the hegemony of the international finance capital.

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

They also informed that hardly any retrenched workers found reemployment, passing a painful life.

The participants brushed aside the idea that the jute mills were not performing due to conditions exogenous to Bangladesh, especially due to fall in international demand. They said that the neighbouring countries were doing better. They argued that there were scope for increased demand for jute goods instead due to heightened environment related awareness. A programme of modernisation and product diversification can tap the new global environment.

### ***Recommendations***

The participants recommended the followings:

- The participants were critical of the process of privatisation and motif of buyers. They opined that before selling a SOE, authorities should in the first place enquire whether the would-be-owner had the entrepreneurial and managerial capabilities of running the plant. Prior to handing a SOE over to a new owner, the participants were of the opinion that the authorities should have to be sure that plant was taken over to remain in business, not with any ulterior intention of making quick money.
- The participants were of the opinion that retrenchment of workers and reductions of excess capacity were not sine-qua-non as had been prescribed by the Bank rather the policy should be designed on context and product specific.
- In response to a query, a good majority of the participants opined against privatisation.
- The participants said that the plants could have achieved increased competitiveness, should these are provided with working capital in appropriate time for procuring raw materials, the know-how including equipment are modernised and products are diversified.
- Since jute is a major cash crop and jute mills employ a large number of people, the government should initiate a restructuring programme of its own, crafted in consultation with stakeholders, ensuring transparency. The donors may fund components instead of its usual practice of making it a supply oriented.

### **Trade Liberalisation**

The participants opined that imports of quality products produced in the country should be discouraged. They added that the markets were being influenced through advertisement and networks. They observed that consideration for liberalisation should not only be expansion of choices of the consumers. Noting that the price of consumer goods have not reduced, they questioned the theory that liberalisation would reduce the price of goods, resulting from increased competition. According to them, the liberalisation is nothing but a ploy to capture the domestic market at the expense of domestic production which in turn leaving ripple effect on the real variable of the economy – output, employment and consumption.

The participants were of the opinion that bandwagon imports are not the solution rather increasing the employment and purchasing power through augmented productive capacity should be the goal of any trade and industrial policy. Asked what was the shield against rent seeking associated with licensing in response to their suggestion of regulated liberalisation, the participants said that the parliament with the mechanism of accountability would be able to prevent corruption.

Referring to industrialisation strategy pursued by different East Asian countries, the participants opined that the government toying the World Bank has been pursuing policies which are not conducive to industrialisation. They are of the opinion that the whole country has been made import dependent either through pursuing the prescription of the Bank or through smuggling. They asked as to why the Bank extends its support for import competing industries.

The participants said that the trade liberalisation and smuggling - which in theory supposed to be withered away as liberalisation progresses – have been thwarting existence of small and cottage industries, especially the handloom sector.

### ***Recommendations***

- There is strong need for instituting independent regulatory agency with teeth so that it could regulate the market. There is also need for effectualising the parliament with the process of design and implementation of trade and industrial policy.
- The goal of the trade and industrial policy should industrialisation. There is a need for strong policy support for building import-competing industries which would use local raw materials. The small and cottage industries should be given special treatment.
- Imports should be regulated, especially because of flat liberalisation's implications on foreign exchange reserve. After a thorough cost-benefit analysis, permission for import should be given to only those products which are taxing if endogenously produced than imported.
- The whole agenda are to be restructured to capture *swadeshi* aspirations.

### **Agriculture**

The participants were of the opinion that the long-term impacts of structural adjustment policies on the agriculture were negative. The widespread liberalisation of import of fertiliser and insecticide increased intensity of chemical fertiliser use, which led to decay in soil fertility owing to decline in the micro-nutrients. They are of the opinion that the bio-diversity was at stake due to concentration of some crop varieties.

The participants observed that modernisation of agriculture is something totally different from which has been practised in the name of liberalisation. They were of the opinion that the current practice has been followed only to capture the market through liberalisation of market in the name of meeting the supply and making the inputs available to farmers. The current practice, according to them, is not sustainable as three major inputs – seed, water, fertiliser and insecticide – have resulted in decline in soil fertility, loss of bio-diversity and fall in the level of ground water.

They criticised the current practice of government procurement and rather advocated for increased storage facilities which, according to them, could ensure just

price to the farmers as the profit resulting from agriculture is being eaten up by the intermediaries.

### ***Recommendations***

- There should be agriculture policy reflecting the felt need of the farmers, with special measures for the small and marginal farmers. The policy should be prepared in consultation with the stakeholders. The new agriculture policy should provide thrust on ecological agriculture, with policy support to integrated pest management, extensive use of organic fertiliser, use of traditional varieties and use of surface water by creating provision for canal digging etc.
- The participants voiced in favour of redistributive land reform.
- The participants recommended that the import of agricultural input should be regulated while the distribution channel should be decentralised.
- There should be a regulatory agency with required enforcement capability to regulate and monitor about the standards of agricultural inputs. Especially in case of fertiliser and insecticide, there should be provision for statutory warnings.
- As there is a change in the fisheries and poultries, the new agriculture policy should put adequate thrust on diversified agriculture instead of recent concentration on crop agriculture.
- There should be adequate provision for risk sharing and pooling. There is a need for introduction of insurance as the country is quite vulnerable to climatic condition.
- There is need for introduction of means-tested social security system instead of current piecemeal safety net mechanisms.

### ***Accountability of the Donors***

The participants asked whether there was any established mechanism of sharing responsibilities by donor due to fallout of a project. They also asked to the representatives of the Bank: “Did the Bank ever cancel project, conceived by the Bank, which was rejected by the people in stakeholders’s analysis?” They also express their frustration about the Bank’s ‘leap service oriented demonstrating’ stakeholders’ analysis in the name of people’s participation in the design phase of project to be sponsored by the Bank.

### ***Regional Problems***

Besides the nationwide perspective on sectors, it was stressed in the meeting that regional perspectives were necessary.